

A COMPARATIVE STUDY OF CUSTOMER RETENTION IN PUBLIC SECTOR BANK AND PRIVATE SECTOR BANK

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ABSTRACT

The present paper attempts to study the impact value added services on saving of time and customer loyalty/retention, these are those services that add value to the customers experience. The researcher identifies VAS offered by banks to their customers and tries to measure Bankers' response about the saving in their time by providing VAS, decrease in number of customers' visits to the Bank by using VAS, Bankers' response about decrease in customers' visits to the Bank by using VAS, frequency of customers' visits in extended hours, Bankers' response about the increase in retention/loyalty of the customers by providing Value Added Services.. The Data was collected from a usable sample of 20 employees (10 from PNB and 10 from ICICI bank) and 100 customers (50 from PNB and 50 from ICICI bank) of Rohtak city. Data was analyzed by employing percentage, average and weighted average. The results show that In regard to saving of time, it was also found that maximum customers saved their time where as bankers responded quite disappointedly and In regard to retention of customers, a moderate increase was found in retention of customers to their Banks.

Keywords: Value Added Services, Banks, Saving Of Time, Customer Loyalty/Retention

INTRODUCTION

The customer is interested in how he/she can benefit from the bank and its products. That's why it becomes necessary for a bank to differentiate its products from the others. Some of the ways of introducing differentiation are by specialization, new products, and increasing the added value. Specialization basically means that the bank gets involved only in selected areas. For example, the bank might be getting involved only in housing finance. Or, it could be limiting its services just for corporate banking clients. Another way to specialize could be by handling just specific sets of portfolios. Banks can differentiate themselves by adding new products to their range of services. This will provide the bank with better yields per contact. Increasing the added value of products is another way of differentiation for banks. Change in operational is also a key factor in effective differentiation from the competition.

Indian banks have realized that it no longer pays to have a 'transaction-based' operating model. This has led to the development of a relationship oriented model of operations focusing on customer-centric services. While banks have to ensure product superiority and operational excellence, the biggest challenge today is to establish customer intimacy without which the other two are meaningless.

"In the financial world, product superiority does not last long as it is relatively easy to copy products. So, the real strength comes from polishing operations, understanding the customer and establishing rapport with him. In this context, it is very important that banks identify and understand customer needs. This will help banks in tailoring their products according to customer needs. It also helps in new business opportunities like cross-selling and 'up selling,' which takes cues from customer aspirations and transaction patterns.

Customer relationships have to be managed in the best possible manner. This will ensure that the customer comes back to the bank. In addition to good customer retention rates, it will also provide better income generation capability. This is because a major chunk of income of most banks comes from existing customers, rather than from new customers.

For long-term survival and growth, organizations/banks need to constantly upgrade and improve their products and services and introduce new ones. The imperative to constantly improve products and services emanate from the following rationale.

- Dynamism of the market due to the changes in customers' needs wants and preferences.
- Improveyogesh1976
- ments in the existing products and services offered by competitors.
- Emergence of newer and better technologies.
- Entry of new competitors.

Adding value has become a strategic and integral part of banking, driving banks to acquire and implement world-class system that enable them to provide products and services in large volumes at a competitive cost with better risk management practices. There is a need to undertake extensive computerization across bank branches as banks that adopt the latest services would have an edge over others in terms of productivity.

By Impact, we mean effect or the impression made by an idea or a thing on another object. Its measurement means measuring the extent of that effect. The value added services has totally changed the traditional banking practices. These have brought about the revolutionary changes in valuing customers, technology adoptions and therefore, reduction in costs and time taken. Customers' visits to the branch in extended hours or decrease in number of personal visits, ever increasing number of ATM transactions are the examples of the impact of these VAS.

VALUE ADDED SERVICES are over and above or some additional features added to core services offered by banks by using technology. The customers are being offered a large bouquet of choices and many value added services. All these are being done to gain a large

market share and to get a strong hold in the fast growing fiercely competitive market space. The measurement of impact on different aspects is done Bank wise and customer wise. Present study is completed by using primary data. The primary data was collected in order to elicit information regarding the different aspects in connection with VAS. In this study classification is done prior to tabulation on the basis of PNB and ICICI employees and customers. In the present study simple tools like percentage, simple average, weighted average and scaling have been used.

