Customer Satisfaction in Banks - A Study Of Selected Banks In Ethiopia

Dr. ARAVIND SOUDIKAR
Associate Professor, School of Management & Accounting,
College of Business & Economics,
Hawassa university, Hawassa, Ethiopia.

ABSTRACT

Transition of Banks from Class banking to Mass Banking and thrust upon profitability in recent period has led them towards customer orientation. Now, it is the duty of every banker to accept their customer’s as “King” to serve in the present era of cut-throat competition. With the advancement of science and technology, our world has reduced to a global village. Thus, change is inevitable and desirable. In such a situation, customer orientation has become the key word for competitive success. The need for introducing efficient customer service in the banking industry is now keenly felt by all concerned. Considering the importance of this, the chiefs of all banks advised to conduct immediately a survey of customer service in their banks and to submit the findings also, which helps them to take strategic decisions regarding customer services and measures to satisfy customers. Bankers are to compete with others for its survival and business opportunities. One of the indicators to evaluate the performance of banks is the customer service they provide in spite of deposits, credit management, social banking, reserve requirements, housekeeping and at last profitability. In the above factors except in customer service all achievements can be quantified and measured. There is also a tendency among banks, to take it for granted that good customer service prevails in the absence of complaints from its customers or putting in other way customer service is measured by the number of complaints received on a particular branch functioning. Realizing the importance of customer service in banks, various committees were appointed to study the customer service in banks and to make recommendations to improve the same. The need of this study is to bring out to what extent the selected banks cater the need of its customers with the twin objectives of

1. To understand how far the physical facilities is feasible and
2. To elicit the opinion of the customers on their satisfaction of the selected branches.

Key Words: Customer, Satisfaction, Services, Banks, Grievances, etc.,

INTRODUCTION:

The practice of banking has undergone significant transformations in the nineties. While banks are striving to strengthen Customer Relationship and started moving towards relationship banking. The need for competition of higher productivity and efficiency of the banking system is now increasingly realized. The economic reform process has set in motion a stage when new private banks are allowed to set up. The expectations of bank customers are primarily in promptness, accuracy, completeness and speed in delivering services by the banks.

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CUSTOMER PROFILE & EXPECTATION:

Banks can not exist without customers. (R.Muniraj) The customer can be defined as a user or a potential user of bank service, as service is just a day-in day-out activity or ongoing, never ending, unremitting, persevering compassionate type of activity. Customers are of two categories, the existing customer or present customer and new customer including potential customer. Today the cost of retaining a customer is just one-tenth the cost of acquiring a new one. Customer coming to the banks now are quite different, compared to the one in the past expect quality of service, respect, courtesy and elegance. The customer knows more about banking, he knows about his alternatives, he is more demanding, he is aware of his bargaining capacity. Loyalty to a particular bank is a thing of past. Expectations of different types of customers are varied and are ever increasing. The customer is more conscious of quality service. Customers have their own time pressures and business commitments; they are expecting speed, convenience at low cost. Some of the customers know that they can get better service from private and foreign banks. The borrowers expect expeditious decisions, prompt attention, appropriate information, reduction in cumbersome paperwork, reasonable charges and transparency in relationship. Banks offer tangible services but which cannot satisfy the customers, who need intangible services, which could be experienced like behavior and efficiency of staff, speed of transactions and the ambience. When the customer experience the widening gap between the expectations and experience, the result is raising customer complaints about the banks. (Prabal K.Sen) While computerization has been made instrumental in achieving as collaterally gains a higher level of probity, accountability and transparency in their operations, banks have adopted computers basically to secure improvement in the level and quality of services rendered by them to their customers.

What does the customer expect from banks today?

