



**A COMPARATIVE STUDY OF
CUSTOMER FRIENDLY SERVICES OF SELECTED PRIVATE &
PUBLIC SECTOR BANK IN INDIA :
A CASE STUDY OF ICICI BANK VS SBI**

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ABSTRACT

The customer orientation of the banking sector has significantly increased in recent times. The introduction of a variety of new products and services with emphasis on quality of services clearly indicate how banks address the issue of customer needs and requirements through a customer centric approach. The Indian banking sector continues to witness domination by the public sector banks. Over the last decade, the banking sector has witnessed the entry of many new private sector banks, resulting in momentous changes. A note worthy aspect of the private sector banks is their ability to command a proportionately higher share of net profit (9.8%), even though they have a lower share in terms of customer deposits. In comparison, the public sector banks' share of total net profit is 70% and the share of deposits is 77%, these figures indicate lower profitability in terms of comparison of proportion of profits to deposits of private sector Indian banks.

Private sector banks are oriented toward niche banking, unlike the public sector banks, which meet the mass banking requirements. The strategies adopted by the private sector banks are more in tune with those of the foreign banks, where emphasis is given to establishing superior benchmarks of efficiency, focusing on niche customers, providing impressive customer service and bringing about operating efficiencies by using high-end technology. The study is an attempt to evaluate and compare the customer perception about retail banking service offered by State Bank of India (SBI) that represents public sector banks, being the biggest public sector bank in India & ICICI Bank that represents private sector banks, being the biggest private sector bank in India.

INTRODUCTION

In the early 1990s, the then government embarked on a policy of liberalization, licensing a small number of private banks. These came to be known as New Generation tech- savvy banks, and included Global Trust Bank (the first of such new generation banks to be set up), which later amalgamated with Oriental Bank of Commerce, UTI Bank (now re-named as Axis Bank), ICICI Bank and HDFC Bank. This move, along with the rapid growth in the economy of India, revitalized the banking sector in India, which has seen rapid growth with strong contribution from all the three sectors of banks, namely, government banks, private banks and foreign banks. That presented an unprecedented “Buyers Market” in Indian banking industry. With the public choice approach customer became the king of banking market thus the survival of all the banks now depends on the customer preference. The bank which can't deliver services as per customers requirements will be vanished from the market soon. Recent mergers & takeovers in both government & private sector is the real example of it. The study becomes very relevant for all government banks, private banks and foreign banks to know about customer's perception about “Customer Friendly Services” provided by banks. SBI & ICICI has been taken as an representative of government banks & private banks of the country respectively. Customer service is the provision of service to customers before, during and after a purchase. The term "customer service" encompasses a variety of techniques used by banks to ensure the satisfaction of a customer, from friendly and attentive staff to prompt response when confronted with product defects. Successful small business owners often cite this factor as one of the most important in establishing and maintaining a prosperous company.

The study is an attempt to evaluate and compare the customer perception about retail banking service offered by State Bank of India (SBI) that represents public sector banks, being the biggest public sector bank in India & ICICI Bank that represents private sector banks, being the biggest private sector bank in India.

LITERATURE REVIEW

In the article of “Customer Service in Banks” published in “Professional Banker” R Vijayaraghavan has concluded that many banks attribute their growth to their successful customer service. There is a strong emphasis on the customer service at all levels of the organization, all the way down to the branch level. With an increase in the competition among the banks, customer service definitely plays an important role in deciding the fate of a bank. Banks today face unprecedented challenges to sustain their growth path, if not for survival. The challenges include customer acquisition and retention, reducing cost of transactions risk management and regulation compliance. Effective use of technology, however, has greatly helped the banking sector to transform these challenges into opportunities. In the article of “Birth of Virtual Banks: Time to Write Obituary of Brick and Mortal Banks?” Published in The ICFAI University Press, R.H.Sharma has concluded that at present, the banks are competing on the grounds of number of customers, number of branches, dimensions of fund reserves, profitability, types of services, etc. Though many of the banks are computerized, they are not really scattered throughout the geographical boundaries. There is still a big market potential waiting to be exploited. Today, it will not be a wise thing to establish branches everywhere. Rather, it will be beneficial to extend the technological network and cover the potential market territories through installation of hi-tech banking stations. Tomorrow, only a true techno-bank will become the market leader. A bank with adequate number of MBMs will be able to impress and attract large number of customers. The bank

