

# Customer Perception and Preferences towards Banking Services in India – A Case Study of Varanasi Region

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## Abstract

Marketing is an important function of business and viewed as an important instrument for attaining competitive advantage in the field of services. It is also considered a potent tool for attracting, holding and satisfying customers for the organization offering services. In India, banking industry has been experiencing ups and downs since long. In order to solve these problems and manage the challenges it is very much essential for the banks to evolve and implement effective marketing strategy based on customer-centric approach. This study focus on the one of the essential elements of service marketing i.e., Process: Process used in the marketing of banking services, customers' perception towards this process and suggestive measures to improve the process of delivering the banking services to their customers. The study is based on primary data gathered with the help of survey method. Survey has been conducted with the help of structured questionnaire. With a view to obtaining opinions and views of customers of different banks a sample of 100 customers has been taken for the purpose of gathering information. With different statistical tools such as weighted average method and ranking, the paper concludes that most of the customers of banks are moderately satisfied with the service delivery process.

Key words: Customer preferences, Service Delivery Process, equipment-based services, service quality.

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## Introduction

Today the major problems and challenges faced by the banks, more particularly by the public sector banks are growing number of loss-making branches, increasing NPAs, growing customers grievances, customer dissatisfaction, insensitive to customers, slow pace of innovation, low employee productivity, profitability and efficiency, overstaffed branches, deteriorating customer services, inappropriate channelization of human resources, lack of products and service information to customers and suspicion towards the security of transactions and accounts operated through ATMs, internet banking and mobile banking. In order to solve these problems and manage the challenges it is very much essential for the banks, particularly the public sector banks to evolve and implement effective marketing strategy based on customer-centric approach. In addition, effective control measures should also be taken to ensure that the marketing strategy is working effectively and efficiently. All other functions should be integrated with marketing strategy. Different elements of marketing strategy should also be integrated to form a holistic marketing programme.

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Process is an integral element of service marketing strategy. Process is referred to way activities are actually performed and steps are taken to achieve desired results. Process has been considered an important area of manufacturing, engineering and computer programming since long. In the service sector too it has gained importance for the purpose of achieving competitive advantage. Developments in the field of information and communication technology have also helped in revolutionizing many processes in service sector. In banking sector too, the impact of the application of tools and techniques based on modern technology can easily be observed by a simple visit to any branch. The use of mobile banking, internet banking and ATMs helps in service delivery process. Basically,

for the purpose of service delivery a blueprint or a framework is prepared to satisfy the needs and wants of customers in a better way. The purpose of developing a blueprint for service delivery processes and transactions has been clearly identified by Woodruff which is as follows:

- i. To ensure that the service is carried out in the fastest, most efficient and cost-effective manner possible;
- ii. To enable service quality to be monitored and benchmarks to be put in place thus allowing accurate measurement of both quality and productivity;
- iii. To facilitate staff training and enable individuals to carry responsibility for individual stages of the service transaction and delivery;
- iv. To reduce the amount of divergence thus enabling accurate budgeting and manpower planning etc. to take place.

The process helps the customers as well as the banks. Customers are benefited because they easily understand what they have to do for getting a product or service from the bank. It also benefits the employees including the managers of the banks because they understand that what they have to do in the process delivering the services to the customers. It may be noted that the clearer the process or steps, the better for the customers and the employees in transactions.

The important aspects which influence the process or which make the process effective are the customer participation in the service process, location of service delivery, the nature of service itself, degree of standardisation and complexity of services. Customer participation refers to the involvement of customer in the service process. Similarly, location of service delivery relates to the decision whether the service will be provided at the service providers' premises or at the doorstep of the customers or both. The nature of service is concern with ascertaining the level of intangibility of services, i.e. equipment-based services, such as, ATM, mobile banking, clearing of cheques at the bank premises. Decisions regarding degree of standardization of services refer to the service delivery

system. Whether the service will be delivered in a standard format or whether some degree of customization is possible. Complexity of service refers to the measurement of the number of steps or activities involved in service delivery. This also relates to the procedures and guidelines for availing of services. All these aspects indicate that services are delivered effectively to the satisfaction of customers.

### **Designing and Developing Strategy for Service Delivery Process**

The service delivery process is designed, implemented and monitored by considering the specific characteristics of service process. It involves few steps to design an appropriate process for service delivery. These steps are:

- (i) In the process of designing and developing strategy for service delivery process, the organization has to first make a decision regarding the operational position. It means to design the service operation which indicates the marketing objectives of the organization. Operational position for an organization can be one of these three groups: cost efficiency, service quality and customisation. While building a competitive advantage in one, the organization has to develop competitive parity in the other two.
- (ii) Service mapping is a technique which is used to portray an existing service situation and provides a useful tool to assess and identify service evidence opportunities. Service organization maps the approximate location of each competitor on the operational position map.
- (iii) The blueprinting is a technique which is used while planning a new or revised process and prescribing that how the process should be functioned. It provides a visual portrayal of a service delivery process. It helps in identifying the fail points which can be a cause for poor customer service.
- (iv) Divergence and complexity of service delivery process should be clear. Complexity refers to the number of steps and sequences in a service process while divergence is the variability and latitude in

those steps and sequences. Banking services are high in both complexity and divergence as it involves a high number of steps and sequences with several additional options at each.

