



Customers' Preferences towards Retail Banking Services in Ganjam District

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Abstract

In modern competitive environments, services are gaining increasingly more importance in the competitive formula of both firms and countries. Globalised competition has stressed the strategic importance of satisfaction, quality and consequently loyalty, in the battle for winning consumer preferences and maintaining sustainable competitive advantages. Since customers have more choice and more control, long lasting and strong relationships with them are critical to achieve and maintain competitive advantages and, as a consequence, earnings. In today's business environment, the commercial banks face increasing competition from new players, including global banks and alternative sources of funds. Furthermore, the increasingly competitive environment prevailing in the global market and rapid advances in customer intelligence technologies have led retail banks to look for new business and marketing models for realizing intelligence-driven customer transactions and experiences. Therefore, the main objective of this study is to examine the preferences of the customers towards retail banking services of the commercial banks in Ganjam District of Odisha. Besides, the study has also to find out the factors influencing the customers to prefer retail banking services from the selected commercial banks in Ganjam district of our state.

Key words: service sector, sustainability, customers

Introduction

The service sector of the economy is going through a period of almost revolutionary proportions in which the established way of doing business continues to be shunted aside. It has emerged as the fastest expanding sector with implications for other sectors especially manufacturing, employment and trade. Sectors like banking, insurance, real estate, business and trade, hotels, restaurants, transport, storage and communication are the major contributors to the growth. The financial services sector has gone through radical changes, and this has resulted in a marketplace characterized by severe competition, little growth in primary demand, and increased deregulation. The

banking services are leading the economy to the higher reaches of the growth potential.

The ongoing banking sector reforms with their thrust on transparency, efficiency and sustainability have created a competitive environment before Indian banks by the emergence of new private sector banks and the opening up of new branches of foreign banks. Indian banks have begun to revise their growth approach and re-evaluate the prospects on hand to keep the economy rolling. Thus, it has become far more imperative to contemplate the role of the banking industry in fostering the long term growth of the economy.



With a jump in the Indian economy from a manufacturing sector, that never really took off, to a nascent service sector, banking as a whole is undergoing a change. A larger option for the consumer is getting translated into a larger demand for financial products and customization of services is fast becoming the norm than a competitive advantage. Retail banking in India has fast emerged as one of the major drivers of the overall banking industry and has witnessed enormous growth in the recent past. It has evolved from a time when the mindset of a traditional middle class Indians used to be debt averse, which preferred managing under their thrifty means to the current mindset which doesn't hesitate in taking loans for spending. The changing customer demographics compel to create a differentiated platform based on latest technology, improved service and banking convenience. With the retail banking sector expected to grow at a rate of 30%, players are focusing more on the retail and are waking up to the potential

¹ After a lot of exercise and thought, they have found out "retail banking" or "personal banking" whose superficial aim is "banking at your doorstep."

The growth of the retail banking industry is one area which has generated a lot of interest primarily because of the entry of many private sector banks and foreign banks, resulting in the availability of a wide variety of innovative products and services for the customers. Banks dealing in retail banking are consequently directing their strategies towards increasing service quality level which fosters customer satisfaction and loyalty through improved service quality.²

of this sector. In this chapter an attempt has been made to review the retail banking services offered by the selected commercial banks in Ganjam District of odisha.

Banking in India has witnessed remarkable changes and development since the onset of the processes of liberalization, globalization and privatization. The challenges ahead for banks have greatly increased the competition and the growing demand for a greater variety and superior quality of banking services. This phase of transformation has resulted in greater importance being placed on significant areas of performance, markedly, increasing revenue, reducing costs, and increasing non-interest income. Therefore, banks are continually looking at ways to improve their efficiency, and in turn, are trying to expand the utilization of their cheapest delivery methods. These have given a wider choice to customers, competitive pricing of products and easier access to services.

Review of literature

Different studies with regard to retail banking connected either directly or indirectly with the present study have been reviewed. The review of literature is highly useful to design the study as it indicates the research gap. The divergent perceptual frameworks involving various theoretical issues and problems of the retail banking are also scrutinized through the review of literature.

Purwar (2004)³ stated that every bank had two types of customers, one who expected products and services with world class and on the other hand there were customers who were not comfortable with new technology. He also



stated that modern technology had to be introduced in rural areas also because rural population was no less techno-savvy than urban people. But he was worried about losing of human touch in technology implementation. He stated that information technology reduced the cost of the transaction and it gave comfort to the customers.