using CBN, yet providing differentiated as well as highly customized services in a cost-effective manner will be the future market leader of the banking industry. In the article of "Private and public banks: a comparison of customer expectations and perceptions." published in International Journal Of Bank Marketing, MCB up ltd 1997 Peter Kangis, Vassilis Voukelatos has concluded that Reports the findings of a survey among customers of Private and SBI in Greece on service quality perceptions and expectations. Finds that quality expectations and evaluation of services received were marginally higher in the private than in the public sector in most of the dimensions measured; the relative importance attached to each quality attribute was, however, of a similar profile for the two sectors. The perception of the profile of services received was, however, different between sectors, thus suggesting that they did deliver a different quality of service. Discusses the implications for strategy since sectoral differentiation in banking is becoming blurred as a result of increasing overlap between services and competition from related and substitute industries. Identifies the distinctiveness of what is perceived as a service on offer as essential ingredient to competitive positioning in financial services. In the article "The impact of internet banking on business-customer relationships" Journal: International Journal of Bank Marketing, Year: 2008, Publisher: Emerald Group Publishing Limited, Authors: Raechel Johns, Bruce Perrott tries to show how technology has dramatically altered the way businesses operate in a business-to-business (B2B) context and has had profound influences on services, altering the way services are delivered. It is believed that the increased use of self-service technologies (SSTs) impacts on B2B relationships. The paper seeks to explore the impact of the use of internet banking on business relationships.

OBJECTIVE OF THE STUDY

The prime objective of the study is to examine which bank is more preferred by the customer the public or private sector bank.

RESEARCH METHODOLOGY

This is an analytical study based mainly on the primary data collected through scientifically developed questionnaire. The questionnaire has been personally administered on a sample size of 300, chosen on a convenient basis from among a public sector and a private sector bank in the city of Ujjain . State Bank of India (SBI) represents private sector banks, being the biggest public sector bank in India & ICICI Bank that represents public sector banks, being the biggest private sector bank in India is being selected for study.

The sample size of 300 is divided equally as 150 from SBI and 150 from ICICI.

Each representative bank has been evaluated on 18 parameters. The degree of perception of customers on the parameters is quantified by using a 5-point Likert scale.. The 18 parameters identified for this study have been identified in terms of the above mentioned dimensions - customers focus and orientation, competence, tangibles and convenience.

The first dimension, "customer focus and orientation" refers to the approach and capability of the employees of the banks in terms of their dealings with the customers. The second dimension, 'competence' is identified with the dependability of the services offered. The third dimension 'tangibles' is associated with physical facilities and visual appeal of the banks' infrastructure, kind of technology adopted and the banks communication devices. The dimension 'convenience takes into consideration the aspect of convenience of the bank's branch locations and the access to a variety of services.

A) NATURE OF STUDY

The design of the study will be exploratory and diagnostic in nature. The main purpose of the study is to find out the comparative view of customer friendly services provided by selected Public Sector and Private Sector Bank in India, i.e. SBI vs. ICICI Bank.

B) SAMPLING PROCEDURE

The customers of Public sector (State Bank of India) and Private sector bank (ICICI Bank) in the city of Ujjain are the sample for the study. A total number of 300 respondents, 150 from each sector have been selected on Non-Probabilistic Random Sampling method was used for the study.

C). SOURCES OF DATA

The Primary source of data has been collected through survey method with the help of a questionnaire. The questionnaire included the question drafted for the enquiry about the customer friendly services and the level of satisfaction among the customers regarding these services. The questionnaire was structured. The question selected were open ended and close ended. The Secondary data was taken from the literature available on the subject, information available on internet, published articles and different books on banking sector.

