

RELATIONSHIP BETWEEN AVAILING RETAIL BANKING PRODUCTS AND CUSTOMER SATISFACTION WITH BANKS' FUNCTIONING BEHAVIOUR IN CUDDALORE TOWN

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Abstract

The purpose of this article is to identify relationship between customers' availing various retail banking products and their satisfaction with banks' various functioning behaviour. The present work is mainly based on primary data collected from 500 randomly selected customers of public and private sector banks in and around Cuddalore town. A 15 item scale is used for measuring customer satisfaction and the scale items were found to be internally consistent (Cronbach alpha coefficient =). To measure the extent of availing retail banking products, 20 products were included in the questionnaire. The principal component factor analysis applied on the customer satisfaction data explored four dimensions, viz., problem solving ability of the banks / bank staff, knowledge and behaviour of the employees, location of the bank / convenient working hours and physical facilities in the bank. Application of canonical correlation analysis relating set of customer satisfaction factors and set of retail banking products exposed that the problem solving skill, knowledge and behaviour of the employees and physical facilities available in the bank are the important factor in determining customers' availing of various retail banking products offered by the banks in Cuddalore region.

Keywords: Retail banking products, Customer satisfaction, Cronbach alpha coefficient, Principal component factor analysis, Canonical correlation analysis.

Introduction

The customer satisfaction is the crucial factor for any service organizations because it is effective tool to keep the customers in their fold and get positive response from them about business in order to create brand value. Further, the customer are likely to

come forward to avail various retail banking services at great extent only if various services provided by the banks including employee behaviour is good enough to satisfy the customers. So, evaluating the customer satisfaction with various banking services and relating the satisfaction with availing various retail banking services is felt important. Hence, in this article, an attempt is made to evaluate the customer satisfaction along with its impact on availing retail banking services.

Review of Literature

Muffato and Panizzolo (1995) suggested that customer satisfaction is considered to be one of the most important competitive factors for the future, and will be the best indicator of a firm's profit ability. They further suggest that customer satisfaction will drive firms to improve their reputation and image, to reduce customer turnover, and to increase attention to customer needs. Such actions will help firms create barriers to switching, and improve business relationships with their customers [1]. Babin (1999) argued that service experience effects the customer's overall satisfaction with the service brand. Defined as an emotive response to service attributes and service information, satisfaction is the customer's immediate reaction to both tangible and intangible brand stimuli. The intangible brand stimuli such as core service, employees, environment and feelings aroused during service consumption to have a direct effect on satisfaction [2].

Moutinho and Smith (2000) studied the bank customer satisfaction through mediation of attitudes towards human and automated banking. Their findings suggest that the drive towards 'ease of banking' and convenience is favored by customers and therefore banks should find alternative strategic routes designed to improve service delivery, either human based or technology based. The study also suggests that Bank customer's attitudes towards the human provisions of services and subsequent level of satisfaction will impact on banks switching more than when the same delivery is made through automation [3].

As stated by Krawcheck (2012), the current incompatibility between customer dissatisfaction (relatively high) and customers' willingness to purchase other products (relatively low) is unsustainable. Profits resulting from the additional purchases of satisfied customers are in the medium and long term more valuable than the profits resulting from trading, cutting costs or increasing net interest income. Additional purchases by satisfied customers lead to more solid profits [4].

Shah and Pandi (2012) have observed that retail banking is an emerging sector in Indian Banking Industry. It covers segments like current account, saving account, housing loan, auto loan, personal loan, education loan, consumer durable loan, credit card and debit card. There are various drivers of retail banking in India which contributes in the growth of retail banking [5]. Anita and Singh (2013) stated that Indian banking industry is one of the largest in the world and there has been a great surge in

retail banking. Retail portfolio, which mainly comprises lending for consumer durables, housing, personal loans and educational loans, etc., constitutes more than one-fifth of total bank advances. Banks are continuously striving to improve their services in different market segments. Nevertheless, there has remained a gap between the services offered by banks in the retail area and the expectations of their customers [6].