<table>
<thead>
<tr>
<th>Attitudinal Dimension</th>
<th>Extraneous Factors</th>
<th>Internal Factors</th>
<th>Human Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Courteous Treatment</td>
<td>Neat &amp; Visually</td>
<td>Knowledge of Procedures</td>
<td>Friendly</td>
</tr>
<tr>
<td>Counseling</td>
<td>Smart People</td>
<td>Simplification of Procedures</td>
<td>Bank feeling</td>
</tr>
<tr>
<td>Thinking together or problem solving attitude</td>
<td>Respect of timing</td>
<td>Spirit rather than latter ethics for procedural implementation</td>
<td></td>
</tr>
<tr>
<td>Belief in Indian Works, ethics “work is worship”</td>
<td>Efficient dealing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Respect for the organization</td>
<td>Helpful attitude</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


REVIEW OF PAST STUDIES:

(Sobhana.V.K) The study concluded that the customer’s complaint is not attended lack of comprehensive customer information system. Its customers were dissatisfied with the existing communication devices and lack of effective suggestion box scheme which the customer meet
regularly. (Benjamin Christopher & Maruthupandian) Assessment of level of customer satisfaction in
selected public sector banks by constructing satisfaction index and was concluded that customers are
dissatisfied with various services & suggested the need for refinement. (Dorairaju.S) Cumbersome and
Procedural formalities in availing services and the efforts towards complaint redressal was totally
dissatisfied. (Dilshat.A) Drawing money and lack of various services like investment advice and tax
advice. (Sanjay Shankar Kaptan) When reviewed about the marketing of banking services he suggested
that frequent meeting with customers and marketing services to attract NRI deposits to be made.
(Reddy.C.R) The present day banking can only be survived only by adopting efficient marketing
strategy for adaptive responses of the customers to win the growing competitive market in future.
(R.K.Talwar) As stated, it would be enough to say that the bank services need considerable
improvement on an emerging basis. And at the same time it has to come for banks to look deep to
find out what is the nature and quality of the thing they sell, what is the product demanded by their
customers and how to go about managing with time. (Archana Mathuri) The major problems faced by
the present day customers is that the delayed service, lack of proper guidance and discrimination by
bank staffs and suggested automation of banks may reduce delay in offering the services. (Geetha
Kumar & Reeta Kaul) In the article it was observed that rapid growth of banking industry which is
essentially a service industry, has tendered to lower the efficiency standards which being the worst
affected area the customer service. (Dr.V.Gopalakrishnan) He describes that the present day banking
services should take into consideration the factors such as to combat the competition for Foreign
Banks and new private sector banks, equip with technological advancement, new innovative methods
of offering services, diversify its regular activities, customer awareness to be created and their
satisfaction should be known to the bankers, development of skills among the bank personnel and at
last the corporate governance. (Habil Slade O Ogalo) In a true sense foreign and private banks believe
in making things happen. IT enriches supportive knowledge, which has shown a positive effect on
their business results in brushing up the efficacy of their personnel. The banking services and the
development of human resources is found significant since customers are found to be more sensitive to
the impolite behavior of bankers. The development of human resources at banks would transform the
same into capital. (Pakirisamy.P) Banking is basically a business having customers and clients. It plays
a vital role in the economic development of a country. This being the case and hence this industry
should remain in the hands of professionals and not to be transferred to government departments.
Politcizing the banking services tamper the role of custodian of public money and results enormous
growth of NPAs due to poor recovery. Hence, it is recommended that the banking service should be a
non-interfered one, judicious approach in the future, aiming for a real economic prosperity. With
having the above things in mind the researchers coined the following twin objectives
To understand how far the physical facilities is feasible and
To elicit the opinion of the customers on their satisfaction of the selected branches.
The following were the bank (branches) considered for the study. The Commercial Bank of Ethiopia
with 9 branches, Dashen Bank with 11 branches and Bank of Abyssinia with 4 branches.

METHODOLOGY:
Judgment sampling is used for selecting 150 respondents from the universe consisting of 2 lakh
as its population. The collected data was coded by giving individual codes to each answer and was	abulated according to the specific objectives of the study. Some of the respondents contacted through
the communication of E-Mail, Mobile and Telephone. The tabulated data was analyzed. The following
were considered as Independent Variables such as Sex, Age, Education, Occupation, and Martial
status, Monthly Income, Type of Family and Family Size. The Dependent variables such as Customers
– Bank, Type of Account, Type of Loan, Level of Satisfaction. Quartile deviation has been used to
find the customers level of satisfaction with their banks. For this purpose the factors considered for the
level of satisfaction has been given scores 3, 2, and 1. i.e, highly satisfied with 3 as its score, satisfied
with score 2 and score 1 for those not satisfied. The total score given by the respondents to their banks
is put for quartile deviation and the scores secured are as follows.
Name of Bank | Low Level | Moderate Level | High Level
--- | --- | --- | ---
Commercial Bank of Ethiopia | 51-99 | 51-92 | 51-97
Dashen Bank | 51-92 | 93-102 | 103-153

Source: Calculated data.

