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A study on customer satisfaction in few public sector banks after implication of performance linked incentive to employees

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Abstract

An ideal banking system is the back bone of the economy of a country. An efficient banking system develops a nation. Again, the popular definition of bank is, "others' money, bankers' mind". It is prerogative of banks' customers to get proper service in other words quality customer service. This study aims to have a focus on customer service in few Indian public sector banks in a specific jurisdiction. The researcher has tried to identify lacuna if any, in service to the customers of bank drawing notice to the modality functioning of bank management and bank personnel in regard to customer service and also with the help of secondary data concluded herewith to specific outcomes.

Keywords: Banking system, economy, efficiency

Introduction

Now-a-days, the requirement of banking facility is very much needed. Even a needy person, it may be said a person below the poverty level, is also needed banking facility to receive at least the government subsidy and government aids apart from those other convenient level income mass.

Thus, comes up the question of customer satisfaction of mass people. Nevertheless, private sector banks do not follow the policy of opening branch properly in rural area. Ours is a rural based country. With the promulgation of nationalisation of banks, government of India has been emphasising on necessity of opening branches of public sector banks in rural India to reach every economic development of nation from corner to corner of villages. As such in comparison to private sector banks, public sector banks have much more branches in rural India. And thereby customer service satisfaction is an urgent requirement of the day as customer is the king. Mahatma Gandhi, rightly told that a customer is not only a visitor, he is the guest.

Background of the study

Customer Satisfaction in public sector banks is related to so many areas of services and policies of Central government, State government, Reserve Bank of India and other regulatory authorities. Here bank employees play the key role in regard to customer satisfaction. In public sector bank, officers and staff union have strong influence over the entire community of work force. Time to time over a period of 4/5 years they renew their bipartite agreement with bank management making Labour ministry a party to it. During 2020 the last one, XIth bipartite was signed with major recognised unions which was due from September 2017. And in this agreement the bank management succeeded to establish incentive base remuneration to the employees viz. Performance linked incentive (performance linked salary). The main motto in this respect is to cater the customer of the bank with proper caring motive. Very recently in some banks rating of service to be given by the customer has started accounting for respective officers and staff remuneration. As soon as the customer makes any transaction over the counter, the customer is getting a message through an app to provide rating for the transaction by the respective dealing employees. But this is in question whether this rating system is full proof and is sufficient towards the move to improve and provide customer satisfaction?

And whether ratio of customer satisfaction in public sector banks will improve with announcement of said Performance Linked Incentive scheme?

Though prior to this last bipartite agreement, the bank management could not make any such strong move to improve and to provide maximum customer satisfaction which they succeeded during the bipartite agreement of 2020.

Review of literature

Malhotra, P., & Singh, B. (2007) ^[1]. Determinants of internet banking adoption by banks in India. *Internet Research*. The study is an attempt to discover the features affecting a bank's decision to implement Internet banking in India. It seeks to examine the relationship between the bank's adoption of decision by various bank considering market characteristics. This study consists of panel data of 88 banks' branches in India. Logistic regression technique was employed to study the relationship.

Kaura, V. (2013) ^[2]. Aiming to examine cross sectional research through questionnaire by regression analysis to observe the positive impact on the customer satisfaction this study was made.

Ab Ghani, N.S., & Masrom, M. (2014) ^[3]. Human Resource Management Practice Models Applied in Banking Industry: Purpose of the study is to explore the models in banking industry to develop HRM practices in Mylaysia by way of qualitative approach using library-oriented method.

Chakraborty, S., & Sengupta, K. (2014) ^[4]. *IIMB Management Review*, 26(4), 234-248. An Study on Structural equation modelling of determinants of customer satisfaction of mobile network providers: Case of Kolkata, India. This study shows that generic requirements (aggregation of output quality with realized value), flexibility, and price are the determinants of customer satisfaction as found from the structural model. The study offers insight to mobile network provider to understand factors of customer satisfaction. It is possible that factors of customer satisfaction may be different for corresponding different network providers.

