A study on customers’ perceptions towards ICICI bank services

Dr. V. Vishnukanth Rao
Lecturer Business Studies Department Nizwa College of Technology, Nizwa, Sultanate of Oman

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Mr. Mallesh Tummala
Lecturer Business Studies Department Nizwa College of Technology, Nizwa, Sultanate of Oman

I. Introduction

Banks play an important and active role in the financial and economic development of a country. An effective banking system greatly influences the growth of a country in various sectors of the economy. Practitioners in the banking industry face a large number of complex challenges in the global marketplace. It is crucial for banks to better understand changing customer needs and adopt the latest information technology system in order to compete more effectively with global organizations (Malhotra & Mukherjee, 2004). It is said that the banking sector mirrors the larger economy – its linkages to all sectors make it a proxy for what is happening in the economy as a whole. Indeed, the Indian banking sector today has the same sense of excitement and opportunity that is evident in the Indian economy. The fundamental structural changes in recent years have taught us many lessons. A combination of developments arising from technological advancements and a liberalized marketplace – disintermediation, blurring of traditional roles and boundaries, emphasis on shareholder value creation – has led to a transformation of the banking sector. The ongoing developments in Indian industry and government and the integration of India with the global markets also offer myriad opportunities to the banking sector. (Kamath, 2003).

The Indian banking sector has developed as one of the toughest drivers of India’s economic growth. It has a huge geographic and functional coverage. This sector has undergone important developments in the recent past. Banking industry in India has achieved a remarkable progress with the changing times. Most of the banks provide various services such as Internet banking, Mobile banking, SMS and ATMs to their customers for their convenience. The use of technology has brought a revolution in the working style of the banks. Banking today has changed into a technology intensive and customer friendly model with a focus on convenience. However, due to dynamism in banking business that stimulates them to introduce innovative practices consistently brings new kind of challenge to the banking industry.

Objectives of the study:

1. To understand the perceptions of customers towards banking services.
2. To analyze the perceptions of customer towards ICICI bank services.
3. To suggest the measures to improve the services at ICICI bank.

Scope of the Study

The present study focuses on the retail banking operation of ICICI bank in Hyderabad city. It has considered the SERVQUAL model (Valarie Zeithaml & A. Parasuraman) with dimensions like Reliability, Assurance, Tangibility, Empathy and Responsiveness. Responses were collected from 160 customers of ICICI bank.

Significance of the Study

As the services are very complex to measure and huge competition is prevailing in banking industry, to survive and retain their market share the banks are improving their services consistently to gain competitive advantage over others. The present study is significant to ICICI bank in particular and banking industry in general. It also useful for academicians, customers and corporates to understand
the quality of services rendered by the ICICI bank and to take an appropriate decision towards selecting right bank by knowing the different benefits offered by them.

II. Review of literature

1. Singh and Kaur (2011) determined the factors that have an impact on customer satisfaction as regards the working of select Indian universal banks. The study was conducted using the survey method. Data were collected through a well-structured questionnaire from a sample of respondents. The major findings of the study show that customer satisfaction is influenced by seven factors – employee responsiveness, appearance of tangibles, social responsibility, services innovation, positive word-of-mouth, competence, and reliability. The results of multiple regression showed that three variables: social responsibility, positive word-of-mouth, and reliability have major influences on the overall satisfaction of the customer.

2. Al-Eisa and Alhemoud (2009) attempted to identify the most salient attributes that influence customer satisfaction with retail banks in Kuwait and to determine the level of the overall satisfaction of the customers of these banks. A multiple-attribute approach proposed by Shin and Elliott (2001) was employed. This approach was applied in the analysis of data collected from a convenient sample of customers of retail banks in Kuwait. The most crucial attributes for predicting customer satisfaction with retail banks in Kuwait were fast service, courtesy and helpfulness of employees and availability of self-banking services.

3. The predictors of customer satisfaction in the German retail banking sector were studied by Kanning and Bergmann (2009). Field study method was applied to find the factors affecting customer satisfaction. The major factors identified were performance of banks and fulfillment of customer expectations.

