

EMERGING TRENDS IN CUSTOMER SATISFACTION OF VALUE ADDED SERVICES IN SELECTED BANKS AT MEHSANA DISTRICT OF GUJARAT

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INTRODUCTION

Ever since the banking sector in India was deregulated and opened to global competition and investment under the New Economic policy (1991), it has undergone a great metamorphosis. The overall performances and productivity has spiralled upwards with major attention given to improvement of customer services. The banks are becoming more competitive and technology driven.

Bank may be defined as a financial institution which is engaged in the business of keeping money for savings and checking accounts or for exchange or for issuing loans and credit etc. A set of services intended for private customers and characterized by a higher quality than the services offered to retail customers. Based on the notion of tailor-made services, it aims to offer advice on investment, inheritance plans and provide active support for general transactions and the resolution of asset-related problems. The essential function of a bank is to provide services related to the storing of deposits and the extending of credit. Basic function may include Credit collection, Issuer of banking notes, Depositor of money and lending loans.

Now a days banking is not in its traditional way, with the advancement of technology it's focusing on more comfort of customer providing services such as:

- Online banking
- Investment banking
- Electronic banking
- Internet banking
- PC banking /mobile banking

The importance of banking sector is immense in the progress and prosperity of any State or country. The economic progress and prosperity comes from the well-rounded development and an impeccable banking management. Banks in general, governmental and private, have eased our financial transactions, security, and facilitated the funding for establishing a business or industry.

Rationale of the Study

Electronic Banking is one of the fastest developing trends in Indian banking field. Electronics Banking is one of latest emerging trends on the Indian Banking Scenario. Today, the three major kinds of Commercial banks in India, like public sector, private sector and foreign banks are providing electronic banking to their customer in metros, cities and number of small towns in India. “Advancement achieved in the Information Technology and communication Technology in the last two decades has resulted in the successful implementation of Electronic Banking in India”. Today, the banks able to offer the choice of customer services to provide his/her banking business across the bank counter, over the telephone or through computer or internet. “The key to survival, therefore, is retention of customer loyalty by providing him with value added services tailored to his needs.

‘The Randarajan committee (1989) report is the first path banking step of its kind at introduction mechanism in the Indian banking industry.’

Subsequently, ‘the Narasimhan committee (1992) stressed that modern banking involves a great deal of processing of mass of information and commitment to technology is only solution that ensures timeliness, accuracy and resultant improved performances and enhanced customer services’.

‘The saraf committee (1994) on technology issued relating to payment system, cheque clearing and securities settlement in the banking industry , made several concrete recommendation aimed at infusing greater efficiency into the system’.

In the market economies of India, rapid innovation have taken place in the area of customer banking with introduction of services like ATM, Free Checking Accounts, High yielding money Market Accounts, Banking on telephone etc.

Here the focus of study is to certain the role of value added services to satisfy and retain customer loyal. Some of these services are explained below

Selected value added services

1. Automated Teller Machines cards (ATM)
2. Credit card
3. Debit card
4. Internet banking
5. Tele banking
6. Corporate cash Management
7. SWIFT Banking
8. Very small Aperture Terminals
9. Mobile banking
10. Home Banking
11. Demand Draft
12. Safe Deposit vault

13. Night safe
14. Rupee Travellers cheque

Selected banks**Nationalized Banks**

1. State Bank of India
2. Bank of Baroda
3. Dena Bank
4. Punjab National Bank

Private Banks

1. Axis Bank
2. HDFC Bank
3. ICICI Bank
4. Kotak Mahindra Bank

INTRODUCTION OF PROBLEM

Bank is a financial institution which is engaged in the business of keeping money for saving and checking accounts or for exchange or for issuing loans and credit etc. Due to political supports, Universal banking, Global banking and Electronic banking are possible in India. Now a days banking is not in its traditional way, with new advancement of technology it's focusing on more comfort of customer providing services Here the focus of problem is to study diverse value added services and its feature to satisfy and retain customer loyal. Now a day's many bank like nationalized and private offer different value added services to customer but the problem is to know that whether customers are satisfied with these services or not. Another problem is to study customer's perceived value, quality, and expectation towards the value added services provided by private and nationalized banks so as to satisfy them.

THE NATURE AND SCOPE FOR STUDY

The study has the scope of establishing the fact that company is weak in providing some banking services as per the customer's expectation. Hence the poor services can affect to the customer satisfaction and company's performance. The study is to be conducted in Mehsana region of Gujarat covering man and female of urban, rural and suburban area in the age between 16 to 60 years coming from lower, middle and upper class working as managers, officials, professional and technical person, businessman, clerical, salesperson, farmers, students, retired and unemployed and knowing behavior status of customers satisfaction and theirs loyalty.

This brings up number of challenges and opportunity in the field of banking companies. They can not afford to remain with traditional services to satisfy customer needs. In fact they need to provide various banking value added services to customer to satisfy and retain them loyal to company.

OBJECTIVE OF THE STUDY

As the focus of the customer satisfaction in banking value added services in Mehsana of north Gujarat region the objectives of the study are envisaged as under.