D) STATISTICAL TOOLS & HYPOTHESIS

Relevant statistical and analytical tools of Average, Correlation and other tools appropriate for the study was used. Appropriate hypothesis relevant with the objectives of the study were formulated and tested for significance.

FINDINGS

In summary we can concluded that both SBI & ICICI truly deserve to be the leading banks in their respective sectors. The services offered by them are very competitive, technically advanced & customer centric.

1.1 Study shows that of 18 scale parameters in Customer help / Sustain, Courtesy and Warmth, Managing Customer Complaints, Range of Services Offered, Infrastructure Facilities like Parking, Cafeteria, ATM etc, Interiors and Ambiance, Mobile Banking, e-Banking, Internet Banking and Other Latest Technologies, Ease in Operating Account, Ease in Operating Account, Timings of the Bank, Multiplicity of Income Earning Options, Communication and Providing Prompt Information ICICI Bank was perceived better than SBI but in Method of Imposing Service Charges and Fines, Return on Deposits, Momentum, speed and precision in Transactions, Safety of Investments, Privacy of financial records and Transactions, Goodwill and Reputation of the Bank, Core Banking & Banks' Network SBI outshined ICICI. Thus out of 18 Points Scale ICICI was preferred on 11 scale parameters whereas SBI was preferred on 7 scale parameters.

1.2 The study reveals that noticeable finding that came out was that out of 11 Points parameters Scale where ICICI has been preferred over SBI, only on 4 point parameters Scale a significant difference was found between the customers preferences for ICICI & SBI i.e. only in Customer help / Sustain, Courtesy and Warmth, Timings of the Bank, & Communication and Providing Prompt Information ICICI have a significant edge over SBI. So though ICICI has outperformed SBI on 11 scale parameters out of 18 but this edge in majority of cases is not remarkable i.e. the equation can easily be reversed by SBI through proper actions. It can

be seen that ICICI is undoubtedly better in “Expediency” regarding their services & their customer focus & orientation.

1.3 On the other hand it is found that out of 7 Points parameters Scale where SBI has been preferred over ICICI, on impressive 6 point parameters Scale a significant difference was found between the customers preferences for ICICI & SBI i.e. in Method of Imposing Service Charges and Fines, Return on Deposits, Safety of Investments, Privacy of financial records and Transactions, Goodwill and Reputation of the Bank, Core Banking & Banks' Network SBI have a significant edge over ICICI. But only in Momentum, speed and precision in Transactions no significant edge was seen. The same can easily be seen through the table below:

TABLE						
Calculation of MEAN SCORES			ICICI		SBI	
Particulars		18 Points parameters Scale	LEAD	SIG.	LEAD	SIG.
Customer Focus and Orientation	1	Customer help / Sustain				
	2	Courtesy and Warmth				
	3	Managing Customer Complaints				
	4	Method of Imposing Service Charges and Fines				
	5	Return on deposits.				
Proficiency	6	Momentum, speed and precision in Transactions				
	7	Safety of investments				
	8	Privacy of financial records and Transactions				
	9	Range of Services Offered				
	10	Goodwill and Reputation of the Bank				
Infrastructure	11	Infrastructure Facilities like Parking, Cafeteria, ATM etc				
	12	Core Banking & Banks' Network				
	13	Interiors and Ambiance				

	14	Mobile Banking, e-Banking, Internet Banking and Other Latest Technologies.				
Expediency	15	Ease in Operating Account				
	16	Timings of the bank				
	17	Multiplicity of income earning options.				
	18	Communication and providing prompt information.				
	TOTAL			11	4	7

Source : Questionnaire

* LEAD = Edge of the bank over other.