Under the present a sample of 20 bank employees, 10 from PNB and 10 from ICICI BANK were selected. Also, we have selected 50 male and 50 female respondents. The sample was restricted only to existing customers of sample banks. Further, the distribution of the sample was done according to banks. 50 respondents (25 male & female) were drawn from ICICI BANK and another 50 respondents (25 male & 25 female) were drawn from PNB. in order to obtain their viewpoint on various aspects like time saved by the customers by using VAS, Bankers' response about the saving in their time by providing VAS, decrease in number of customers' visits to the Bank by using VAS, Bankers' response about decrease in customers' visits to the Bank by using VAS, frequency of customers' visits in extended hours, Bankers' response about the increase in retention/loyalty of the customers by providing Value Added Services.

Value Added Services Adopted By Banks

1. Core Banking Solutions(CBS)
2. Automated Teller Machine(ATM)
3. Tele-Banking
4. On-line Banking
5. Credit Card
6. Debit Card
7. Electronic Purse
8. Call Centres
9. Electronic Fund Transfer(EFT)
10. 12-hour Banking
11. Bancassurance
12. Door Step Banking
13. Bill Collection
14. Tax Collection

OBJECTIVE

This paper makes an attempt to evaluate the impact value added services on saving of time and customer loyalty/retention.

Measure the Impact of Vas

The range of time saved by the Customers by using VAS

The use of VAS has significant impact on the time saved by the customers. Here the impact means that to what extent customers' time is saved by adopting these services than transacting in the traditional ways. Today, various services are available by which customers can do banking even from their home, thus a significant amount of time can be saved.

Table 1.The range of Time Saved by the customers by using VAS

Time saving (per cent)	PNB			ICICI BANK			TOTAL		
	Males (No)/ (per cent)	Females (No)/ (per cent)	Total (No)/ (per cent)	Males (No)/ (per cent)	Females (No)/ (per cent)	Total (No)/ (per cent)	Males (No)/ (per cent)	Females (No)/ (per cent)	Grand Total (No)/ (per cent)
0-25	7 (28)	8 (32)	15 (30)	9 (36)	9 (36)	18 (36)	16 (32)	17 (34)	33 (33)
26-50	11 (44)	10 (40)	21 (42)	11 (44)	11 (44)	22 (44)	22 (44)	21 (42)	43 (43)
51-75	5 (20)	6 (24)	11 (22)	2 (8)	4 (16)	6 (12)	7 (14)	10 (20)	17 (17)
76-100	2 (8)	1 (4)	3 (6)	3 (12)	1 (4)	4 (8)	5 (20)	2 (4)	7 (7)
Total	25 (100)	25 (100)	50 (100)	25 (100)	25 (100)	50 (100)	50 (100)	50 (100)	100 (100)

Note: The Figures in Parenthesis shows percentage to total in the respective category

The above table shows the percentage of time saved by the customers by using VAS. Here the analysis is made in different ranges i.e. 0-25per cent, 26-50per cent, 51-75per cent, 75-100per cent. These cover both extremes i.e. no time saved (0per cent) and 100per cent time saved.

It is observed here that 33per cent of total (30per cent of PNB & 36per cent of ICICI Bank) customers found saving of time between 0per cent and 25per cent. Majority of customers (43per cent) replied that they saved up to 26-50per cent time, whereas only 24per cent of total respondents (17per cent of PNB & 10per cent of ICICI Bank) feel that they saved above 50per cent of their time by using VAS. From the above table it can be concluded that the maximum customers (76per cent) saved their time from 0-50per cent range.

To study the impact, the same question (and in the same manner) was asked from the bankers. Their replies are depicted in the following table.

Banker's Response about the saving in their time by providing Value added Services**Table 2.** Bankers' response about the saving in their time by providing VAS

TIME SAVING	PNB (NO)/(PER CENT)	ICICI BANK (NO)/(PER CENT)	TOTAL (NO)/(PER CENT)
0-25PER CENT	8 (80)	5 (50)	13 (65)
26-50PER CENT	1 (10)	3 (30)	4 (20)
51-75PER CENT	-	2 (20)	2 (10)
76-100PER CENT	1 (10)	-	1 (5)
TOTAL	10 (100)	10 (100)	20 (100)

Note: The Figures in Parenthesis shows percentage to total in the respective category

The bankers have responded quite disappointedly regarding saving their time by providing VAS. A major portion of respondents i.e. 65per cent (80per cent of PNB & 50per cent of ICICI Bank) saved their 0-25per cent of time, 20per cent of total (10per cent of PNB & 30per cent of ICICI Bank) saved 26-50per cent of their time, and 10per cent of total (20per cent of ICICI Bank only) felt time saving between 51per cent and 75per cent . And the remaining 5per cent of total (10per cent of PNB only) found the maximum 76-100per cent time saving from providing the VAS.

