

## **Customer Preferences and expectations for Retail Banking Services**

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### **Introduction**

In Indian Banking Industry retail banking is an upcoming sector. It covers various segments such as 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. To meet the changing preferences of the customers and to stay ahead of competitors, retail bankers are bound to provide quality and efficient services. Banks can enhance customer service by leveraging on technology, maintenance of efficient service delivery standards and business process re-engineering.

As the Indian economy continues to grow and develop markets and competitive structures, customers' needs and expectations will evolve and grow over time, resulting in strategies to meet customer satisfaction.

The objectives of this paper are to study customer preferences for the retail services offered by the banks, how they learn about the various banks available and to ascertain the choice criteria for bank selection. The findings should be of value to practitioners and enhance understanding of customer preferences for retail banking services and their expectations.

## LITERATURE REVIEW

In recent years, a number of studies have been conducted to gain insights of service quality and customer satisfaction (eg. Parasuraman et al, 1985,1988,1991,1994; Carman, 1990; Cronin and Taylor, 1992; Zeithaml et al 1993; Anderson et al, 1994). Customer satisfaction is, from the point of view of these authors, seen as a wider concept influenced by service quality, product quality and price but also from situational and personal factors as for instance customers' emotional status. Mittal et al (1999) argue that the attributes that maximize customer satisfaction varies depending on the customer's goal fulfillment. Owusu-Frimpong et al (2006) asserts that customer satisfaction, customer value, loyalty, brands and relationships are all dynamic.

In current marketing literature there still appears to be some confusion over the relationship between service quality and satisfaction. According to Lewis and Booms (1983), service quality is 'a measure of how well the service level delivered matches customer expectations. Delivering quality service means conforming to customers' expectations on a consistent basis'. The most common explanation of the difference between service quality and customer satisfaction is highlighted by Bateson (1992). Cronin and Taylor (1992), suggested that service quality is antecedent of customer satisfaction and that customer purchase intentions are related more closely to levels of satisfaction than to perceptions of service quality.

Boyd et al, (1994) studied differences in selection criteria for retail banks with respect to basic demographic factors and found that white collar households indicated a greater importance of reputation, modern facilities and location, high income household attached greater importance to interest rates, opening hours, friendliness of staff and low income households relied on favorable publicity and word of mouth. Elliot et al, (1996) found that price, speed and access were particularly important, while Reeves and Bednar (1996), in response to the aforementioned paper, argued that customer service appeared more important than price and that customers use additional criteria beyond price, speed and access to evaluate and choose between banks.

Santhiyavalli and at al. (2011) emphasis that the service quality of banking industry. Banking operations are driven by the market, and the customer is seen as a consumer of the bank and not of any particular branch of the bank.

Today, the concept of core banking has made 'Anywhere and Anytime' banking a reality. Along with technology, banking services have also evolved, and the delivery of various banking products are carried out through the medium of high technology at a fraction of the cost to the customer.

Kumber and at al. (2009) reviewed the Indian banks are changing towards modern banking system. Modernization in banking is changing banking services, products and operational methods of banking. All these developments are lead to facilities to customers delight as well as operational efficiency of banks and reducing operational expenses of banking services. Sarkar (2011) proved this statement "If there is any secret of success, it lies in the ability to get the other person's point of view, and seeing things from his angle" - Henry Ford by comparison studies between two private sector banks. Swamy (2012) stipulates the facts related to retail banking products.

Customer service is perhaps the most important dimension of retail banking. While most public sector banks offer the same range of service with similar technology/expertise, the level of customer service matters the most in bringing in more business.

## **RESEARCH METHODOLOGY**

A survey research method was the basic research design. A self-administered questionnaire was developed and structured into three parts. This questionnaire was developed through a review of the literature as well as through interviews and pretests with bank managers. The first section covered factors that customers look out for before they open an account, the second section covered attempts to establish the attributes that determine the reputation and image of a bank and finally, the third section attempts to establish the reasons why customers switch account and the medium that best informs them of banking services. The Likert type scale rating of 5 for extremely important to 1 for extremely less important was applied.