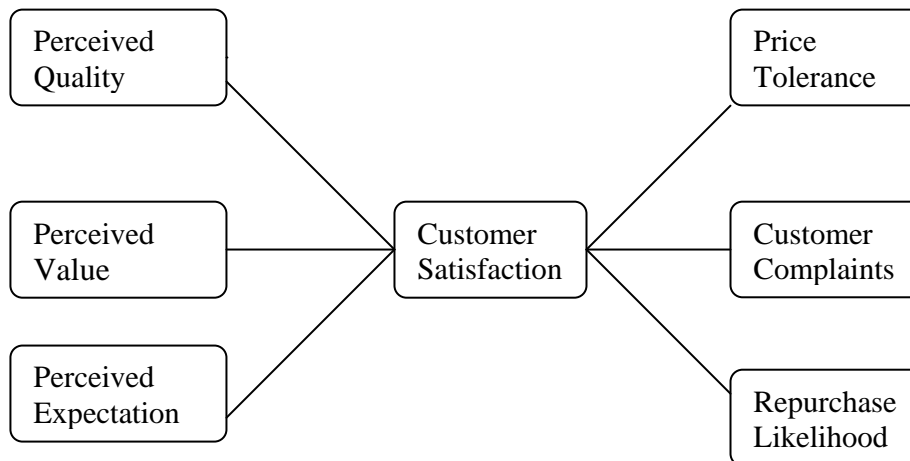
- To study perceived quality, value, expectation of customers in value added services to provide customer satisfaction.
- To measure price tolerance, repurchase likelihood, complaints of banking customers to satisfy diverse needs and to retain customers loyal.
- To analyze which value added services give more satisfaction to customers to be provided by nationalized and private banks.
- To study the role of information technology in satisfying various customer needs in banking.
- To determine diverse services of nationalized and private banks to satisfy customer's needs.
- To test traditional and modern banking value added services to satisfy and retain customer loyal.

HYPOTHESIS

1. Banking companies providing value added service tailored to customers need gives more satisfaction.
2. Perceived quality, value, expectation will have positive correlation with customer satisfaction.
3. Customer satisfaction can have positive correlation with price tolerance, repurchase likelihood.
4. Customer satisfaction will have negative correlation with customer complaints.
5. In banking value added services most Customers can be satisfied by Modern Banking than traditional banking.
6. Development in information and technology will enable banks in value added services to be effective in satisfying customer needs.
7. More Customers can be satisfied by private banks service than nationalized banks service.

Theoretical framework

A research model is based on American Customer Satisfaction Model (ACSM) that reveals the relation between customer perceived expectations, actual experience and after effects. Perceived quality depends upon the blend of past experience, word of mouth and the future anticipation of quality of the banking service. If a customer expecting the higher quality of service and the actual experience is matching or crossing the expectations positively than customer satisfaction level will be high and vice versa that reveals the direct correlation between perceived quality and the customer satisfaction. For using banking services everyone has to pay, every individual has his own mind set and financial limitations to acquire services. Customers are expecting higher values with relatively low expenses.



A company offering higher values to customers in terms of price than customer satisfaction is high that reflects the direct correlation between perceived value and customer satisfaction. Perceived expectations are the desired factors of services accordingly. Customers expect more than for which they are paying. A bank providing value to his customers more than their perception in all aspects and respects, customer satisfaction level will be high. Customer satisfaction is the degree of fulfillment of perceived expectations and the actual services provided by the banks. As level of high customer satisfaction directly leads to customer loyalty so highly satisfied customers will pay deliberately for using the entire service and his/her repurchase likelihood will be high. As the account holders are increasing in number so it is difficult for systems to manage abundant transaction. Sometimes customers have to face the problems and if the number of problems continuously and consistently goes on increasing that reduce the satisfaction level of the customer. Which proves that customer complaints and customer satisfaction has negative correlation.

REVIEW OF LITERATURE

Literature review will be done to study the overall business environment and customers' satisfaction level of value added services in banking industry.

Perceived Quality:

Perceived quality depends upon the blend of past experience, word of mouth and the future anticipation of quality of the value added service. Every customer requires best quality accordingly. Since banks are going on continuous improvement in quality through latest technology, installing costly equipments, trying to improve services, according to customer perception. But still there are lots of differences between perceived quality and actual quality provided by the banks. Because of some technical issues or lack of knowledge about area, people or customer requirements. Improved quality of service can lead to improved customer perceptions of the brand's quality. Perceived quality is the important factor that has greater influence on the customer satisfaction.

H1: - Perceived Quality has Positive Correlation with Customer Satisfaction.

Perceived Value

Perceived value is related to the price dimensions of banking services. In order to fulfill the basic and expected customer value companies do not have to put so much effort into what they are doing. Since everyone in the world is seeking his/her benefits so customers are also expecting benefits in terms of values. An intention to adopt or reject a banking service appears to be determined to a greater extent by perceived benefits than by perceived barriers. As the companies give high value to customers in terms of charges than satisfaction level gets high that leads to customer loyalty.