Looking at bank-wise replies, ICICI Bank employees saved more time than their PNB counterparts, perhaps because they're a more young lot and are more conversant with the knowledge of computers etc. than the employees of PNB, also the ICICI Bank employees had lesser problems in handling the VAS than that of PNB.

From the above two tables, it's inferred that majority of both bankers (85per cent) and customers (76per cent) found their time saved from 0-50per cent. And the remaining of respective respondents saved more than 51per cent of their time because of VAS. This is not very encouraging, though may be because of low awareness and usage level among the customers. In this regard, it's suggested that bankers must initiate some innovative measures to increase the use of internet, tele-banking, ATMs etc. and also popularize them properly, for the minimization of the time taken in a transaction. A well aware customer can save a substantial degree of time by using VAS, as his personal visits to the branch is decreased substantially, which ultimately will save the time of bankers too.

Decrease in Number of Customer's Visits to the Bank Using Value Added Services

Value added services have impact on number of personal visits to bank branches also. Traditionally, for each and every transaction, the customers required to move to his bank-branch and that too within limited time. But now many value added services are available with the help of which, the banking is possible from the doorstep of the customers or from the most convenient market places, as a result of which he is no more required to move to the

branch for routine transactions. The following table shows the decrease in number of customers' visits to the bank with the adoption of VAS.

Table 3. Showing decrease in number of customers' visits to the Bank by using VAS

Decrease in no. of visits	PNB			ICICI BANK			TOTAL		
	Males (No)/ (per cent)	Females (No)/ (per cent)	Total (No)/ (per cent)	Males (No)/ (per cent)	Females (No)/ (per cent)	Total (No)/ (per cent)	Males (No)/ (per cent)	Females (No)/ (per cent)	Grand Total (No)/ (per cent)
No dec.	4 (16)	7 (28)	11 (22)	8 (32)	5 (20)	13 (26)	12 (24)	12 (24)	24 (24)
Moderate	14 (56)	13 (52)	27 (54)	12 (48)	14 (56)	26 (52)	26 (52)	27 (54)	53 (53)
Substantial	4 (16)	2 (8)	6 (12)	4 (16)	5 (20)	9 (18)	8 (16)	7 (14)	15 (15)
No Resp.	3 (12)	3 (12)	6 (12)	1 (4)	1 (4)	2 (4)	4 (16)	4 (8)	8 (8)
TOTAL	25 (100)	25 (100)	50 (100)	25 (100)	25 (100)	50 (100)	50 (100)	50 (100)	100 (100)

Note: The Figures in Parenthesis shows percentage to total in the respective category

The above table shows that 24per cent of total respondents (22per cent of PNB & 26per cent of ICICI Bank) find no decrease, whereas maximum number of customers (53per cent) finds moderate decrease and 15per cent of total respondents find substantial decrease in their personal visits to the bank. 8per cent of total respondents gave no response to the question. The trend of all replies is found almost similar in both the Banks.

Thus from this table, it's observed that there is overall a moderate decrease in number of visits of customers to branch. Still the result is not as per as our expectation, may be because customers find these services complicated to use, more risky, not meant for common person, the need of technical skills to operate these VAS and the most important one is that they feel human closeness is missing. Thus they doubt the reliability of the transactions executed.

Banker's Response about decrease in customer's visits to the bank by using value added services

Further, to study the impact of value added services, employees were asked the same question i.e. about the decrease of customers' personal visits to the branch. The following table shows their replies regarding the same.

Table 4. Bankers' response about decrease in customers' visits to the Bank by using VAS

	PNB (NO)/(PER CENT)	ICICI BANK (NO)/(PER CENT)	TOTAL (NO)/(PER CENT)
NO DEC.	8 (80)	4 (40)	12 (60)
MODERATE	2 (20)	3 (30)	5 (25)
SUBSTANTIAL	-	3 (30)	3 (15)
NO RESP.	-	-	-
TOTAL	10 (100)	10 (100)	20 (100)

Note: The Figures in Parenthesis shows percentage to total in the respective category

The above table shows that 60per cent of total employee respondents (80per cent of PNB & 40per cent of ICICI Bank) find no decrease in customers' visits, 25per cent of total (20per cent of PNB & 30per cent of ICICI Bank) find moderate decrease, whereas 15per cent of total (30per cent of ICICI Bank only) find substantial decrease in customers' visits to the branch. It's observed that majority of employee find that there is no decrease in customers' visits. This is may be because different employees have different duties. Those who deal with FDs and RDs may find no decrease; on the other hand, employees in public dealing may find moderate decrease. And the employees on cash may find a substantial decrease on one day and no decrease on another day, because of the availability of ATMs.