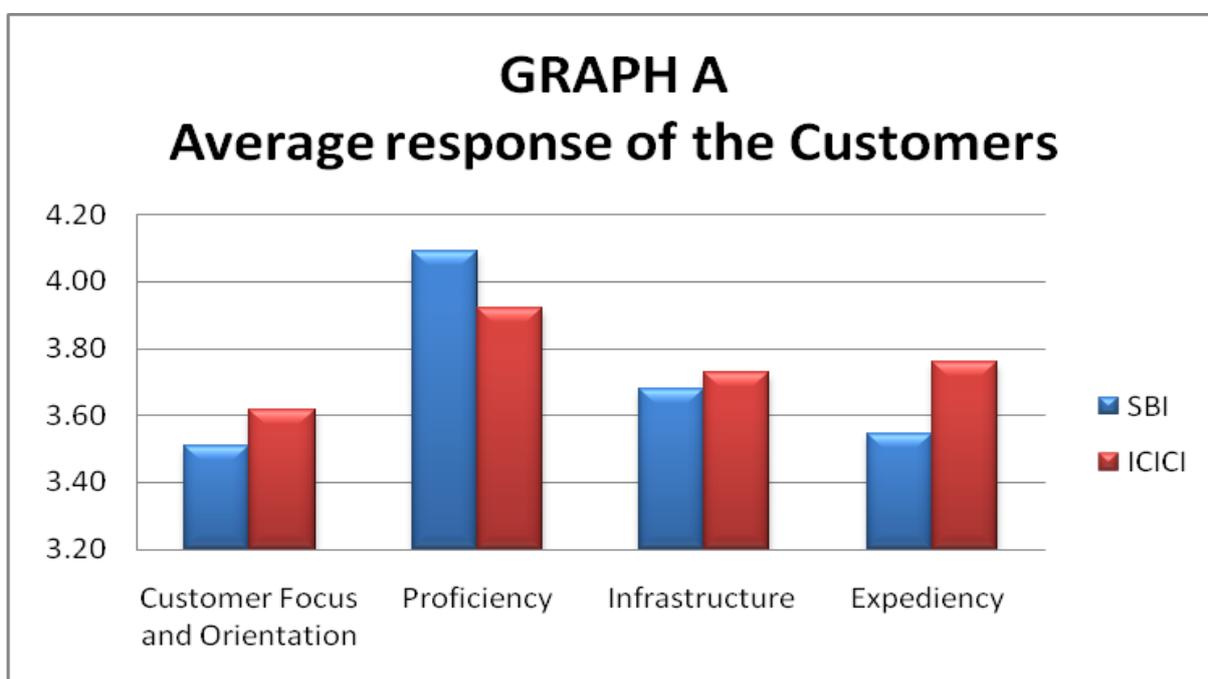
** SIGN = Significant Difference found in Customer's opinion

So though SBI has outperformed ICICI only on 7 scale parameters out of 18 but this edge in majority of cases is very remarkable i.e. the equation cannot easily be reversed by ICICI through normal actions. It can be seen that SBI is undoubtedly better in “Proficiency” regarding their services & it can be called as more reliable bank in customers’ opinion.

1.4 It can also be concluded looking at the responses that in “Customer Focus & Orientation” ICICI is regarded slightly better than SBI. Where as in “Proficiency” of operations, SBI was found better than ICICI. It may be because SBI being a public sector Nav Ratna Company of Government of India. In Infrastructure facilities ICICI is regarded slightly better than SBI. Again in “Expediency” of services ICICI is regarded slightly better than SBI. Thus overall 3 out of 4 major heads ICICI has outperformed SBI.