According to Terpstra and Verbeeten (2014), satisfied customers tend to be loyal and willing to purchase more of a firm's services at higher prices. Current customer satisfaction levels' positive effects manifest themselves as acquisitions of additional products or services after one year rather than within one year. These authors also ascertained that customer satisfaction is positively associated with future customer revenues and customer value, especially in higher customer profitability segments (i.e. customer satisfaction is a value driver). This finding confirms marketing wisdom that increasing profitable clients' customer satisfaction increases the company value [7].

Objectives of the Study

The following are the objectives for the present research work:

1. To evaluate the extent of customer satisfaction with various banking services, their behaviour towards customers along with evaluating the customer satisfaction with behaviour of bank employees.
2. To find out the influence of customer satisfaction on availing various retail banking products.

Methodology

The present work is mainly based on primary data collected by survey method using questionnaire instrument. The questionnaire were distributed to 550 randomly selected customers in and around Cuddalore town, Headquarter of Cuddalore district, Tamil Nadu, India. The 7-point Likert type scale is used to obtain the respondents' perception. With 550 distributed, only 528 filled in questionnaires are returned to the researcher. After scrutiny of the received questionnaire, 28 are dropped due to lack of sufficient information and 500 questionnaires are retained finally for the study.

Before going for actual analysis, the collected data are first tested for internal consistency (reliability / validity) of the scale items based on Cronbach Alpha Coefficient obtained from Reliability / Item analysis. The computed value of Cronbach alpha coefficient is 0.8893, envisaging good internal consistency of the scale items measuring customer satisfaction. The principal component factor analysis is applied to identify the dimensionality underlying customer satisfaction. The extent of customer satisfaction is explored by descriptive analysis. The customer satisfaction factors that are more important in influencing the customers on availing various retail banking products are identified by correlating variables in two sets (customer satisfaction factors and retail banking products) using canonical correlation analysis.

Results and Discussion

Table I shows the eigenvalue and proportion of variance explained by each factor underlying customer satisfaction. As table shows, the number of valid factors underlying the customer satisfaction is four out of 15 obtained from the analysis as eigenvalue for these four factors is more than one. The amount of variance accounted for by first, second, third and fourth factor is 38.33 per cent, 19.34 per cent, 12.94 per cent and 8.51 per cent respectively. All these four factors together could explain 79.12 per cent of the variance in the data. From Factor loadings reported in Table II, it is apparent that the loading of item 12 with first factor is the highest of all followed by item 1, 6 and 13, in turn revealing that the first factor account for most of the variance of problem solving ability of the banks, and hence named as "Problem Solving". Similarly, with high loading of item 10 followed item 9, 7 and 2 with second factor, it is found to be explaining customer satisfaction with "Employee Knowledge and Behaviour" and hence named after it. The third factor is identified as the factor explaining customer satisfaction with location of the banks and convenient working hours due to high loading of item 4 followed by items 11, 5 and 3. As item 8 is loaded highly on fourth factor followed by item 15 and 14, this factor is found to be explaining customer satisfaction with physical facilities. Therefore, the third factor is labelled as "Bank location and convenient working hours" and fourth factor as "Physical facilities". Overall, it is concluded that customer satisfaction in the study region is primarily oriented towards banking services pertaining to problem Solving, employee knowledge and behaviour, bank location and convenient working hours and physical facilities.

The relationship between extent of availing all retail banking products (services) and customers' satisfaction with four major service factors, viz., problem solving, employee knowledge and behaviour, bank location / convenient is explored by canonical correlation analysis. The canonical correlation first calculates the canonical function which is the correlation between dependent and independent canonical variates (latent constructs of variables in each set). The number of canonical function calculated by the canonical analysis is equivalent to the number of variables in the minimum data set. The number of retail banking products is 20 and customer satisfaction factor is four. Therefore, the number of canonical correlation functions produced by the analysis is four as depicted in Table III. As per the table, three canonical functions out of four produced by the analysis are fitted significantly with canonical correlation of more than 0.30 and shared variance above 10 per cent.