A systematic random sampling method of 30 respondents at each branch was applied. The questionnaires were administered only in the Delhi, which is the capital of India. At each branch, every fifth person who had completed a transaction was approached and the purpose of the

interview explained. In all, 210 respondents who were approached cooperated. The interviewer who was familiar with the local language was able to explain to clarify difficult questions. In 75 percent of the cases, the respondents completed the questionnaire themselves while the interviewer completed it for 25 percent of the respondents. In an environment where postal and telecommunication systems are unreliable, this method was considered the most effective method that could elicit information for this study.

## **DATA ANALYSIS**

**The data was analyzed using descriptive statistics of frequency and the mean. Some of the demographics of respondents include the following: (1) 70.10% were male, (2) 42.4% possessed a bachelors degree or higher and 28.1% of the respondents have completed primary or secondary schooling, (3) 63.4% were between the ages of 26-41, and (4) 31% of the respondents were Businessman/Contractor. Table 1 below depicts the profile of respondents**

**Table 1: Profile of Respondents**

<b>Particulars</b>	<b>Frequency</b>	<b>%</b>
<b>Sex</b>		
<b>Male</b>	<b>164</b>	<b>78.10</b>
<b>Female</b>	<b>46</b>	<b>21.90</b>
<b>Total</b>	<b>210</b>	<b>100.00</b>
<b>Age</b>		
<b>18-25 year</b>	<b>42</b>	<b>20.00</b>
<b>26-33 year</b>	<b>60</b>	<b>28.60</b>
<b>34-41 year</b>	<b>73</b>	<b>34.80</b>
<b>42-49 year</b>	<b>29</b>	<b>13.80</b>
<b>50 and above</b>	<b>6</b>	<b>2.90</b>
<b>Total</b>	<b>210</b>	<b>100.00</b>
<b>Education</b>		
<b>Primary School</b>	<b>11</b>	<b>5.20</b>
<b>Secondary School</b>	<b>48</b>	<b>22.90</b>
<b>Diploma</b>	<b>61</b>	<b>29.00</b>
<b>Graduate</b>	<b>75</b>	<b>35.70</b>
<b>Post Graduate</b>	<b>14</b>	<b>6.70</b>

<b>Others</b>	<b>1</b>	<b>.50</b>
<b>Total</b>	<b>210</b>	<b>100.00</b>
<b>Occupation</b>		
<b>Police/ Army</b>	<b>7</b>	<b>3.30</b>
<b>Managerial</b>	<b>20</b>	<b>9.50</b>
<b>Businessman/ Contractor</b>	<b>65</b>	<b>31.00</b>
<b>Farming/ Trading</b>	<b>15</b>	<b>7.10</b>
<b>Clerical</b>	<b>13</b>	<b>6.20</b>
<b>Teacher</b>	<b>21</b>	<b>10.00</b>
<b>Technician/ Driver</b>	<b>16</b>	<b>7.60</b>
<b>Others</b>	<b>53</b>	<b>25.20</b>
<b>Total</b>	<b>210</b>	<b>100.00</b>

Consumer preferences of retail banking services was analyzed by examining those factors which respondents perceived as important as in Table 2. These attributes were labeled as four factors of convenience, assurance, user-friendliness and staff approach. According to the respondents, the five most important factors were location of the bank, opening hours, security of deposits, security of customer information and customer waiting period. Then it is followed by prospect of accessing loans and security in transacting business. The result is surprising since the previous study noted that the most important factors were personnel-competence and responsiveness (Owusu-Frimpong et al., 1996). The reason is because of the lack of good transport facilities in the city, more number of private banks may be the cause for the security of the deposits. Significant numbers also suggest that overstaff knowledge and trustworthiness, overall staff courtesy, accessibility of account information,

wide range of services and branch network were important in encouraging an opening of account with a bank. The least considered factor included personal services.