4 BASIC HEADS	SBI	ICICI	SBI VS ICICI	STATUS
Customer Focus and Orientation	3.51	3.62	ICICI > SBI	ABOVE AVERAGE
Proficiency	4.09	3.92	SBI > ICICI	VERY GOOD
Infrastructure	3.68	3.73	ICICI > SBI	ABOVE AVERAGE
Expediency	3.55	3.76	ICICI > SBI	ABOVE AVERAGE

Source: Questionnaire



1.5 Furthermore the independent variables have shown significant impact on the customer's perception about services provided by banks. In "Customer Focus & Orientation" we found a great consistency in overall responses of customers & responses grouped on the basis of independent variables. Thus it can be concluded that 4 independent variables Age, Annual Income, Years of Holding Account, & Profession more or less shows a great consistency with overall results (ICICI > SBI) in "Customer help & sustain" & "Courtesy & Warmth". In "Managing Customer Complaints" some inconsistency with overall results (ICICI > SBI) has been seen in respondents of above 30 years age group, respondents with more than 5 years old accounts & respondents doing private job as in these groups SBI was found better than ICICI. Thus it can be concluded that higher age group, old account holders consider SBI better in Managing Customer Complaints than ICICI. Whereas in "Method of Imposing Service Charges" and "Fines & Return on deposits" we found a great consistency in overall responses of customers & responses grouped on the basis of independent variables. Thus it can be concluded that 4 independent variables Age, Annual Income, Years of Holding Account, & Profession more or less shows a great consistency with overall results (ICICI > SBI) in "Method of Imposing Service Charges" and "Fines & Return on deposits". Only in case of Government job people think that ICICI's Method of Imposing Service Charges is slightly better than SBI. It can be seen as a reaction of the services of SBI.

In proficiency a significantly high consistency has been seen in almost all four skin parameters i.e. momentum, speed and precision and transaction, safety of investments, privacy of financial records, range of services offered, goodwill and reputation of bank. Regarding momentum, speed and precision SBI has out sign ICICI Bank but in certain area on the basis of independence variables some consistency is seen. In Age group ≤ 30 ICICI has shown marginal lead over SBI, Various in annual income ≤ 1.4 lakh again ICICI has shown marginal lead over SBI. Even in case of respondents with more than 5 years of holding account ICICI has shown an upper edge. In respect of profession in Private Job again ICICI has out shined SBI. But regarding safety of investments and privacy of financial records there was no as such significant difference was found as a impact of independent variables. Singularly very high consistency in found overall result and impact of independent variables on customer responses. A little bit impact of age > 30 years was seen in range of services offered age here instead of ICICI (Overall) SBI got an upper edge. Singularly for annual income ≥ 1.4 lakh and respondent in govt. job. SBI has shown an upper edge. Over ICICI.

In respect of infrastructure of facilities very high consistency has been seen. As a little impact of independent variables has been seen. Thus infrastructure facilities like parking cafeteria area no impact of independence variable has been seen as in all cases ICICI had a clear edge. Similarly in core banking and network no impact of independent variable has been seen as in all cases SBI has in clear edge. In interiors and ambiance some inconsistency with overall results (ICICI > SBI) in age group ≤ 30 were SBI shine over ICICI. Even for the respondents of govt. job some consistency is seen as in that SBI shine over ICICI. In respect of Mobile banking, e banking and other technology high consistency has been seen with overall results (ICICI > SBI). But in case of respondent with more than 5 years old account SBI leads ICICI.

In expedience reasonably good consistency has been seen. In ease of operating account inconsistency with overall result (ICICI > SBI) has been seen in respondent with age > 30 years, for respondent with annual income ≤ 1.4 lakh, for respondent of Business and government job i.e. in these cases SBI has out shine ICICI. Regarding timings of the bank high consistency is seen and no impact of any independent variable is seen as in all causes

ICICI Bank has shown a clear edge over SBI. In multiplicity of income earning option few inconsistency is seen form overall result (ICICI > SBI). As for despondence above 30 years age group and respondent with more than 5 years old account and business class respondent SBI is preferred more than ICICI. Finally in communication and providing prompt information relative high consistency is seen with overall results (ICICI > SBI). But only in case of respondent having more than 5 year old account SBI seems to out shine ICICI.