Shajahan (2005)⁴ analyzed customer satisfaction on various modes of banking services. He conducted the study with 100 account holders of ICICI bank in Chennai. The study revealed that internet banking increased the level of satisfaction among bank customers. He was the opinion that the internet literacy was the major factor underlying online banking penetration in India.

Pushpangathan (2006)⁵ in his article titled "A Study on the Quality of Customer Service in Public Banks in Kerala" presented an abstract of a study which evaluated the quality of customer service in public sector bank in Kerala. The principle of maximum profitability was noted. A comparison between the customer services of Indian commercial banks and foreign banks was discussed.

Vanniarajan and Nainamohamed (2008)⁶ conducted a study titled "Mapping Service Quality in the Indian Banking Industry" among the selected public and private sector bank customers in Madurai City. The images of Indian commercial banks among the customers were graphically displayed with the help of correspondence analysis. This study suggested that the correspondence analysis could be used effectively in evaluating service quality and displaying the banks according to their service quality dimensions.

Arun Kumar, et al. (2010),⁷ in their study endeavored to fill the gap in the service quality which determines customer satisfaction and attitudinal loyalty literature by exploring the dimensions of customer perceived service quality in the context of Indian retail banking industry. A set of variables were drawn from customers' perceptions about service quality. These parameters had been used in the context of two of the largest private banks dealing with retailing banking namely, ICICI and HDFC to identify the underlying dimensions of service quality which determine customer satisfaction and attitudinal loyalty. The study emphasized that to gain and sustain the competitive advantages in the fast changing retail banking industry in India, it was found crucial for private banks to understand what customers perceive to be the key dimensions of service quality and what impact the identified dimensions might have on customer's attitudinal loyalty.

Anubhav Anand Mishra (2010)⁸ conducted a study titled "Factors Affecting Customers Satisfaction and their Relative Importance in the Retail Banking Sector: An Empirical Study." The objectives of the study were to identify the factors that influence the level of satisfaction of the customers of the selected retail bank; and to assess the relative importance of these factors on the overall satisfaction of the customers.

The changes in India have been phenomenal, since the banking reforms were initiated in 1991. From regulation to liberalization, from planned economy to market economy, from licensing to integration with global economics, the changes have been swift. There would probably be no sector, which has not been affected by reforms. In banking sector,



following the reforms, a lot of foreign and private banks made foray, into India. This helped the customers in getting better service. This simply means that those banking/non-banking financial companies that could not provide the desired differences in financial retail products in terms of the product dimensions and associated services would run the risk of losing customers, and ultimately closing down shutters. The main concern of the present study is to provide information that would help the management of the bank to evaluate and re-design its current marketing strategies in order to retain its existing customers and to attract new ones in today's competitive environment. Retail banking is a service industry which is focused towards the customer's money and its management. A relationship of the nature of members is involved in this industry due to its continuous nature. An element that strongly drives the satisfaction of customers in the banking sector is the conviviality factor related to the features of a bank and the attributes of its personnel. Thus, there is a lot of scope for the research to present new ideas concerning customers' perception towards retail banking services, which may be useful to the Indian banking industry.

Objectives

The main objective of this study is to examine the preferences of the customers towards retail banking services of the commercial banks in Ganjam District. Besides, the study has the following secondary objectives:

1. To review the retail banking services offered by the selected commercial banks in Ganjam district of Odisha.

2. To study preferences of the customers towards retail banking services of the selected commercial banks in Ganjam district of Odisha.
3. To find out the factors influencing the customers to prefer retail banking services from the selected commercial banks in Ganjam district of Odisha.

Methodology

The present study is empirical in character, based on survey method. As an essential part of the study, the primary data were collected from 640 customers. The questionnaire was constructed based on Likert scaling technique. In order to study the perception of the customers simple percentage analysis has been employed.

Table 1 reveals the demographic profile of the respondents of the selected commercial banks in Ganjam district. Out of 640 respondents, 88 per cent are male and 12 per cent are female. The predominant age group of the respondents (41.10 per cent) is 41-50 years. A good majority of the remaining respondents are distributed in the age group 31-40 years. 16.25% and 2.65% of the respondents were distributed in the age groups above 50 years and up to 30 years respectively. The highest education level (48.90%) of the respondents is degree level. 14.20 per cent of the respondents have got up to H.Sc education and 23.80 per cent have got Diploma/ITI education. 13.10 per cent of the respondents have PG and above qualification.