### Literature Review

A study conducted by Dr. T A Khaliq (2018) has found that different educational status groups and different occupation groups of customers have different perception toward the banking services. His study also showed that all the educational status groups as well as occupation groups of customers experience less than what they expect in the overall service quality of commercial banks.

Ravi C S and Basavaraj Kundan (2013) focus on the significance of customer awareness as increased level of customer awareness leads to increased preferences. They investigated the preference and satisfaction level of customers towards loans, deposit schemes, insurances and value added services rendered by private and public banks in Shivamogga district. The study is also concerned with the comparison and analysis of the customer preference and satisfaction towards banking services of both private and public banks in the same district.

R. Renganathan, S. Balachandran and K. Govindarajan (2012) in their study affirm and develop an instrument of service quality in the context of banking industry, and examine the relationship among banking service quality, banks' staff conduct, credibility, communication and customer accessibility. The proposed model (BANKSERV scale was adopted with some modifications) is then calibrated using the data collected from customers of banking sector in Tamil Nadu and Pondicherry of India. Four significant determinants of banking service quality identified are: staff conduct, credibility, communication and customer accessibility.

Er. Vishal Mohan Goyal & Mrs. Gania Goyal (2012) analysed the differences in risk perceptions between bank customers using Internet Banking and those not using Internet Banking. Their work also showed that risk perceptions in terms of financial, psychological and

safety risks among customer not using the internet was more meaningful than those using internet banking. Customers not preferring to use internet banking thought that they would be swindled when using this service, and therefore, are particularly careful about high risk expectation during money transfers from and between accounts. Private and foreign banks are trying to turn more and more customer towards the usage of internet for the banking transaction.

H. Vasantha Kumari and S. Sheela Rani (2011) have conducted a survey and found that while age, gender, occupation have no significant effect on customer perception of service quality and income and qualification differs significantly. All the customers are highly satisfied on the services provided by the bank. While discussing about qualification, most of the customers were found good and comfortable in bank operating hours, fast in solving problems. Important results reveal from the study that irrespective of gender and occupation, customers perceive the various factors in the same manner.

Divya Singhal and V. Padhmanabhan (2009), through their research work, explore that 'utility request', 'security', 'utility transaction', 'ticket booking' and 'fund transfer' are major factors responsible for internet banking based on respondents' perception on various internet applications. Out of total respondents' more than 50 % agreed that internet banking is convenient and flexible ways of banking and it also have various transaction related benefits. It also provides a framework of the factors which are taken to assess the internet banking perception.

### Research Methodology

#### *Research Design:*

The present study is an empirical research to study the customer perception towards banking services offered by their banks operating in Varanasi region. The survey questionnaires were distributed to 100 respondents in Varanasi. Convenient sampling method was adopted for collecting a sample. The data was analyzed using weighted average method and ranking method.

### Objectives of the Study

1. To analyze the perception of the customers towards the service delivery process in Indian banks.
2. To identify the preferences of customers towards banking services.

### Hypothesis

H01: There is no difference between standard time and actual time in delivering the banking services.

H02: There is indifference among customers regarding banking services.

### Analysis and Discussion

#### Customers' Preferences towards the Banking Services

Figure 1 shows that most of the customers perceived 'opening a deposit account' as the most important service which was followed by the service of depositing cash, cash withdrawal and payment of local cheques respectively. The analysis of the table reveals that out of total customers, 13 percent customers considered the opening a deposit account is the most important activity for them while 11 percent have voted in favour of depositing cash as the most important service. The service of cash withdrawal and payment of local cheques shared the third position commonly each having the vote of 10 percent customers. Out of all the services, account opening for education and demand loan occupied the last and second last position having the share of 1 percent and 2 percent respectively.