Choudhury, D., & Bhattacharjee, D. (2015) ^[5]. 'Salaried employees and adoption of e-banking delivery channel'. This study aimed to understand nature of e-banking, direction of earlier studies, research gap as regard to salaried employees, satisfaction for e-banking delivery channel; role of e-banking delivery channel for loyalty purpose

Kundu, S., & Datta, S. K. (2015) ^[7]. According to this study E service Quality was found to be a strongly associated with customer satisfaction. The outcomes confirmed trust as a mediating variable among E-Service Quality while evaluating the same model with gap value and awareness value.

Choudhury, K. (2015) ^[6]. The purpose of this paper is to explore how the different dimensions of service quality influence customers' behavioural intentions in the private and public sector banks, that is, in class and mass banking, respectively, and the implications for the service provider, consumer, society and consumer policy. To capture customers' perceptions of service, modified SERVQUAL instrument was used followed by exploratory factor analysis to study the dimensions of service quality in retail banking. To probe the influence of the dimensions of service quality Multiple regression method was used on customers' behavioural intentions.

Rabbani, M.R., Qadri, F.A., & Ishfaq, M. (2016) ^[10]. An empirical study on different banks of India regarding service quality, customer satisfaction and customer loyalty. Here the study tries to characterize the critical relationship between service quality and customer satisfaction and also customer loyalty in Indian banking sector. With the help of Convenience Random Sampling and Structured questionnaire with data were collected through 5 point and 7-point likert scale on the demographic background of age, gender, income levels, locations.

Paul, J. Mittal, A., & Srivastav, G. (2016) ^[9]. Impact of service quality on customer satisfaction in private and public sector banks. Various service quality variables aimed to be examined to see the impact there on for overall satisfaction of the customers of private and public sector banks. Using forward stepwise regression, the authors tries to explain how a variety of variables are both negatively and positively influencing customer satisfaction. 250 customers of private banks and 250 customers of public sector banks were the sample size.

Pandya, T., Mathur, N., & Mathur, M. H. (2016) ^[8]. "Customer satisfaction in public sector bank" The purpose of this research article is to examine the customer satisfaction among group of customers of SBBJ in Rajasthan. The scope of the study is confined to State Bank of Bikaner and Jaipur, in the branches of the bank in South Rajasthan, which covers customers of the bank. Based on analyzing of primary data taken from employees, executives and customers of SBBJ primary data were collected and secondary data was collected from different sources like periodicals, government reports, annual reports of SBBJ etc. For this purpose, the study was made for analysis by using coefficient of correlation of 70 prospective customers of SBBJ of Rajasthan.

Kant, R., Jaiswal, D., & Mishra, S. (2017) ^[12]. This paper is an investigation of service quality dimensions, customer satisfaction and corporate image in Indian public sector banks: by application of structural equation model. This study was formulated on the basis of structured questionnaire using a 7-point Likert scale of 640 retail customers of public sector banks aiming with perceived service quality dimensions recognising responsiveness, tangibility, reliability and assurance and also image.

Varshney, P. K. (2017) ^[11]. Customer Satisfaction Avenues in Retail Banking related to Public Sector Banks of India. With the help of primary data & secondary data source, purpose of the study was to analyse the customer satisfaction in retail banking segment of public sector banks. For this, the paper discusses three issues like i. To ascertain the level of the awareness among the respondents about retail banking services provided by the selected Public Sector banks; ii. To measure the level of satisfaction regarding retail products and services; and iii. To offer suggestions to expand the retail market through improved customer service. From various books, magazines, periodicals and websites, the secondary data were collected

Haldar, A.K. (2018) ^[13]. The study tries to observe the customers' perception towards the new form of banking and also tries to identify the factors that cause them the most. By improving these factors and overcoming these challenges e-banking can prove to be a major factor contribution for development of nation's financial sectors. Primary data were collected with the process of questionnaire from a random sample of customers using 5-point Likert who

transact with the different banks within Kolkata. Using the market research tool of Factor Analysis, denoting a class of procedures, primarily used for data reduction and summarisation this study was made.