The above two tables indicate difference in replies of customers and majority of bankers, as the majority of customers (53per cent) found moderate decrease in their visits, whereas majority of bankers (60per cent) found no decrease. This is may be because customers are using ATMs more, so they find a moderate decrease in their visits to the branch,; whereas the bankers feel otherwise, perhaps because of introduction of new customers and also the banks are diversifying into other services like insurance, mutual fund investment managements etc. due to which they're over-burdened with the work-load.

Customer's Visits in Extended Hours

Extended hours means the increased working hours over the traditional 10.00am to 2.00pm banking. Customer dealing hours are extended from 8.00am to 10.am and from 2.00pm to 8.00pm; not only these 12-hour facilities but customers are also provided with ATMs where banking practice is possible for 24 hours. With the help of centralized banking solutions, and internet banking, now time is no bar at all.

Table 5. Showing frequency of customers’ visits in extended hours

Visit In Extended Hrs	PNB			ICICI BANK			TOTAL		
	Males (No)/ (Per Cent)	Females (No)/ (Per Cent)	Total (No)/ (Per Cent)	Males (No)/ (Per Cent)	Females (No)/ (Per Cent)	Total (No)/ (Per Cent)	Males (No)/ (Per Cent)	Females (No)/ (Per Cent)	Grand Total (No)/ (Per Cent)
FREQUENTLY	5 (20)	4 (16)	9 (18)	9 (36)	5 (20)	14 (28)	14 (28)	9 (18)	23 (23)
SOMETIMES	14 (56)	16 (64)	30 (60)	11 (44)	13 (52)	24 (48)	25 (50)	29 (58)	54 (54)
NEVER	4 (16)	3 (12)	7 (14)	3 (12)	7 (28)	10 (20)	7 (14)	10 (20)	17 (17)
NO RESPONSE	2 (8)	2 (4)	4 (16)	2 (8)	-	2 (4)	4 (8)	2 (4)	6 (6)
TOTAL	25 (100)	25 (100)	50 (100)	25 (100)	25 (100)	50 (100)	50 (100)	50 (100)	100 (100)

Note: The Figures in Parenthesis shows percentage to total in the respective category

Table 5 shows frequency of customers’ visits in extended hours. The options given to customers are ‘frequently’, ‘sometimes’, and ‘never’. 23per cent of total (18per cent of PNB & 28per cent of ICICI Bank) customers replied that they frequently visited to banks in extended hours; this figure may include the persons in service or business occupation, who find time to visit their bank only after their own usual business hours. 54per cent of total respondents (60per cent of PNB & 48per cent of ICICI Bank) visit bank branches sometimes, in extended hours. 17per cent of total (14per cent of PNB & 20per cent of ICICI Bank) customers have never visited their branch in extended hours. The remaining 6per cent of total has not responded their response. There is no significance difference found in the opinions of the males and the females, except that 28per cent of males and 18per cent of females frequently visit to the branch.

It can be concluded that most of the customers i.e. 77per cent of total (78per cent of PNB & 76per cent of ICICI Bank) are using this facility. This is possible because all the banks have prime locations and they’re easily approachable. Thus we can say that the value added services have impact on the customers as is seen from the change in their visiting practices.

Banker’s Response about the increase in Retention / Loyalty of the customers by providing value added services.

Customer retention/loyalty means customer faithfulness to one bank so that customers keep their accounts with that bank. This is the main objective by banks in the light of which, various services and schemes are being offered to attract existing customers and making them retain with the bank for a long time. As customers’ awareness is increasing they demand more quality products for which banks need to update themselves from time to time.

The following table shows the increase in retention/loyalty of the customers by providing VAS.

Table 6. Showing Bankers' response about the increase in retention/loyalty of the customers by providing Value Added Services

CUSTOMER RETENTION	PNB (NO)/(PER CENT)	ICICI BANK (NO)/(PER CENT)	TOTAL (NO)/(PERCENT)
0-25PER CENT	6 (60)	8 (80)	14 (70)
26-50PER CENT	3 (30)	2 (20)	5 (25)
51-75PER CENT	-	-	-
76-100PER CENT	1 (10)	-	1 (5)
TOTAL	10 (100)	10 (100)	20 (100)

Note: The Figures in Parenthesis shows percentage to total in the respective category

The table above shows that 70per cent of total (60per cent of PNB & 80per cent of ICICI Bank) find 0-25per cent increase, 25per cent of total (30per cent of PNB & 20per cent of ICICI Bank) find 26-50per cent increase in customer retention. Only 5per cent total i.e. 10per cent of PNB only, find increase up to 76-100per cent level.