RESULTS & DISCUSSION:

Personal Profile:

Out of the total customers male constitutes 62% and female with 38%. When age-wise composition made 18.7% are less than 25years, 44.7% are between 26 to 30years and 36.7% are above 31years of age. Qualification-wise 44% are Graduates, 20.7% belong to Technical graduates, Professional’s constitute 20.7% and the balance 14.7% are having only school level of education. Respondents working in Government Service are 35.3%, 36.7% are working in Private Offices, 25.3% are Self-Employed and 2.7% are Pensioners category. 61.3% of the account holders income stands between Rs.5001 & Rs.10,000, 22% who are less than Rs.5000 and 16.7% who are above Rs.10,000. Nuclear Family constitute 46.67% and Joint Family 53.3%. When asked about the family size 42% are having 4 to 6 members, 34.7% who are having upto 3 members and 23.3% are more than 6 members. When the respondents replied for the type of account they posses it was found that 61.5% savings deposit account, 23.3% with current deposit account, 8.7% of them were holding recurring deposit account. At last when asked about the type of loan assistance taken from the bank it was found that Housing loan 69.8%, 11.3% equally for Education & Mortgage and 7.5% on consumer loan.

RESULTS & DISCUSSION:

Table 1 shows that the customers level of satisfaction for the banks made tangible and intangible services. Since, CBE and Dashen Bank have more number of customers when compared with Bank of Abyssinia who have moderate level of satisfaction. Whereas, Bank of Abyssinia succeeded with customer satisfaction with the facilities and the services provided.

<table>
<thead>
<tr>
<th>Level</th>
<th>Commercial Bank of Ethiopia</th>
<th>Dashen Bank</th>
<th>Bank of Abyssinia</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
<td>Number</td>
</tr>
<tr>
<td>Low Level</td>
<td>15</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td>Moderate Level</td>
<td>24</td>
<td>48</td>
<td>25</td>
</tr>
<tr>
<td>High Level</td>
<td>11</td>
<td>22</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100</td>
<td>53</td>
</tr>
</tbody>
</table>

Source: Collected through Questionnaire.

In order to study the factors influencing the level of customer satisfaction, Chi-Square Test is applied between the personal variables and the independent variables. From the analysis it is found that occupation and monthly income alone has influence the type of account the customers have. This is presented in the following table.

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Independent Variable</th>
<th>Remark</th>
<th>Level / DF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Account</td>
<td>Bank</td>
<td>No significance</td>
<td>5% / 6</td>
</tr>
<tr>
<td>Type of Account</td>
<td>Sex</td>
<td>No significance</td>
<td>5% / 3</td>
</tr>
<tr>
<td>Type of Account</td>
<td>Age</td>
<td>No significance</td>
<td>5% / 6</td>
</tr>
<tr>
<td>Type of Account</td>
<td>Education</td>
<td>No significance</td>
<td>5% / 9</td>
</tr>
<tr>
<td>Type of Account</td>
<td>Martial Status</td>
<td>No significance</td>
<td>5% / 3</td>
</tr>
<tr>
<td>Type of Account</td>
<td>Occupation</td>
<td>Significance</td>
<td>5% / 9</td>
</tr>
<tr>
<td>Type of Account</td>
<td>Monthly Income</td>
<td>Significance</td>
<td>5% / 6</td>
</tr>
<tr>
<td>Type of Account</td>
<td>Family Size</td>
<td>No significance</td>
<td>5% / 6</td>
</tr>
</tbody>
</table>
Type of Loan | Bank | No significance | 5% / 6
---|---|---|---
Type of Loan | Sex | No significance | 5% / 3
Type of Loan | Age | No significance | 5% / 6
Type of Loan | Education | No significance | 5% / 9
Type of Loan | Martial Status | No significance | 5% / 3
Type of Loan | Occupation | No significance | 5% / 9
Type of Loan | Monthly Income | No significance | 5% / 6
Type of Loan | Family Size | No significance | 5% / 6

Source: Calculated data.