As there three pairs of canonical variates significantly correlated, further interpretation on canonical loadings of items in both sets with these functions as given in Table IV are carried out in order to ascertain the customer satisfaction factors that contribute to extent of availing retail banking products. According to the table, the first canonical variate of the dependent is contributed more by availing savings bank a/c

with check book facilities (0.7078) followed by availing of online share trading facilities (0.6620), internet banking (net banking) (0.6206), debit card facilities (0.5539) and home loan (0.5003). The second canonical variate of the dependent is highly loaded by extent of availing core banking (-0.7062) followed by availing of demat account (-0.6831), mortgage loan (-0.6017), online balance enquiry (0.5829), online share trading facilities (-0.5681), credit card facilities (0.5511) and 24 x 7 withdrawals from ATM (-0.5393). To canonical scores of dependent variate of the third function, the contribution is only from debit card facilities (0.4771).

Similarly, the first canonical variate of the variables in the independent (predictor) set is explained more by the customer satisfaction scores on problem solving (0.8554) followed by Employee Knowledge and Behaviour (0.7641). The scores for independent canonical variate of the second function is highly contributed by physical facilities (0.6397) and employee knowledge / behaviour (0.6298). The important variable in the predictor set in contributing to the scores for its third canonical variate is physical facilities of the bank (0.7504). Next to this, bank location and convenient working hours contribute substantially to the canonical scores for third independent variate. From the above picture, it is found that (1) extent of availing retail banking products, viz., Savings Bank a/c with Check Book Facilities, Online Share trading Facilities, Internet Banking and Debit Card Facilities is likely to increase if the satisfaction with problem solving and employee knowledge / behaviour is higher among customers; (2) the customers who are satisfied more with physical facilities of the bank and employees' knowledge / behaviour are more likely to avail online banking services and credit card facilities and less likely to avail core banking services, deman account services and mortgage loan; and (3) the customers having more satisfaction with physical facilities provided by the banks are likely to avail debit card facilities at high extent.

Table 1 Eigenvalue of Factors Underlying Scale Items Measuring Customer Satisfaction with Retail Banking

Factor	Eigenvalue	% Total Variance	Cumulative % of Total Variance
1	5.7491	38.33	38.33
2	2.9009	19.34	57.67
3	1.9404	12.94	70.60
4	1.2768	8.51	79.12
5	0.5174	3.45	82.56
6	0.4557	3.04	85.60
7	0.3510	2.34	87.94
8	0.3182	2.12	90.06
9	0.2926	1.95	92.01
10	0.2451	1.63	93.65
11	0.2303	1.54	95.18
12	0.2167	1.44	96.63
13	0.2019	1.35	97.97
14	0.1711	1.14	99.11
15	0.1329	0.89	100.00

Source: Survey Data

Table 2 Loadings of Scale Items with Valid Factors Underlying Customer Loyalty with Banks

Item No	Item Description	Valid Factor			
		1	2	3	4
1	Informing exact time of performing service to customers	0.914	0.048	0.224	-0.052
2	Bank fulfills its promises at the time indicated	0.866	-0.030	0.173	0.169
3	Showing a keen interest in solving problems	0.835	0.283	0.229	0.018
4	Promptness in delivering services to the customers	0.728	0.440	0.221	-0.021
5	Courteousness of employees with customers	0.145	0.841	0.151	0.220
6	Transactional safety	0.313	0.803	-0.033	0.210
7	Employees' knowledge to answer customer questions	-0.199	0.799	0.069	0.317
8	Bank's staffs have the knowledge to answer all my questions	0.387	0.745	0.047	0.040
9	Giving individual attention to each customer	0.224	0.160	0.844	-0.036
10	Understanding the specific needs of the customers	0.179	0.045	0.822	0.224
11	Convenient operating hours	0.145	0.188	0.820	0.032
12	Bank Location	0.284	-0.144	0.818	0.080
13	Physical facilities in Banks	-0.024	0.075	0.086	0.910
14	Convenient parking lot	-0.018	0.244	0.038	0.884
15	Modern looking equipment, furniture & fixers	0.239	0.358	0.110	0.741
Explained Variance		3.3614	3.0989	2.9627	2.4442
Proportion of Total Variance		0.2241	0.2066	0.1975	0.1629
Factor Identity		Problem Solving	Employee Knowledge and Behaviour	Bank location and convenient working hours	Physical facilities