It is clear that though almost all the bankers (95per cent) (PNB-90per cent & ICICI Bank-100per cent) found the 'moderate increase' in retention of customers to their banks. Though there is rise in retention of customers to their respective banks, it can be concluded that VAS have not been used as per their potential in fulfilling the purpose. The need of the hour is to provide quality and prompt value added services, so that VAS can be used as a tool for the maximization of the customer base/retention to achieve the ultimate objective of increasing the banks' profits.

Banker's Response about their satisfaction level regarding working of different value added services

Employees' satisfaction refers to satisfaction of worker in performing whatever work is given to him or the successful completion of their work. In today's banking scenario, banking is done with the use of various value added services. The employees' satisfaction from these, comes from the smooth functioning (connectivity etc.) of these, easiness in use, reduction in their workload etc. which save their time in execution of their duties. The following table shows bankers' response about their satisfaction level regarding working of different VAS. The working of VAS means here that how smooth they all go to help the bankers' in fulfilling their duties.

Table 7. Banker's response about their satisfaction level regarding working of different VAS

	PNB	ICICI BANK	TOTAL
ATM	46	45	91
CBS	45	46	91
TELEBANKING	34	45	79
INTERNET BANKING	41	44	85

Table 7. Banker's response about their satisfaction level regarding working of different VAS
(Contd....)

	PNB	ICICI BANK	TOTAL
CREDIT CARD	33	47	80
DEBIT CARD	43	45	88
ELECTRONIC PURSE	35	39	74
CALL CENTRES	38	41	79
EFT	42	42	84
12-HR BANKING	46	49	95
BILLS COLLECTION	44	49	93
DOOR-STEP BANKING	35	41	76
TAX COLLECTION	33	45	78
BANC ASSURANCE	31	45	76
TOTAL	546	623	1169

Note: VAS: Value Added Services, EFT: Electronic fund Transfer, CBS: Core Banking Solutions, ATM: Automated Teller Machine

In the above table, grand total score is 1169 (of total customers for all services); by comparing it with average score i.e. 840, it's found that employees are satisfied with the functioning of these services. This satisfaction level is 83.5per cent, which shows a highly satisfied level. No significant difference was found in bank-wise satisfaction level, except that ICICI Bankers were more satisfied with the functioning of certain VAS than their PNB counterparts.

Further, looking at the satisfaction level from functioning of individual service, all the employees are found satisfied with 12-hour banking (score at 95 i.e. 95per cent level), which is the highest score showing high satisfaction level. There is a marginal difference in satisfaction level of some services in both the banks, the services include Tele Banking, Credit Card, Tax collection, Bancassurance, the functioning of which, the employees of ICICI Bank are more satisfied with, than the employees of PNB.

The other satisfying service is Bills collection (93per cent) followed by ATM and CBS (both at 91per cent), which reduce the workload of employees, showing a high satisfaction level. The services near to 'satisfaction' level are debit cards (80per cent) and credit cards (88per cent), which are moderately used in Rohtak City. The services by which the employees are least satisfied is electronic purse and Tax

CONCLUDING REMARKS

Impact of value added services on aspects like saving of time and customer retention was analyzed and after analysis In regard to saving of time, it was also found that maximum customers saved their time where as bankers responded quite disappointedly looking at Bank-wise replies ICICI Bank employees saved more time than PNB employees. In regard to retention of customers, a moderate increase was found in retention of customers to their Banks.

Value added services saves substantial time of bank employees. For this, customers must be encouraged to use value added services like Call Centres for their routine enquiries; by which employees can save time and concentrate on other major issues. Efforts must be taken on the part of banks to increase customer base. Effective steps must be taken not only to attract new customers but to retain existing customers also, by giving proper attention and their maximum satisfaction will bring more new customers. Also, it is important to note here that the cost of retaining existing customers is comparatively less than the cost of attracting new customers.

With introduction and adoption of above instruments the banks have totally revolutionized the functions, operations, administration, decision-making and management information system. All these value added services helped the banks in retaining the existing customers, attracting new customers, by providing satisfaction to them.

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