1.6 It can be concluded from analysis that in Customer help / Sustainability, Courtesy and Warmth, timings of bank, Communication and Providing Prompt Information a significant difference was found between ICICI & SBI in favor of ICICI. That shows that in “Consumer Focus & orientation” to some extant ICICI has a clear upper edge over SBI. But in “Expediency” ICICI leads in an impressive way. Whereas in Method of Imposing Service Charges and Fines, return on deposits, Safety of Investments, Privacy of financial records, Goodwill and Reputation of the Bank, Banking Network a significant difference was found between ICICI & SBI in favor of SBI. That shows that in “Consumer Focus & orientation” in some areas SBI has a significant upper edge over SBI. But in “Proficiency” SBI leads in a remarkable way.

1.7 Regarding effect on independent variables on customer’s preference about services provided by SBI & ICICI a mixed result was found through Z test. A significant difference was found as the effect of Age > 30 years in Customer help / Sustainability, Method of Imposing Service Charges and Fines, Safety of Investments, Core banking & Banking Network, Interiors and Ambiance & timings of bank. Whereas significant difference was found as the effect of age <= 30 years in Customer help / Sustainability , Courtesy and Warmth, Managing Customer Complaints, Goodwill and Reputation of the Bank, Timings of the bank, Multiplicity of Income Earning Options, Communication and Providing Prompt Information. Only in Customer help / Sustainability & Timings of the bank a significant difference was found in both the age group of <= 30 years & > 30 Years. Thus Customer helps / Sustainability & Timings of the bank appears to be the major concern for customers of all age groups.

1.8 A significant difference was found as the effect of Annual Income > 1.4 Lakh in Customer help / Sustainability, Courtesy and Warmth, Safety of Investments, Privacy of financial records and Transactions, Banking Network, Mobile Banking, e-Banking, Internet Banking and Other Latest Technologies, Timing of the bank, Communication and Providing Prompt Information. Whereas significant difference was found as the effect of AI <= 1.4 Lakh years in Customer help / Sustainability, Goodwill & reputation of bank. Only in Customer help / Sustainability a significant difference was found in both the age group of AI <= 1.4 & > 1.4 Lakh. Thus Customer help / Sustainability appears to be the major concern for customers of all age groups.

1.9 A significant difference between SBI & ICICI was found as the effect of Years Of Holding Account > 5 years was found only in case of infrastructural facilities, this shows that for new customers infrastructural facilities are most important. But for the group of greater than 5 years old account a significant difference was found in Customer help / Sustain, Courtesy and Warmth, return on investments, Safety of Investments, Privacy of financial records and Transactions, Goodwill and Reputation of the Bank, Timings of the Bank, Communication and Providing Prompt Information. This shows that customers become more particular as they become old with bank.

1.10 It can be concluded from analysis that a significant difference between SBI & ICICI was found as the effect of Profession (Business) in case of Customer help / Sustain, Courtesy and Warmth, Safety of Investments, Privacy of financial records and Transactions, core banking & bank networks. This shows that for Business community “Proficiency” & “Customer Focus & Orientation” facilities are most important. But for the Customers in Government Job a significant difference was found in Customer help / Sustain, Courtesy and Warmth, Managing customer complaints, Goodwill and Reputation of the Bank, Communication and Providing Prompt Information. This shows that for Customers in Government Job “Customer Focus & Orientation” facilities are most important. In Private Job a significant difference was found in Customer help / Sustain, Method of Imposing Service Charges and Fines, Safety of Investments, Timings of the bank. This shows that for Customers in Private Job “Customer Focus & Orientation” facilities are most important.

1.11 In Momentum, speed and precision in Transactions, Range of services offered & Ease in Operating Account no significant difference between SBI & ICICI on the basis of any independent variable. Thus it appears that customers belief both bank’s services are more or less same in these. Whereas maximum impact of independent variables by & large has been seen in banks abilities of Customer help / Sustain, Courtesy and Warmth, Safety of Investments, Goodwill and Reputation of the Bank, & Timings of the bank. Thus these may be the KRAs for both of the banks.

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