Khanna, V March (2018) ^[14]. The research concluded that customer satisfaction in regard to commercial banking services are mainly depend on four factors namely; Banking Environment, Banking Transactions, Customer Services and Human Resources. All the four factors have a positive and significant relationship towards the customer satisfaction. Any improvement or increase, in the value of said four factors will play a leading role in the increase of the satisfaction level of customers in regard to commercial banking services.

Rationale of the study

During twentieth century banking scenarios in India was confined with ledger, register and books. In first decade of twenty first century most of the banks goes on live digitally. Almost in all public sector banks the bank management wanted to go on live digitally in a targeted speedy manner for their branches and administrative offices phase wise. Though phase wise they shaped not very much in planned manner alike the shape of developed city rather than like planned city. As a result, many a policy legged behind especially in view of customer service vis a vis customer satisfaction. They were confined in their book keeping and building wealth and net worth. In the name of timely service in minimum duration, the public sector bank management though shaped a picture but, in some cases, it is not justified nor it could be kept and continued in long term procedure.

For example, if a demand draft is said to be served by seven minutes time fixed as per time norm by the bank, the other criteria i.e., cash deposition queue, printer issues viz. whether printer is available in condition, system monitoring, network availability, counter activity and other allied issues like technical knowhow of the employee is subject to be based on that should also be observed. Any one of the aforesaid issues may add injury to dissatisfaction of the customer and thereby the very purpose of timely service is defeated to some extent causing concern for customer satisfaction.

More over after computerisation in banking industry vis a vis after adopting core banking solution employee recruitment has gone down drastically reducing even at the cost of retirement of officers and staffs. Many a times, in public sector bank the branch cannot provide counter wise staff for lack of sufficient staff. It may also be noted here that sometimes, agreements with staff unions come in the way. whereas customers of private banks are in favourable condition to some extent in this respect.

In private sector banks, the single window customer solution counter is in better condition in comparison to public sector banks for getting satisfied service. For example, in private bank if a customer asks regarding net banking he will get a minimum level of satisfied answer whereas yet after passing of so many years of core banking solution in public sector banks, in most of the cases the employee of public sector banks express their inability rather direct the customer to contact higher management, may be for their lack of personal knowledge and or proper guidance and training.

Nevertheless, though Reserve Bank of India, Consumer forums and other regulatory authorities heading over these public sector banks have laid many rules and guidelines for

customer service, these guidelines are not full proofed rather they remain in black and white in some cases. In all public sector banks there are grievance cells in branch level headed by their respective higher offices but in general, most of the customers prefer to remain silent, by not lodging any complaint, thinking over to avoid so called misunderstandings or bad relationship with local authority and or prefer to quit to another bank/branch thereby hampering of customer satisfaction.

Earlier the customers who were accustomed with banking system for their very much deserved services, after core banking solution of bank, the customer started facing constraints in getting the due services. It may be noted here that there may have lack of knowledge of computerisation and digital use. As of date no public sector bank has taken any programme and or any such remarkable action to equip or literate their own based customers so that there should not have any hindrance to get the services and or after sale service. However, the basic requirements of customers are fulfilled in manageable manner. The service which may be easily available to customer are yet at the cost of time and hardship. Yet no Public Sector Bank in India has taken any remarkable step to enrich the knowledge base of the customer towards digital platform of banking service vis-a-vis while number of customers using smart mobile phone amongst marginal income group is remarkably low.

Objectives of the study

- i) To study the perception of customer service quality in Indian Public Sector Banks.
- ii) To examine, if any problem faced by customers of public sector banks on implementation of Performance Linked Incentive Scheme to employees.
- iii) To assess the difference of actual satisfaction level with the principles of Indian
- iv) Public Sector Bank.
- v) To survey the impact of customers' loyalty in profitability of Indian Public Sector Banks after recent merger of banks.