Further analysis made between the personal factors and the level of customer satisfaction to the independent variable for all the three banks and the results are as follows. From the table it is clear that the variables do not have any statistical relationship which is presented as follows.

Table No 3 – Table showing the level of satisfaction.

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Variable (Level of Satisfaction)</th>
<th>Commercial Bank of Ethiopia</th>
<th>Dashen Bank</th>
<th>Bank of Abyssinia</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Sex</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>2.</td>
<td>Age</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>3.</td>
<td>Education</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>4.</td>
<td>Martial Status</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>5.</td>
<td>Occupation</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>6.</td>
<td>Monthly Income</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>7.</td>
<td>Family Size</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

Source: Calculated data.

SUGGESTIONS

Service delivery and Customer delight is probably one of the most debatable issues gripping the banking industry in our country. The following were the suggestion offered to improve the customer service in the banks under study to satisfy its customers. The Banks physical facilities should be made more convenient for the customers comfort. Quick redressal of grievances listening patiently, acknowledging customers point of view, apologizing if the bank is at fault – should be the way of dealing with the customers. The ATM Services should be extended with more numbers based on the number of account holders. Introduction of conducting surveys on customer service, the introduction of customer service committees in all branches, the availability of officials for meeting customers on a prescribed day every month, a different redressal machinery for handling customers complaints. Customer Meet can be organized at reasonable intervals so that they can establish a better rapport with the customers and educate them with latest advancements. The banks should avoid the malpractices such as unfair competition and concentration of credit, monopolization of economic power, cross holdings with industrial groups etc., The public sector banks should concentrate towards a whole range of services such as Tele-banking, Desk-top banking, Relationship banking, and Electronic transfer of funds in both some part of urban and rural branches. Almost all banks are planning to use state-of-the-art-technologies such as ATMs, note counting machines, which will improve the quality of services. Developing a concept of Customer Satisfaction Index to measure the bank performance in this regard. Publicity of banking service and schemes on Televisions may also be considered. Communication gap between staff and customers is another point which comes in the way of satisfying customers. For this either the bank officials could be taught local dialect before they are posted to rural branches. It is possible to delineate the principal types of virtual banking services such as ATM Networks, Electronic Fund Transfer at point of Sale (EFTPOs), Smart Cards, Stored-value cards, Phone Banking and more recently are the Internet and Intranet banking. Magnetic Media Based Clearing System (MMBCS), Electronic Clearing Service (ECS), Electronic Funds Transfer (EFT), Automated Teller Machine (ATM), Plastic Money, to become a member of SWIFT – society for worldwide Interbank Financial
Telecommunication, Swadhan – Shared Payment Network System (SPNS), Centralized Funds Management System (CFMS), Thinner staff structure by way of using modern and technically innovated system of banking operations would lead to an increase of productivity and profitability. Assign due weightage to the behavioral profile of bankers and prefer to recruit only submissive people. Link their incentive plans to professionalism which is not only meant to the high rate of efficiency but also to lower complaints. Brush up their potentials frequently by imparting proper training facilities. “Service with a smile and courtesy” be practiced. Streamlining the age old systems and procedures. Adequate motivation staff to have positive attitudes towards customers. In nutshell the following are the strategies suggested as Customer Surveys, Education, Contract Programmes, Convenience and Redressal forums to be done as and when necessary.

CONCLUSION
Almost all managers have agreed that the future belongs to the customers. The focus of banking business tomorrow will have to be customer centered. The role of Human Resources is found significant since customers are found more sensitive to the impolite behavior of bankers. Many a times disputes arise between customers and banks on various matters such as wrong debit to accounts, excess recovery of interests charges, wrongful dishonor of cheques, inadequacy in services etc.,. In order to set right these types of complaints the National Bank of Ethiopia introduced the BANKING OMBUDSMAN SCHEME as a redressal forum for the customers presently operating in Ethiopia. The study has made clear that the banks are attempting its best to attract higher rate of customer’s satisfaction however with sincerity to satisfy all the customers at all times. It would be apt to conclude by Mr.John Brooks, former President and Chairman of Council of the Chartered Institute of Bankers, London, “Give Service” – this has been the moral for the banking industry for decades past the moral for the banking industry for decades past and it will be a key to success in the decades to come.

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