Table 3 Chi-Square Tests with Successive Roots Removed testing Significance of Canonical Correlation between "Extent of Availing Retail Products and Customer Satisfaction"

Canonical Function	Canonical R	Canonical R ² (Eigenvalue)	Chi-Square	df	p-Value	Wilks Lambda
0	0.7013	0.4918	746.50	80	0.0000	0.2156
1	0.6902	0.4764	417.22	57	0.0000	0.4242
2	0.3794	0.1439	102.43	36	0.0000	0.8101
3	0.2316	0.0536	26.82	17	0.0608	0.9464

Source: Primary Data

Table 4 Loadings of Customer Satisfaction Factors and Retail Banking Products

Variables	Canonical Function		
	First	Second	Third
CRITERION			
Retail Banking Products Availed			
SB a/c with Check Book Facilities	0.7078	-0.0373	0.0427
Fixed deposit schemes	0.4286	-0.2234	0.1556
Online Balance Enquiry	-0.0298	0.5829	-0.2878
Online Payment facilities	-0.3047	0.0320	-0.0534
Deposit using ATM into Savings Bank	0.3372	0.1752	0.1836
24 x 7 withdrawals from ATM	0.4460	-0.5393	-0.0904
Credit Card Facilities	0.2608	0.5511	-0.0978
Debit Card Facilities	0.5539	-0.4402	0.4771
Internet Banking (Net Banking)	0.6206	-0.5131	0.0286
Telephone Banking	0.4035	-0.3530	0.0226
Mobile Banking	0.1533	-0.1799	0.1382
e-Transfer of Funds	0.3522	-0.5163	0.0984
Locker facility	0.1172	-0.4161	-0.1510
Personal loans	0.0242	-0.1677	0.2498
Home Loan	0.5003	-0.5118	0.3120
Mortgage Loan	0.4180	-0.6017	0.2717
Demat account	0.4054	-0.6831	-0.0984
Online Share trading Facilities	0.6620	-0.5681	-0.1533
Core Banking	0.3479	-0.7062	0.1210
Anywhere Banking	0.1671	-0.5941	0.0173
Variance Extracted	0.1676	0.2182	0.0363
Redundancy Index	0.0824	0.1040	0.0052
PREDICTORS			
Customer Satisfaction Factor			
Problem Solving	0.8554	-0.3761	0.3497
Employee Knowledge and Behaviour	0.7641	0.6298	-0.0652
Bank location and convenient working hours	0.3445	-0.2021	0.4405
Physical Facilities	0.1544	0.6397	0.7504
Variance Extracted	0.3645	0.2470	0.2209
Redundancy Index	0.1793	0.1177	0.0318

Source: Primary Data (Note: Canonical loadings of 0.40 & above are considered).

Conclusion

In this article, an attempt is made to evaluate how the availing various retail banking products among customers is related to their level of satisfaction with banks' functioning behaviour in Cuddalore town. The satisfaction of the customers with banks depends on four major functioning behaviour of banks, viz., problem solving ability of the banks / bank staff, knowledge and behaviour of the employees, location of the bank / convenient working hours and physical facilities in the bank.

Regarding relationship between satisfaction and availing retail banking products among the customers, it is understood that availing retail banking products, such as, Savings Bank a/c with Check Book Facilities, Online Share trading Facilities, Internet

Banking and Debit Card Facilities is likely to increase if the satisfaction with problem solving and employee knowledge / behaviour is higher among customers. Also, the customers who are satisfied more with physical facilities of the bank and employees' knowledge / behaviour are more likely to avail online banking services and credit card facilities and less likely to avail core banking services, demat account services and mortgage loan; and the customers having more satisfaction with physical facilities provided by the banks are likely to avail debit card facilities at high extent. Overall, it is found that the problem solving skill, knowledge and behaviour of the employees and physical facilities available in the bank are the important factor in determining customers' availing of various retail banking products offered by the banks in Cuddalore region.

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