Methodology

“All progress is born of inquiry. Doubt is often better than overconfidence, for it leads to inquiry, and inquiry leads to invention“ - Famous Hudson Maxim.

All the aforesaid parameters are needed to be accounted for, in measuring customer satisfaction in public sector banks.

(a) Scope of study

This study is considered to be based on two Indian Public Sector Banks, i.e. Union Bank of India and Canara Bank within the jurisdiction of Kolkata only.

(b) Research design

Research Design is a way to systematically solve the research problems, collecting the facts for reaching certain conclusions either in the form of solutions towards the related problem for some theoretical formulation:

This research consists of customer satisfaction as dependent variable and service quality parameters as independent variables for quantitative research. Level of customer satisfaction is null hypothesis here. Secondary data can be obtained from respective nationalised banks and primary data from prospective customers by using simple random sampling and stratified sampling in this case. However,

depending upon the case, samples will have to be collected from customers of specified public sector banks within the jurisdiction. Data collection can be done through questionnaire both with open ended and closed ended. With the application of statistical tools SPSS, conclusion can be arrived at.

Perception of customer service quality

In the present competitive scenario in the Indian banking industry, service quality has become one of the important facets of interest of the customer.

The customer has some expectation of service how he will be treated to get any service from bank as a customer. Perception means perceiving i.e. giving meaning to the environment around us. Perception depends upon three factors i.e. characteristics of the perceiver, characteristics of the target and characteristics of the situation.

There are four elements of perception

- Sensation
- Absolute threshold
- Differential threshold
- Subliminal threshold

Depending upon the Attitude, Motive, Interest, Experience, Expectation and Self-concept the perception of a customer of a bank varies time to time and among different customers. The recent merger of banks i.e. Corporation Bank and Andhra Bank with Union Bank of India as well as Syndicate Bank with Canara Bank have obviously made a concern in customer perception of service quality as because some of the merged bank has been closed on the basis that either the merged bank branch has nearer other branch of same bank branch which has ultimately converted. Therefore, though nearer the business of the respective closed branch has shifted suitably with the other nearer branch. And the dealing customers' known personnel of the shifted branch may not post to that respective Branch. Apart from this there may have many other related issues in related to this shifting of branch which may hamper the customer satisfaction. Thereby comes up the question of affecting of customers perception of service quality of public sector banks.

Evaluation of actual satisfaction level on implementation of performance linked incentive

In the year 2020, during XI bipartite agreement, the bank management has introduced this scheme for the bank employees. Many a times, we experience that the desired level service is not tendered by bank employees. Under this Performance Linked Scheme the employees of the public sector banks get financial benefit in the term of salary on completion of any financial year when the bank is going on profit. And this benefit is given to those employees who have no negative rating at all given by customer. In present situation a representation of satisfaction level comes to a customer in their registered mobile through an rating app provided by the banks authority. Currently when a customer goes physically for performing any banking transaction specially for any cash transaction, as soon as the transaction is over, the customer gets a rating app to provide the rating of the transaction whether the respective dealing personnel of the bank has provided the service unto the mark of satisfaction level of the same customer. There contain five types of ratings within the rating chart regarding the service

of the dealing personnel of the bank how they have dealt with the respective customer. Certainly, the banking authority has introduced this Performance Linked Incentive scheme with a motto to promote good behaviour habit of the banking personnel as well as one step forward for customer satisfaction. Thus, the evaluation of the transaction, customer satisfaction focusses under performance linked incentive of the bank.

Problem faced by customer vis –a-vis principles laid by bankers

Though others money, bankers mind is one of the definitions of bank, the bank is a service sector organisation. And when service is the main motto, there comes up the question of satisfaction of customer to the expectation level. For example, if a demand draft is said to be served by seven minutes time fixed as per time norm by the bank, the other criteria i.e., cash deposition queue, printer issues viz. whether printer is available in condition, system monitoring, net availability, counter activity and other allied issues like technical know-how of the employee is subject to based on that should also be observed.