TABLE- 1: Demographic Profile of the Respondents

Personal Variables		Respondents	Percentage
Gender	Male	563	88.00
	Female	77	12.00
Age (in years)	Up to 30	17	2.65
	31-40	256	40.00
	41-50	263	41.10
	Above 50	104	16.25
Personal Variables		Respondents	Percentage
Education	Up to Metric	91	14.20
	ITI/Diploma	152	23.80
	Degree	313	48.90
	P.G and above	84	13.10
Occupation	Business	140	21.90
	Employed	222	34.70
	Professional	196	30.60
	Agriculturalist	34	5.30
	Student and housewife	31	4.80
	Pensioners	17	2.70
Monthly income (in Rs.)	Up to 15000	320	50.00
	15001-25000	217	33.90
	25001-35000	60	9.40
	Above 35000	43	6.70
Prime bank in which account is being held	Canara Bank	200	31.25
	Indian Overseas Bank	160	25.00
	State Bank of India	120	18.75
	Indian Bank	40	6.25
	ICICI Bank	40	6.25
	Central Bank of India	40	6.25
Type of account	ING Vysya Bank	40	6.25
	Savings bank account	480	75.00
Type of bank	Current account	160	25.00
	Public sector bank	520	81.30
Location	Private sector bank	120	18.70
	Urban	120	18.80
	Semi-urban	230	35.90
	Rural	290	45.30



About 21.90 per cent of the respondents are businessmen, 34.70 per cent are employed, 30.60 per cent of the respondents are professionals, 5.30 per cent are agriculturalists, 4.80% are students and housewives and 2.70 per cent of the respondents are pensioners. 50 per cent of the respondents have

monthly income up to Rs. 15000 and 33.90 per cent have Rs.15001 to Rs.25000 as monthly income. 9.40 per cent of the respondents have monthly income of Rs.25001-35000 and about 6.70 per cent of the respondents have above Rs.35000 as monthly income.

Table -2: Major Retail Banking Services used by the Respondents

Major Retail Services	No. of Respondents	Percentage
Traveler cheque	09	01.4
Foreign exchange	11	01.7
Fixed deposits	76	11.8
Safe deposit box service	106	16.5
Overdraft	120	18.7
Business loan	127	19.8
Credit card	129	20.1
Housing loan	131	20.4
Current account	160	25.0
Online banking	357	55.7
Personal loan	359	56.0
Savings bank account	480	75.0
Remittance	542	84.6
Debit card	628	98.1

About 31.25%, 25%, 18.75%, 6.25%, 6.25%, 6.25% and 6.25% of the respondents are the customers of Canara Bank, Indian Overseas Bank, State Bank of India, Indian Bank, ICICI, Central Bank of India and ING Vysya respectively. 75 per cent of the respondents have savings bank account

and 25 per cent of the respondents have current account. 81.30 per cent of the respondents are the customers of public sector banks and 18.30 per cent belong to private sector banks. 18.70 per cent of the respondents belong to urban area and 35.90% and 45.30% of the



respondents belong to semi-urban and rural area respectively.

Table 2 reveals that only 1.40% of the respondents have availed the facility of traveler cheques, while 1.71% of the respondents have used foreign exchange facilities from their prime bank. Further 11.87% of the respondents have deposited their money in fixed deposits, 16.56 per cent of the respondents have availed safe deposit box service, 18.75% of the respondents have used the overdraft facility, 19.84% have availed business loan and 20.15 per cent of the

respondents have used credit card facility from their prime bank. More than 55 per cent of the respondents have availed on-line banking and personal loan facility. 75 per cent of the respondents have savings bank account and 84.68 per cent of the respondents avail remittance facility. The above table highlights that 98.13 per cent of the respondents have availed debit card facility.

Table -3: Level of Importance of Factors Influencing the Respondents to prefer retail banking Services from the Prime Bank

Motivating Factors	Level of Importance					Total	Mean Score
	Very Important	Important	Neither Important nor Not Important	Not Important	Not at all Important		
Friendliness of the bank staff	60 (9.38)	274 (42.81)	120 (18.75)	142 (22.19)	44 (6.87)	640 (100.00)	3.26
Fast and efficient service	359 (56.10)	101 (15.80)	34 (5.30)	47 (7.30)	99 (15.50)	640 (100.00)	3.90
Location of the bank	124 (19.38)	163 (25.47)	126 (19.69)	158 (24.69)	69 (10.77)	640 (100.00)	3.18
Lower service	84 (13.10)	162 (25.30)	141 (22.00)	204 (31.90)	49 (7.70)	640 (100.00)	3.04
Perceived confidentiality of bank	129 (20.16)	186 (29.06)	130 (20.31)	133 (20.78)	62 (9.69)	640 (100.00)	3.29
Loan with favourable terms	101 (15.80)	183 (28.60)	119 (18.60)	157 (24.50)	80 (12.50)	640 (100.00)	3.11
Reputation and image of the bank	103 (16.10)	153 (23.90)	179 (28.00)	128 (20.00)	77 (12.00)	640 (100.00)	3.12