4. The factors affecting customer satisfaction in the Malaysian retail banking sector was conducted by Ndubisi and Wah (2005). A field survey of bank customers in Malaysia was conducted using a structured questionnaire. The data were factor-analyzed to determine the key dimensions of customer satisfaction. The results showed that five key dimensions, namely competence, communication, conflict handling, trust, and relationship quality, were the major determinants of customer satisfaction.

5. The dimensions of customer satisfaction in the Chinese retail banking sector was studied by Zhou (2004). The existing model of SERVPERF was used to determine the factors contributing to customer satisfaction. The factors found were empathy or responsiveness of the employees, reliability or assurance from the bank, and tangibility of services.

6. The factors influencing customer satisfaction in the retail banking sector of Abu Dhabi was also investigated by Jamal and Naser (2002). Structured questionnaire was distributed among the respondents. The analysis of the responses indicated service quality provided by the banks and the customer expectations from the bank were the major determinants of customer satisfaction.

7. Gerrard and Cunningham (2000) have developed a model of bank switching that contained six switching incidents. The study also investigated if certain demographic characteristics of Singapore's graduates could be used to distinguish those who have switched banks from their counterparts. The results showed that the types of incident that most often influenced bank switching were 'inconvenience', followed by 'service failures' and 'pricing'. The demographic characteristics that were subject to testing, namely gender, age, salary and racial group, showed no significant differences.
8. Eapen Varghese (2001) in his study attempted to assess the customer service rendered by commercial banks in Kerala. It was found that there is no difference between the services rendered by public sector banks and private sector banks.

9. Dwayne Gremler, Kevin Gwinner and Stephen Brown (2001), using the four dimensions of interpersonal bonds viz., trust, care, rapport, and familiarity, found that as a customer's trust increases in a specific employee or employees, positive word of mouth (WOM) communication about the organization also increases. Such a trust is a consequence of three other interpersonal relationship dimensions: a personal connection between employees and customers, care displayed by employees, and employee familiarity with customers.

10. Dan Sarel and Howard Mannorstein (1998) examined the effects of perceived employee action and customer prior experience, on reactions to service delays by conducting a field study of customers experiencing actual delays in a major retail bank. The findings indicate that events and actions taking place prior to, during and after the delay, affect consumer response.

III. Methodology
It is an exploratory study conducted to understand the perceptions of ICICI bank customers. A Non probability sampling is considered for the present study in which convenient sampling method was initiated. Sample size of 160 customers of ICICI bank was considered for collecting the data. Survey method has been adopted by using a structured undisguised questionnaire as an instrument for collecting the information from respondents; The questionnaire developed for this study was based on a SERVQUAL model that identified the influence of five dimensions (i.e. tangibility, responsibility, reliability, assurance and empathy) in banking service environments on customer satisfaction with the help of five point Likert scale ranging from strongly disagree to strongly agree. A statistical tool used for analysis purpose is Factor analysis i.e., principle component analysis with varimax rotation.

IV. Analysis
The responses obtained from the respondents on questionnaires is subjected to factor analysis i.e., principle component analysis with varimax rotation. It is a data reduction technique used in identifying a smaller number of factors underlying in a large number of observed variables. Variables that have high correlation between them are largely independent of other subsets of variables. Each factor is analyzed by first identifying those items that had high loading on that factor. Researchers commonly use a cut-off of 0.4 to identify high loading. The same cut-off point is used for assigning variables to factors. The results set of variables on a given factor was then studied in order to develop factor represented by that set of variables. In this manner, key items in each factor were identified and factors were labeled.

Perceptions of respondents towards the services of ICICI bank
Factor analysis is performed for the data obtained from the questions asked to the respondents related to the services of ICICI bank. Principle component analysis method and varimax rotation with Kaiser Normalization is done.