Any one of the aforesaid issues may add injury to dissatisfaction of the customer and thereby the very purpose of timely service is defeated to some extent causing concern for customer satisfaction.

On the other hand, expectation level of corporate customer and retail customer are not same.

While the retail customer is satisfied up to the level of required service expectation but expectation of corporate houses are fully based on gain, benefit and satisfaction. Again, Big corporate houses are not dependent at branch level but at the level of bank's higher specialised and dedicated service centre which are under direct control of General Managers of bank.

Apart from these, SME branch are also there to cater services to the respective needy. Moreover NRI, NRO, NRE foreign customers are also expect satisfied services.

Retail lending accounts comes under Retail banking sector. Retail banking covers third party products like mutual fund, insurance, allied business of the bank and after sales service. Banks have been nationalised with a larger perspective also with a view to reach every economic gain to poor section, marginal income level mass of the country. While the banks, especially public sector bank goes on digital platform, mobile banking and also on other technology base, what will be the status of those who do not possesses or cannot afford the cost of smart mobile phone and those who are not educated up to this bench mark level.

Customers' loyalty in profitability of Indian Public Sector Banks after recent merger of banks

It is said that Repeat customers spend more than first time customers - A gain from Loyalty. And Loyal customers produce higher conversion rates. The average conversion rate of loyal customer is 60% to 70%, while that of a new one is 5% to 20%. It boosts profitability of any organisation. Business profits up by 25% to 95% when customer retention rates are increased by only 5%. Retaining existing customer is cheaper than acquiring a new one. It is cheaper to keep an existing customer than to bring a new one. Several studies proved that getting a first-time customer is 5% more expensive than retaining a loyal one. Also, customer loyalty helps in effective planning. Very recently 10 public sector

banks have merged with 4 nationalised banks. Andhra Bank and Corporation Bank have merged with Union Bank of India and Syndicate Bank has merged with Canara Bank. Under the circumstances, it has become a prime motto of the bank to retain the customer base of respective merged banks to increase the profitability of the bank.

Therefore, there arises a necessity to assess whether customer base of the merged banks is still with the bank under which they have merged on which profitability of the banks depends as a whole.

Outcome

- The study must highlight the gap between the principles laid by Public sector bank management in context to customer satisfaction with prevailing picture of customer satisfaction.
- The study should formulate a comfortable level of expectation of customer in public sector banks after implementation of Performance Linked Income to Bank's work force.
- The study should draw an attention and wisdom of public sector bank authority for formulation of necessary amendments in improvement of customer satisfaction level.
- Last but not the least thereby the study may show a positive direction to compete with private sector and foreign banks to improve business and profitability.

Conclusion

The issue of customer satisfaction in the public sector banking industry is multifaceted and deeply intertwined with various socio-economic factors. Despite the imperative need for banking services among all strata of society, including those below the poverty line, challenges persist in ensuring equitable access and satisfactory service delivery, especially in rural areas.

The recent introduction of Performance Linked Incentive schemes aims to incentivize bank employees to enhance customer service quality. However, questions remain regarding the effectiveness of such initiatives in improving overall customer satisfaction. Moreover, the impact of recent bank mergers on customer loyalty and profitability necessitates careful evaluation to ensure sustained growth and competitiveness.

The perception of service quality among customers is influenced by various factors, including individual experiences, expectations, and the banking environment. Addressing the diverse needs and preferences of customers, particularly in the digital era, requires a comprehensive understanding of their evolving demands and challenges.

By bridging the gap between customer expectations and banking principles, public sector banks can foster greater trust, loyalty, and profitability. This necessitates proactive measures to enhance service quality, address grievances, and promote financial literacy among all segments of society. Ultimately, a customer-centric approach is essential for the long-term success and sustainability of the public sector banking sector in India.

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