H2: - Perceived Value has Positive Correlation with Customer Satisfaction.

Perceived Expectations

Perceived expectations are the desired factors of services accordingly. All banks are striving to capture maximum market share and do not want to lose. The customer expects that banks will meet their requirements accurately. If customer Expectations are low with banks value added services than customers may be inclined to consider switching more frequently. Since latest technologies are being utilized by the banks but there is still need for improvement in order to handle and meet with the high level of customer expectations that directly leads to high customer satisfaction. If companies handle service, complaints, and value with the customers in focus, their expectations can be exceeded.

H3: - Perceived Expectations have Positive Correlation with Customer Satisfaction.

Customer Satisfaction

Customer satisfaction is the degree of fulfillment of perceived expectations and the actual value added services provided by the banks. Heavy investments are made to maximize level of customer satisfaction but only increasing the resources alone cannot lead to increased levels of customer satisfaction. Thus there must be other factors leading to improve customer satisfaction as pointed that customer satisfaction is achieved through good qualitative and quantitative services. These qualitative and quantitative services must meet and satisfy the customer requirements in order to maximize the level of customer satisfaction that leads to customer loyalty. It is found that more customized, specific or better-tailored services that meet customer's needs and expectations would lead to high level of customer satisfaction. Value-added services offered by banks can increase both customer satisfaction and total usage. Another study suggests that value added services and customer support play a significant role in building customer satisfaction for value added services in banking that leads to customer loyalty.

Now further in this study we will see how the customer satisfaction affects the customer loyalty in terms of repurchase likelihood and price tolerance.

Price Tolerance

Price tolerance is the degree to which a customer can bear the price of using bank value added service according to level of satisfaction. Since there is huge investment in banking industry so there must be some charges for using value added services. Banking service charges depend on many factors like technology, services, maintenance and taxes etc; customers are willing to pay certain amount of money for using value added services. In order to increase the share, the service charge should be reduced or should be put adjusted according to customer mental accounts terms. As the customers are satisfied with their

current service so they are willing to pay substantial charges to banks but customers tend to switch not only because the price is high, but also when price increase is deemed unfair.

H4: - Customer Satisfaction has Positive Correlation with Price Tolerance.

Customer Complaints

As every service department cannot meet exactly with the expectations of each and every customer's perceptions or could be some technical limitations but Total Quality Management (TQM) suggests that there will be continuous improvement in each and every step in order to remove faults and flaws. For banking industry in the area of customer support, banks must strive to minimize customer's inconvenience by speedily processing customer's complaints through a variety of systems. It is determined that the service support appeared to be an important quality element of banking value added service to improve customer satisfaction. In managing relationships with customers, organizations should consider perceptions of justice to improve customer satisfaction; especially after service failures occur. So in short as the number of complaints is high than the customer satisfaction level will be low that leads to Customer switch.

H5: - customer satisfaction has negative correlation with customer complaints.

Repurchase Likelihood

Repurchase likelihood refers to the intention of customer to purchase the same services again and again as per required. Since a highly satisfied customer is best marketing tool for any organization so highly satisfied customers result in more positive word of mouth and repurchase intentions. High customer satisfaction level increases the repurchase likelihood of the customer and reduces the customer churn.

H6: - Customer Satisfaction has Positive Correlation with Repurchase Likelihood.

RESEARCH DESIGN AND METHODOLOGY

The Descriptive research design is carried out to study the customer satisfaction of value added services in the banking environment. Here there is no list of person to be studied so that knowing customer satisfaction in value added services sample size has been based on population to be studied. A sample size was taken 500 approximately.

A questionnaire has been used to collect the data on the basis of characteristic of sample. Both primary and secondary sources have been used for data collection. Primary data is collected through structure questionnaire as well as personal interview. Secondary data has been collected from periodicals, journals, magazines, newspapers and website and other reference material available from various sources.

AREA & LIMITATION OF THE STUDY

The overall area of the study has been confined with Mehsana district Region. The study is limited with the Nationalized and Private Banks. In the study all person are not covered so it may not present proper result.

CONCLUSION

This study is one of the few, so far, which investigate the Emerging Trends in Customer Satisfaction of Value Added Services adoption. In this research we have defined several factors that act as drivers for mobile banking adoption. Based on the literature review we

manage to outline the factors that influence Customer Satisfaction of Value Added Services adoption in Mehsana.

Based on the research findings, we may put forward the following suggestions about incorporating innovative solutions in the banking sector, particularly by utilizing value added services:

1. Due to changing customer needs, it's important to adapt new innovative solutions in banking services with those new needs so as to meet perceived value and expectation to satisfy them.
2. In order to improve the bank public image, innovative banking services can be a very important tool in achieving this target, particularly when the firm actively engages in shaping standards for emerging technologies.
3. Banks can use value added services as a positive competitive advantage as well as differentiation strategy with rivals to get customer satisfaction over the competitors.
4. Banks offering various value added services may use this service as an attraction tool for prospective customers.
5. Development in information and technology enable banks in value added services to be effective in satisfying customer needs

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