**Table 2: Factors that Customers look before Opening Account with a Bank**

<b>Attribute</b>	<b>Very Important Frequency (%)</b>	<b>Fairly Important Frequency (%)</b>	<b>Neutral Frequency (%)</b>	<b>Not So Important Frequency (%)</b>	<b>Not At All Important Frequency (%)</b>
<b>Convenience</b>					
<b>Location of the bank</b>	<b>120</b> <b>(57.1)</b>	<b>74</b> <b>(35.2)</b>	<b>6</b> <b>(2.9)</b>	<b>10</b> <b>(4.8)</b>	<b>0</b> <b>(0)</b>
<b>Opening hours</b>	<b>116</b> <b>(52.2)</b>	<b>84</b> <b>(40)</b>	<b>7</b> <b>(3.3)</b>	<b>2</b> <b>(1)</b>	<b>1</b> <b>(0.5)</b>
<b>Accessibility of account information</b>	<b>85</b> <b>(40.5)</b>	<b>87</b> <b>(41.4)</b>	<b>30</b> <b>(14.3)</b>	<b>8</b> <b>(3.8)</b>	<b>0</b> <b>(0)</b>
<b>Branch network</b>	<b>67</b> <b>(31.9)</b>	<b>75</b> <b>(35.7)</b>	<b>48</b> <b>(22.9)</b>	<b>17</b> <b>(8.1)</b>	<b>3</b> <b>(1.4)</b>
<b>Assurance</b>					
<b>Security of deposits</b>	<b>107</b> <b>(51)</b>	<b>65</b> <b>(31)</b>	<b>33</b> <b>(15.7)</b>	<b>4</b> <b>(1.9)</b>	<b>1</b> <b>(0.5)</b>
<b>Security in transacting business</b>	<b>92</b>	<b>65</b>	<b>45</b>	<b>8</b>	<b>0</b>

	(43.8)	(31)	(21.4)	(3.8)	(0)
<b>Security of customer information</b>	<b>105</b> (50)	<b>43</b> (20.5)	<b>54</b> (25.7)	<b>6</b> (2.9)	<b>2</b> (1)
<b>User friendliness</b>					
<b>Prospects for accessing loans</b>	<b>96</b> (45.7)	<b>67</b> (31.9)	<b>36</b> (17.1)	<b>8</b> (3.8)	<b>3</b> (1.4)
<b>Personal services</b>	<b>30</b> (14.3)	<b>36</b> (17.1)	<b>87</b> (41.4)	<b>32</b> (15.2)	<b>25</b> (11.9)
<b>Customer waiting period</b>	<b>98</b> (46.7)	<b>69</b> (32.9)	<b>22</b> (10.5)	<b>14</b> (6.7)	<b>7</b> (3.3)
<b>Wide range of services</b>	<b>64</b> (30.5)	<b>85</b> (40.5)	<b>39</b> (18.6)	<b>18</b> (8.6)	<b>4</b> (1.9)
<b>Staff approach</b>					
<b>Overall staff courtesy</b>	<b>70</b> (33.3)	<b>97</b> (46.2)	<b>25</b> (11.9)	<b>18</b> (8.6)	<b>0</b> (0)
<b>Overall staff responsiveness</b>	<b>73</b> (34.8)	<b>72</b> (34.3)	<b>45</b> (21.4)	<b>20</b> (9.5)	<b>0</b> (0)
<b>Overstaff knowledge and trustworthiness</b>	<b>56</b> (26.7)	<b>102</b> (48.6)	<b>41</b> (19.5)	<b>10</b> (4.8)	<b>1</b> (0.5)



Although the participating banks were all striving to achieve higher level of service quality and are to a great extent being successful, it is inevitable that most customers will experience problems in their service encounter from time to time, and if sufficiently serious, the problem may lead customers to close accounts and move to competitor organizations. The study showed that 61 respondents (29 percent) were found to have switched account over the last three years. Table 3 shows that although job transfer is a major reason for switching accounts, over 21.3 percent of customers switch accounts due to staff attitude and difficulty in getting loans. These factors affect the banks quality of services and image.