The component matrix found that there are 2 factors extracted from original 22 variables. Table 1.1 examines the total variance explained by the factor analysis and gives an indication about the number of useful factors. The table 1.1 has three parts. First part titled initial eigen values gives the variance explained by all the possible factors. Second part extraction sums of squared loading gives the information for factors with eigen values greater than one The last part titled, rotated sum of squares gives the information for extracted factors after rotation. The result indicates only two factors with eigen values greater than one suggesting a two-factor solution. The factor 1 explains 45.70 percent of variance (under varimax rotation) out of total variance of 88.88 percent of 2 factors.

Figure 1.1 examines the scree plot. It suggests that there are 2 factors retained and used as descriptors of the variance in the data. Scree plots are formed by plotting the number of factors against their respective eigen values.
FIGURE 1.1
Scree plot of the respondents perceptions towards ICICI Bank

Table 1.1 Total variance of the respondents perceptions towards ICICI Bank

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
<th>Rotation Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of Variance</td>
<td>Cumulative %</td>
</tr>
<tr>
<td>1</td>
<td>17.78</td>
<td>9</td>
<td>80.858</td>
</tr>
<tr>
<td>2</td>
<td>1.766</td>
<td>8.028</td>
<td>88.885</td>
</tr>
<tr>
<td>3</td>
<td>0.626</td>
<td>2.844</td>
<td>91.73</td>
</tr>
<tr>
<td>4</td>
<td>0.473</td>
<td>2.152</td>
<td>93.881</td>
</tr>
<tr>
<td>5</td>
<td>0.333</td>
<td>1.514</td>
<td>95.396</td>
</tr>
<tr>
<td>6</td>
<td>0.268</td>
<td>1.218</td>
<td>96.614</td>
</tr>
<tr>
<td>7</td>
<td>0.178</td>
<td>0.81</td>
<td>97.424</td>
</tr>
<tr>
<td>8</td>
<td>0.124</td>
<td>0.562</td>
<td>97.986</td>
</tr>
<tr>
<td>9</td>
<td>0.11</td>
<td>0.499</td>
<td>98.485</td>
</tr>
<tr>
<td>10</td>
<td>0.069</td>
<td>0.314</td>
<td>98.799</td>
</tr>
<tr>
<td>11</td>
<td>0.051</td>
<td>0.231</td>
<td>99.03</td>
</tr>
<tr>
<td>12</td>
<td>0.045</td>
<td>0.207</td>
<td>99.237</td>
</tr>
<tr>
<td>13</td>
<td>0.043</td>
<td>0.196</td>
<td>99.433</td>
</tr>
<tr>
<td>14</td>
<td>0.035</td>
<td>0.157</td>
<td>99.59</td>
</tr>
<tr>
<td>15</td>
<td>0.028</td>
<td>0.127</td>
<td>99.717</td>
</tr>
<tr>
<td>16</td>
<td>0.023</td>
<td>0.104</td>
<td>99.821</td>
</tr>
<tr>
<td>17</td>
<td>0.015</td>
<td>0.067</td>
<td>99.887</td>
</tr>
<tr>
<td>18</td>
<td>0.01</td>
<td>0.044</td>
<td>99.932</td>
</tr>
<tr>
<td>19</td>
<td>0.007</td>
<td>0.033</td>
<td>99.965</td>
</tr>
<tr>
<td>20</td>
<td>0.004</td>
<td>0.016</td>
<td>99.981</td>
</tr>
<tr>
<td>21</td>
<td>0.003</td>
<td>0.013</td>
<td>99.994</td>
</tr>
<tr>
<td>22</td>
<td>0.001</td>
<td>0.006</td>
<td>100</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
Results of factor analysis for the questions related to the respondents perceptions towards ICICI Bank

Each factor is analyzed by identifying those items that had high factor loading and 0.4 is used as cut-off for assigning variable to the factors. (Refer table 1.1)

Factor 1: Non-Assurance factors
1. When customers complain or have problems ICICI bank will show great concern.
2. ICICI bank will perform the service right for the first time.
3. ICICI bank will provide the service at the time agreed on.
4. ICICI bank will assist on error free records.
5. ICICI bank possesses modern looking equipment.
6. The physical facilities of ICICI bank are visually appealing.
7. Employees of ICICI bank are well dressed and appealing.
8. Materials and tools associated with service are visually appealing.
9. ICICI bank will pay attention to you individually.
10. You are convenient with opening hours of ICICI bank.
11. ICICI bank employees always give personal attention to solve the problem immediately.
12. ICICI bank will have customers' best interest at heart.
13. ICICI bank employees will understand the specific needs of the customers.
14. ICICI bank employees will tell you the exact time of service delivery.
15. Employees of ICICI bank will render prompt service.
16. Employees of ICICI bank are always willing to help you.
17. Employees of ICICI bank are never be busy to help you immediately.