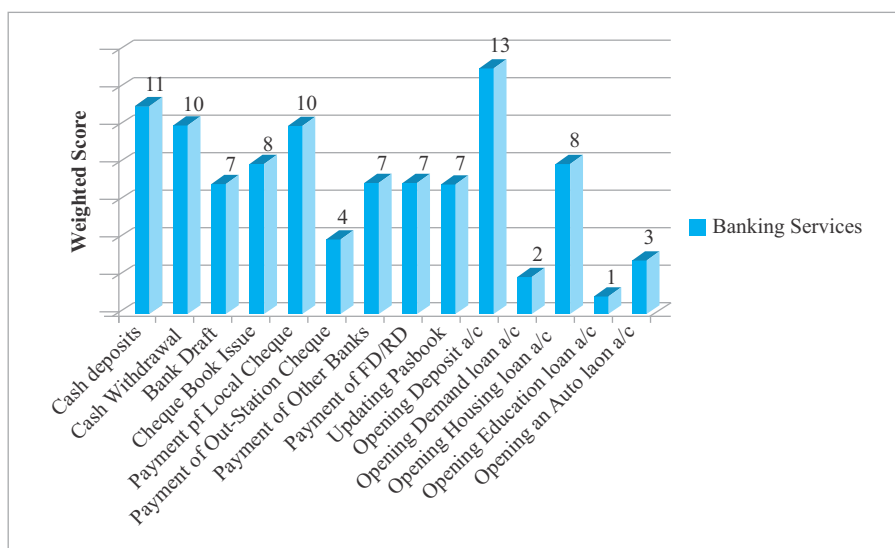


Figure 1 : Weighted Scores of Banking Services given by Customers

### Customer Perception towards Service Delivery Process

A survey was also conducted to ascertain the actual time taken in delivering the above mentioned banking services from the viewpoint of customers. The customers were asked to give a score point of 5 to the services which are completed within their standard delivering time while 3 to those services take slightly more than their standard time in getting operated. No

score was provided to those services which take more than usual time. The analysis reveals that no service was found to be provided by the banks within in the standard time. Majority of the services have got the score of less than 3 point (2.9) which shows that their execution takes more than the normal time as expected by the customers. Out of all the services, only four services have scored above 3 showing the customers' perception of being executed around the standard time allotted. (Figure 2 & 3)

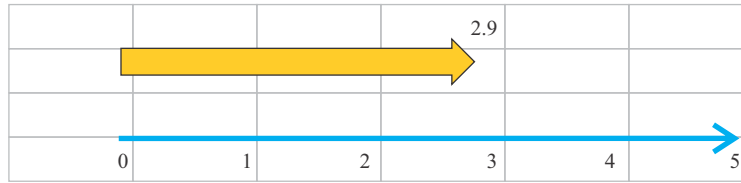


Figure 2: Average Scores of Overall Banking Services

Figure 3 shows that most of the customers considered the opening of deposit account, which takes more than the usual time. Similarly, depositing cash is the second most preferred banking services which also takes more

than the standard time. It is important to note that the customers ranked the payment of local cheques as the third most preferred service of which execution time is more than the expected time.

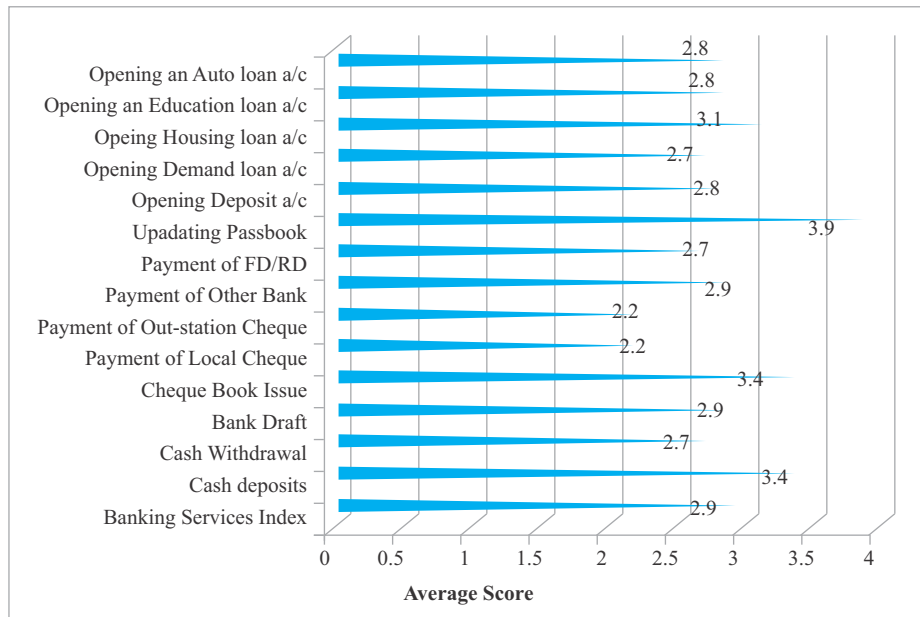


Figure 3: Average Scores of Banking Services given by Customers

**Conclusion**

The study was conducted to analyse the customer preferences and perception regarding the banking services and their delivery process. It is found that most of the customers perceived 'opening a deposit account' as the most important service which was followed by the service of depositing cash, cash withdrawal and payment of local cheques respectively. Generally, maximum banking services are associated with the deposit account, therefore, it is considered as a prime service provided by the bank. It is also evident that the respondents are not fully satisfied with any services of the banks. Most of the customers are moderately satisfied with the processes. On the other hand, the maximum respondents perceived that banks take more than the standard time allotted for the execution of

banking services. It is suggested that banks, keeping in view the perception level of different segments of customers, have to improve the service quality and their delivery system to retain their exiting as well as new customers. Along with this, they should take necessary initiatives to understand the needs and expectations of various segments of customers and fulfill the same in a better way.

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