**Table 3: Reason for switching the bank account**

	Frequency	%
<b>Due to staff attitude</b>	<b>7</b>	<b>11.47</b>
<b>Difficulty in getting loans</b>	<b>6</b>	<b>9.83</b>
<b>High rate of interest paid on loans</b>	<b>3</b>	<b>4.92</b>
<b>Due to job transfer</b>	<b>44</b>	<b>72.12</b>
<b>Others</b>	<b>1</b>	<b>1.64</b>
<b>Total</b>	<b>61</b>	<b>100.00</b>

In a competitive environment retail banks will need to pay increasingly close attention to how customers get information about their services. Table 4 suggested that word of mouth from family and friends was the dominating factor. 41.4% of respondents cited this as the key factor that influenced their decision to select a specific retail bank.

The news paper is the least effective media used by customers. This may be due to the high cost of daily newspapers in India as compared to other developing countries.

**Table 4: What medium best inform you about your bank services?**

	Frequency	Percent
TV	71	33.8
Radio	23	11.0
Word of Mouth through friends/relatives	87	41.4
News Paper	9	4.3
Billboards	20	9.5
<b>Total</b>	<b>210</b>	<b>100.0</b>

**Table 5: Media used by customers by Age**

	What medium best inform you about your bank services?					Total
	TV	News Paper	Word of Mouth through friends/relatives	Radio	Billboards	
18-25 year	21	2	13	5	1	42
26-33 year	22	4	23	7	4	60
34-41 year	16	2	34	11	10	73
42-49 year	12	1	14	0	2	29
50 and above	0	0	3	0	3	6
<b>Age Total</b>	<b>71</b>	<b>9</b>	<b>87</b>	<b>23</b>	<b>20</b>	<b>210</b>

A further study was to ascertain how younger (19-34 years) and older (35+years) hear about services provided by their banks'. Table 5 shows that Television is the most effective media used by customers aged between 19-33 years, while the customers aged 34 years and above rely heavily on word of mouth communication through friend and relatives before opening account.

#### CONCLUSION AND SUGGESTIONS

This study highlights the factors that are important to customers in a developing country, and it is notable that there appear to be differences between needs of developing country customers and needs of developed country customers. The findings suggest that banks cannot concentrate on doing a few things well and hope that this would offset poor

performance elsewhere. Financial services providers must take into consideration of the changing environment when formulating financial services marketing strategies. The banks should emphasize their service quality and try to develop commercial friendship with customers.

In general, results suggest that location of the bank, opening hours, security of deposits, security of customer information and customer waiting period to be key reasons for choosing a particular retail bank. Similarly, the survey found that the second most common reason for customers to leave retail banks was due to staff attitude and the poor service associated with it.

Word of Mouth is the most valuable form of marketing available to retail banks in India. In a competitive market, the majority of customers seeking services from a retail bank make the choice based on other customers' recommendations. The best way to stimulate referrals is to provide memorable customer service; however, the opposite is also true – the best way to destroy business is to provide bad service. Marketing texts refer to more than satisfied customers as “Ambassadors” who typically inform 3-4 people about the memorable service they receive. Dissatisfied customers, however, inform as many as 8-9 people. Given the relationship between customer service and Word of Mouth, investing in high-quality customer service should be a significant part of Indian retail banks marketing budget.

The banks should design program to train staff with the skills and knowledge required to deal with customers effectively. Over time, the banks should find personal relationship to be profitable because of the higher level of customer retention. Therefore, it is important that current level of service is not only maintained but also enhanced, if they are to retain the evidently good relationship that they have with what is very important and profitable customer segment.

Future research should focus on customer relationship management in the retail banking sector.

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