Working/opening hours	108 (16.90)	171 (26.70)	125 (19.50)	162 (25.30)	74 (11.60)	640 (100.00)	3.12
Security in transacting business	119 (18.59)	166 (25.94)	118 (18.44)	128 (20.00)	109 (17.03)	640 (100.00)	3.09
Range of services	120 (18.80)	185 (28.90)	255 (39.80)	58 (9.10)	22 (3.40)	640 (100.00)	3.50
Higher interest payment for savings	113 (17.66)	142 (22.19)	165 (25.78)	148 (23.12)	72 (11.25)	640 (100.00)	3.12
Lower interest for loans	111 (17.30)	185 (28.90)	137 (21.40)	147 (23.00)	60 (9.40)	640 (100.00)	3.22
Branch network	141 (22.00)	94 (14.70)	124 (19.40)	183 (28.60)	98 (15.30)	640 (100.00)	3.00
Personal services	99 (15.47)	199 (31.09)	110 (17.19)	156 (24.38)	76 (11.87)	640 (100.00)	3.14
Others	146 (22.80)	141 (22.00)	151 (23.60)	106 (16.60)	96 (15.00)	640 (100.00)	3.21
Overall	128 (20.00)	167 (26.09)	136 (21.25)	137 (21.41)	72 (11.25)	640 (100.00)	3.22

Table 3 shows the level of importance of factors motivating the respondents to prefer retail banking services from their prime bank. The overall influence of all the fifteen factors are considered as 'very important' in motivating the customers to prefer retail banking services by 20 per cent of the respondents, as 'important' by 26.09 per cent of the respondents, 'neither important nor not important' by 21.25 per cent of the respondents, as 'not important' by 21.41 per cent of the respondents and as 'not at all important' by 11.25 per cent of the respondents. The mean attitude score (3.90) reveals that fast and efficient service is the most important factor for the respondents to prefer retail banking

services from the prime bank, followed by range of services (3.50). However, with regard to branch network, the respondents assign least importance (3.00).

In this study, an attempt has been made to study the factors influencing the respondents to prefer retail banking services from prime bank in Ganjam District. For this purpose 640 respondents were selected from 16 branches of the 7 commercial banks. The average attitude score reveals that fast and efficient service is the most important factor for the respondents to prefer retail banking services from the prime bank followed by range of services. However, with regard to branch network, the respondents assign least importance.



Conclusion

Retail banking has been introduced in the Indian banking sector in recent years. Customers of Indian commercial banks are responding to a great extent to this new banking strategy. Nowadays, banks are in a fluctuating business environment as they experience an increase in competition and in customer demand, and a decrease in profit margins. Thus, it is critical for banking practitioners to focus on a differentiated strategy, known as service quality improvement, to strengthen their core competitive edge, and urgently make a decision to focus on either the area of personnel counter services or electronic services or both, to be able to allocate limited resources to serve that decision. For banks to grow organically, a strong commitment to strategic customer growth options must be articulated through a well-structured approach, designed to improve customer attitudes toward bank capabilities and assess their potential value. Therefore, banks must break with traditional, one-sided, inwardly focused customer initiatives and drive toward a well-balanced, customer focused model to exploit the potential of its most valuable customers. Further, Customer service has become an important integral component of many businesses in order to remain competitive. As banks become more and more "high-tech," their technical services are becoming standardized, reducing the importance of such services as a differentiating factor; thus, customers will evaluate banks based more on their "high-touch" factors than on their "high-tech" factors. Although the satisfaction levels are on the higher side, yet there remains a lot to be done by the managements of the retail banks in order to maximize their customer satisfaction

and improve on the retention rates. A major contribution of this study is the provision of an approach for managers in retail banks thus enabling them to improve customer satisfaction and retention rates. Retail banking in India is also experiencing a fierce competition as public sector banks, private sector banks and foreign banks are trying to perform their best to expand their respective market shares. Therefore, success of leading banks in future will depend on product innovation, latest technological developments and strategies to tap the potential retail market. Above all, an important factor of retail banking is the quality of customer service. The study will provoke the authority concerned to take some positive measures for improving the effectiveness of retail banking.

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