Factor 2: Assurance Factor
1. The behaviour of bank employees will impress customers with reliability of service and instill confidence.
2. You feel safe and confident when transacting with employees of ICICI bank.
3. Employees of ICICI bank will always be friendly and courteous with you.
4. Employees of ICICI bank possesses knowledge to answer to your questions.

Note: When ICICI promises to do something by certain time, the promise has not achieved the expectations of respondents.

The following table 1.2 shows that the mean, standard deviation of the variables asked to the respondents towards their perceptions about ICICI bank.

TABLE 1.2 Descriptive statistics of the of the respondents perceptions towards ICICI Bank

<table>
<thead>
<tr>
<th>Description</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Analysis N</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. When promises to do something by certain time the promise is always kept</td>
<td>3.95</td>
<td>.708</td>
<td>160</td>
</tr>
<tr>
<td>2. When customers complain or have problems ICICI bank will show great concern</td>
<td>3.68</td>
<td>.935</td>
<td>160</td>
</tr>
<tr>
<td>3. ICICI bank will perform the service right for the first time</td>
<td>4.03</td>
<td>.726</td>
<td>160</td>
</tr>
<tr>
<td>4. ICICI bank will provide the service at the time agreed on</td>
<td>3.88</td>
<td>.902</td>
<td>160</td>
</tr>
<tr>
<td>5. ICICI bank will assist on error free records</td>
<td>3.78</td>
<td>.883</td>
<td>160</td>
</tr>
<tr>
<td>6. The behaviour of bank employees will impress customers with reliability of service and instill confidence</td>
<td>4.13</td>
<td>.750</td>
<td>160</td>
</tr>
</tbody>
</table>
From the above Table 1.2 it is revealed that most of the respondents accepts that, employees of ICICI bank are well dressed and appealing (mean = 4.70) with S.D. of 0.46, followed by ICICI bank employees will understand the specific needs of the customers (mean = 4.46) with S.D. of 0.69 and the physical facilities of icici bank are visually appealing (mean = 4.35) with S.D. of 0.88.

**Conclusion:**

This is an exploratory study to find the factors contributing to customer satisfaction in retail banking. Through this paper the authors made an attempt to understand the concept of customer satisfaction in Indian retail banking and to explore the factors which might affect customer satisfaction. In our view, this study is the first attempt to understand the concept of customer satisfaction and the factors affecting customer satisfaction in the Indian retail banking through a qualitative approach. The major findings of the study show that customer satisfaction is primarily influenced by different factors—employee responsiveness, appearance of tangibles, empathy towards customers and reliability of services offered. The assurance given by employees to customers had secondary influence. Results of Factor analysis is performed for the data obtained from the questions asked to the respondents related to the services of ICICI bank. Principle component analysis method and varimax rotation with Kaiser Normalization is done. The component matrix found that there are 2 factors extracted from original 22 variables. Customer satisfaction is one of the major parameters for the service providers in the Indian retail banking sector. If the requirements and the expectations of the customers are known clearly, then the Indian retail banks would be able to face the competition better. This necessitates the understanding of the factors contributing to customer satisfaction. So to keep the promises of ICICI bank to do services by certain time it is suggested that it has to continuously upgrade its service by using innovative methods and latest technology to remain competitive in the banking industry. It is expected that this study would help to understand customer satisfaction in Indian retail banking better.
V. Scope for further research:
This particular study can be conducted for the entire branch operations of ICICI bank covering all the branches in a region. The study can also be conducted by taking two different banks i.e. nationalized bank and private bank to compare and identify the gaps to improve their performance.

References:


