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RELATIONSHIP BANKING AND CUSTOMER SATISFACTION: AN EMPIRICAL STUDY ON SELECTED PRIVATE SECTOR BANKS

Dr.Y.V.Rao
Professor, School of Management Studies, Vignan University,
Vadlamudi, Guntur,AndhraPradesh, India.

Abstract
The financial system of a country plays an important role in promoting economic growth, which is a composition of various institutions, markets, regulations, laws practices, money managers, analysts, transactions and claims & liabilities. The banking industry plays a major role in representing the financial system in India. It works as an intermediary between individuals, the government, financial institutions and other stakeholders, by creating a vicious circle, which directly or indirectly gets affected by the industry.

Retail banking is gaining importance in the current scenario, which defines banks' transactional relationship directly with consumers, rather than group or corporations or other banks. Services offered include savings and current accounts, mortgages; personal loans debit cards and credit cards. The term is generally used to distinguish these banking services from investment banking, commercial banking or wholesale banking. It may also be used to refer to a division of a bank dealing with retail customers and can also be termed as Personal Banking Services or Consumer Lending.

The issue of retail banking is extremely important and topical. Across the globe, retail lending has been a spectacular innovation in the commercial banking sector in recent years. The growth of retail lending, especially, in emerging economies, is attributable to the rapid advances in information technology, the evolving macroeconomic environment, financial market reform, and several micro-level demand and supply side factors. India too experienced a surge in retail banking. There are various pointers towards this. Retail loan is estimated to have accounted for nearly one-fifth of all bank credit. Housing sector is experiencing a boom in its credit. The retail loan market has decisively got transformed from a sellers' market to a buyers' market. Gone are the days where getting a retail loan was somewhat cumbersome. All these emphasize the momentum that retail banking is experiencing in the Indian economy in recent years.

Keywords: Retail banking –Relationship Banking- purchasing power-Technical factors-Retail lending issues- Customer preferences.

Objectives of the Study

1. To study the Retail Banking customer relationship
2. To analyse the core area of Bank relation
3. To study the trends in Retail Banking
4. To analyse the future of retail banking
5. To ascertain the ideal level of services which they expect from the bank.
6. To identify the extent of segmentation gap among the services offered
7. To check the level of satisfaction about the different types of services offered by the banks.

Methodology

Random sampling technique has been used to select the sample size of 150 respondents, from whom responses through questionnaire were collected. Perception gap and customer profile gap have been studied in the research paper.

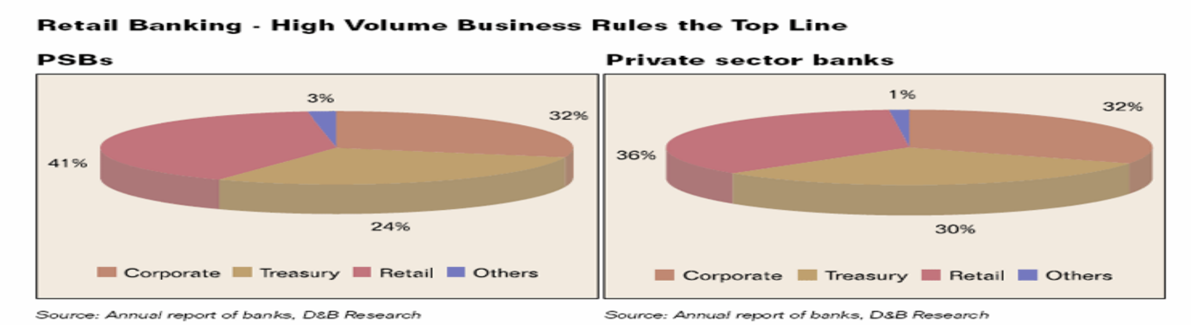
Data Collection
To attain the above objectives of the study, primary data as well as secondary data have been collected and analyzed. Source of secondary data are the annual reports browsed through the web sites of Axis Bank, ICICI Bank, HDFC Bank. Primary data are collected with the help of questionnaire which was prepared to have an overview of the perception gap. It was filled in by 150 respondents. The information so obtained has been compiled in a tabular form and has also been presented through charts and graphs. Retail banking is, however, quite broad in nature - it refers to the dealing of commercial banks with individual customers, both on liabilities and assets sides of the balance sheet. Fixed, current / savings accounts on the liabilities side; and mortgages, loans (e.g., personal, housing, auto, and educational) on the assets side, are the more important of the products offered by banks. Related ancillary services include credit cards, or depository services. Today's retail banking sector is characterized by three basic features:

- Multiple products (deposits, credit cards, insurance, investments and securities);
- Multiple channels of distribution (call center, branch, Internet and kiosk); and
- Multiple customer segments (personal, small business, and corporate).

Retail Banking in India
Retail banking in India is not a new phenomenon. It has always been prevalent in India in various forms. For the last few years it has become synonymous with mainstream banking for many banks. The typical products offered in the Indian retail banking segment are housing loans, consumption loans for purchase of durables, auto loans, credit cards and educational loans. The loans are marketed under attractive brand names to differentiate the products offered by different banks.

As the Report on Trend and Progress of India, 2003-04 has shown that the loan values of this retail lending typically range between Rs.20, 000 to Rs.100 lacks. The loans are generally for duration of five to seven years with housing loans granted for a longer duration of 25 years. Credit card is another rapidly growing sub-segment of this product group. In recent past retail lending has turned out to be a key profit driver for banks with retail portfolio constituting 21.5 per cent of total outstanding advances as on March 2004. The overall impairment of the retail loan portfolio worked out much less than the Gross NPA ratio for the entire loan portfolio.

Within the retail segment, the housing loans had the least gross asset impairment. In fact, retailing make ample business sense in the banking sector. While new generation private sector banks have been able to create a niche in this regard, the public sector banks have not lagged behind. Leveraging their vast branch network and outreach, public sector banks have aggressively forayed to garner a larger slice of the retail pie. By international standards, however, there is still much scope for retail banking in India. After all, retail loans constitute less than seven per cent of GDP in India vis-à-vis about 35 per cent for other Asian economies - South Korea (55 per cent), Taiwan (52 per cent), Malaysia (33 per cent) and Thailand (18 per cent). As retail banking in India is still growing from modest base, there is a likelihood that the growth numbers seem to get somewhat exaggerated. One, thus, has to exercise caution is interpreting the growth of retail banking in India.



(Figure 1)

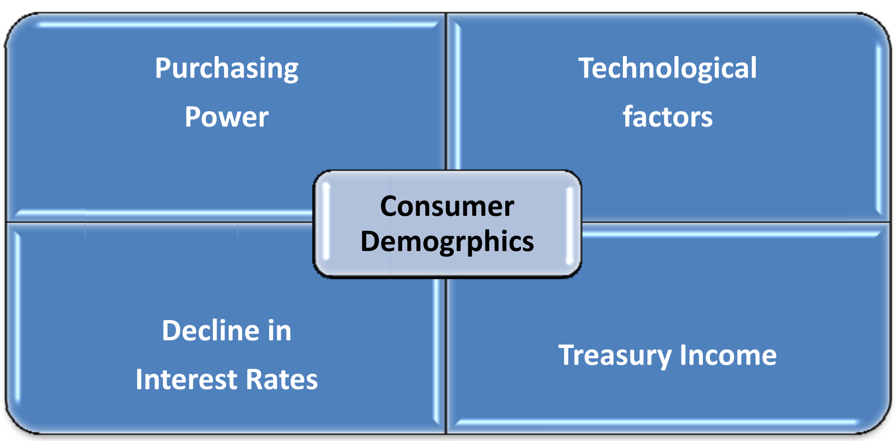
Retail banking is a high volume business which constitutes a majority of the total revenue for both public and private sector banks. When compared to the private sector, PSBs which are perceived to be risk averse, have higher exposure to the retail banking segment, and lesser exposure to treasury operations.Among the PSBs, alone accounts for more than one fourth of the income pie from retail banking operations. In fact, total revenue close to half is contributed from its retail banking operations. The higher share of the PSBs in retail banking can be attributed to their unmatched rural reach which keeps them far ahead of their private sector and foreign peers in terms of their presence in rural areas. The PSBs account for 94.7% of the total branches in rural areas.

Drivers of Retail Business in India

What has contributed to this retail growth? It is debatable and the following paragraphs highlight some of the basic reasons.

First, economic prosperity and the consequent increase in **purchasing power** have given a fillip to a consumer boom. Note that during the 10 years after 1992, India's economy grew at an average rate of 6.8 percent and continues to grow at the almost the same rate – not many countries in the world match this performance.

Second, changing **consumer demographics** indicate vast potential for growth in consumption both qualitatively and quantitatively. India is one of the countries having highest proportion (70%) of the population below 35 years of age (young population). The BRIC report of the Goldman-Sachs, which predicted a bright future for Brazil, Russia, India and China, mentioned Indian demographic advantage as an important positive factor for India.



Third, **technological factors** played a major role. Convenience banking in the form of debit cards, internet and phone-banking, anywhere and anytime banking has attracted many new customers into the

banking field. Technological innovations relating to increasing use of credit / debit cards, ATMs, direct debits and mobile banking has contributed to the growth of retail banking in India.
Fourth, the **Treasury income** of the banks, which had strengthened the bottom lines of banks for the past few years, has been on the decline during the last two years. In such a scenario, retail business provides a good vehicle of profit maximization. Considering the fact that retail's share in impaired assets is far lower than the overall bank loans and advances, retail loans have put comparatively less provisioning burden on banks apart from diversifying their income streams.
Fifth, **decline in interest rates** have also contributed to the growth of retail credit by generating the demand for such credit.

Opportunities and Challenges of Retail Banking in India
Retail banking has immense opportunities in a growing economy like India. As the growth story gets unfolded in India, retail banking is going to emerge a major driver. How does the world view us? I have already referred to the BRIC Report talking India as an economic superpower. A. T. Kearney, a global management consulting firm, recently identified India as the "second most attractive retail destination" of 30 emergent markets. The rise of the Indian middle class is an important contributory factor in this regard. The percentage of middle to high income Indian households is expected to continue rising. The younger population not only wields increasing purchasing power, but as far as acquiring personal debt is concerned, they are perhaps more comfortable than previous generations. Improving consumer purchasing power, coupled with more liberal attitudes toward personal debt, is contributing to India's retail banking segment. The combination of the above factors promises substantial growth in the retail sector, which at present is in the nascent stage. Due to bundling of services and delivery channels, the areas of potential conflicts of interest tend to increase in universal banks and financial conglomerates. Some of the key policy issues relevant to the retail banking sector are: financial inclusion, responsible lending and access to finance, long-term savings, financial capability, consumer protection, regulation and financial crime prevention. What are the challenges for the industry and its stakeholders?

First, retention of customers is going to be a major challenge. According to a research by Reich held and Sesser in the Harvard Business Review, 5 per cent increase in customer retention can increase profitability by 35 per cent in banking business, 50 per cent in insurance and brokerage, and 125 per cent in the consumer credit card market. Thus, banks need to emphasise retaining customers and increasing market share.

Second, rising indebtedness could turn out to be a cause for concern in the future. India's position, of course, is not comparable to that of the developed world where household debt as a proportion of disposable income is much higher. Such a scenario creates high uncertainty. Expressing concerns about the high growth witnessed in the consumer credit segments the Reserve Bank has, as a temporary measure, put in place risk containment measures and increased the risk weight from 100 per cent to 125 per cent in the case of consumer credit including personal loans and credit cards (Mid-term Review of Annual Policy, 2004-05).

Third, information technology poses both opportunities and challenges. Even with ATM machines and Internet Banking, many consumers still prefer the personal touch of their neighbourhood branch bank. Technology has made it possible to deliver services throughout the branch bank network, providing instant updates to checking accounts and rapid movement of money for stock transfers. However, this dependency on the network has brought IT departments' additional responsibilities and challenges in managing, maintaining and optimizing the performance of retail banking networks. Illustratively, ensuring that all bank products and services are available, at all times, and across the entire organization is essential for today's retails banks to generate revenues and remain competitive. Besides, there are network management challenges, whereby keeping these complex, distributed networks and applications operating properly in support of business objectives becomes essential. Specific challenges include ensuring that account transaction applications run efficiently between the branch offices and data centers.

Fourth, KYC Issues and money laundering risks in retail banking is yet another important issue. Retail lending is often regarded as a low risk area for money laundering because of the perception of the sums involved. However, competition for clients may also lead to KYC procedures being waived in the bid for new business. Banks must also consider seriously the type of identification documents they will accept and other processes to be completed. The Reserve Bank has issued details guidelines on application of KYC norms in November 2004

General Characteristics of Retail Banking Market

The supply side of retail banking markets shows common features that are typical for banking markets in general. The main difference between retail banking and other banking fields is the fragmented demand side of the first comprising individual consumers and small enterprises. The demand-side of retail banking markets is, as would be expected, fragmented. Bank customers are often faced with information asymmetry, i.e. lack of full information about the products and services on offer and hence cannot make meaning full comparisons. Moreover, there are numerous barriers to customer mobility (e.g. tying and bundling of products, switching costs such as closure charges, etc.) that result in a certain reluctance to switch suppliers, hence making price competition less efficient.

Drivers of Retail Growth

In the present competitive scenario, Private Banks are targeting the faster growing retail loans and also improving the growth rate in fee income by increasing transaction fees, whereas Public Sector Banks are targeting to push for higher recoveries and upgrades in Non-Performing Loans (NPL) and also improving their deposits mix by reducing the share of bulk deposits. Certain growth driver in the aspect of retail banking is highlighted below, which really helped banking industry towards a positive growth.

- Growing disposable incomes
- Youngest population in the world
- Increasing literacy levels
- Higher adaptability to technology
- Growing consumerism
- Fiscal incentives for home loans
- Changing mindsets-willingness to borrow/ lend
- Desire to improve life styles
- Banks vying for higher market share

Future of Retail Banking

Retail banking is a buzzword in India that focuses strictly on the consumer market. Most banks have retail portfolios as part of their total lending portfolio (18.4% on average). This sector has been growing at a high rate of 30 to 35% per annum.

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- The accelerated retail growth has been on a historically low base
- Penetration continues to be significantly low compared to global bench marks
- Share of retail credit expected to grow from 25% to 35%
- Dramatic changes expected in the credit portfolio of banks in the next 5years
- Housing will continue to be the biggest growth segment which is followed by auto loans.
- Banks need to expand and diversify by focusing on non-urban segment as well as varied income and demographic groups.
- Rural areas offer tremendous potential too which needs to be exploited.

Core areas of Customer- Bank Relation

The cornerstones of a strong customer-bank relationship have not changed in decades. As was true at the beginning of modern-day banking, institutions still earn trust and confidence by putting customers' interests first. However, trust in banks began deteriorating in the 1970s and 1980s with the consolidation of regional banks into larger, more impersonal institutions. The situation got further exacerbated when banks began emphasizing sales over service. Back in the 1950s, when the branch was the only access point and banking products were simple

Maintaining personal relationships was easy due to frequent face- to-face interactions between customers and the bank. However, relationships built by following a customer- centric approach later began to suffer as products became more commoditized, alternate channels replaced face-to- face contact, and banks became more profit-oriented in their outlook.

One of the most essential elements of a strong customer-bank relationship is the bank's understanding of customer needs and preferences. Back in the 1950s, banks have demonstrated a greater understanding of customer needs and preferences by providing them products and services that directly addressed their financial needs. However, the expansion of banks' customer base (starting in the 1970s) and the subsequent exponential growth in the size of banks resulted in banks losing the personal understanding of their customers' needs and preferences. With the emergence of alternate channels such as ATMs, internet, and now mobile technology, the number of banking channels has proliferated with time. Consequently, banks today not only have to ensure that they have a presence across multiple channels, but they also need to ensure that they are offering a consistent banking experience to their customers through all these channels. The prevalent use of numerous alternate channels has resulted in making the customer-bank relationship more complex and less intimate.

The advent of multiple channels has also introduced the challenge of achieving the right product-channel fit for banks. Banks today have to ensure that they are delivering the right products to their customers through the most preferred and appropriate channels. This challenge is elucidated by Adam Bennett, Executive General Manager of Enterprise Transformation at National Australian Bank, when he says that the bank can't chose the channel which will be used by customers, rather it's the customers who will self-select them, which has led the bank to design products which are channel/ segment agnostic. Banks Must reenergize Customer relations Given the way bank-customer relationships have developed, banks have an urgent need to devise strategies that will help them re-create the strong relationships they once enjoyed with customers. We identified three core elements that are essential to establishing loyal relationships. Customers' satisfaction is an important theoretical as well as practical issue for most marketers and consumer researchers. Customers' satisfaction can be considered the essence of success in today's highly competitive world of business. In general, satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance in relation to his or her expectations. If the performance falls short of expectation, the customer is dissatisfied; if the performance matches the expectations, the Bankers have to involve themselves totally in anticipating, identifying, reciprocating and satisfying their customers in a mutually rewarding manner. Latest business models have attached the highest importance to customer satisfaction for the success of an organization.

Banks have an opportunity to increase customer satisfaction by offering convenient mobile banking options, but that isn't enough in a highly competitive market. Banks must also execute well during key customer touch points or 'moments of truth,' such as opening a new account, problem resolution and handling financial needs associated with life-changing events, Banks need to provide a highly satisfying experience during these moments of truth in order to achieve a profoundly positive impact on customer satisfaction. During the past 12 months, mobile banking customers have used mobile to banking transaction 33 times, on average, compared with 51 times . Transactions may include making a deposit, transferring money from one account to another, finding a location, checking an account balance or paying conduct a a bill, depending upon the services offered by the bank.

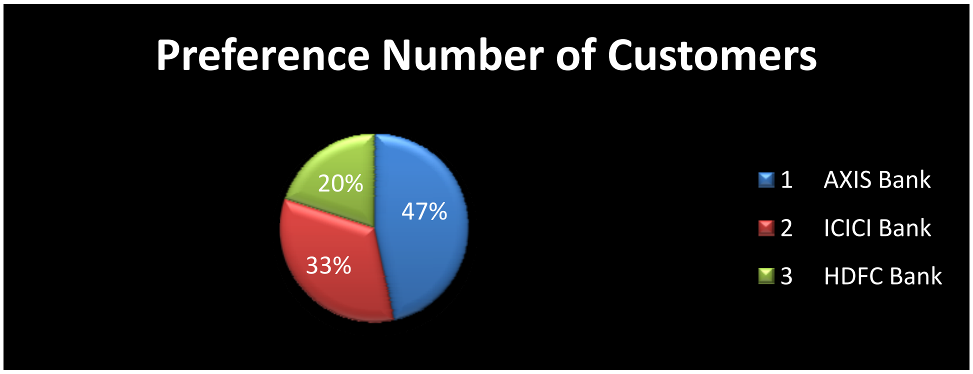
Data Analysis

Customer's Preference of Bank

The respondents were asked whether they would prefer an AXIS Bank, ICICI Bank, HDFC Bank for keeping their accounts. They were also asked whether they would like to have an account in the AXIS Bank, ICICI Bank, HDFC Bank. These responses are presented in Table1

Sr. No	Type of Bank	Preference Number of Customers	Percentage
1	AXIS Bank	70	46.66
2	ICICI Bank	50	33.33
3	HDFC Bank	30	20
4	Total	150	100

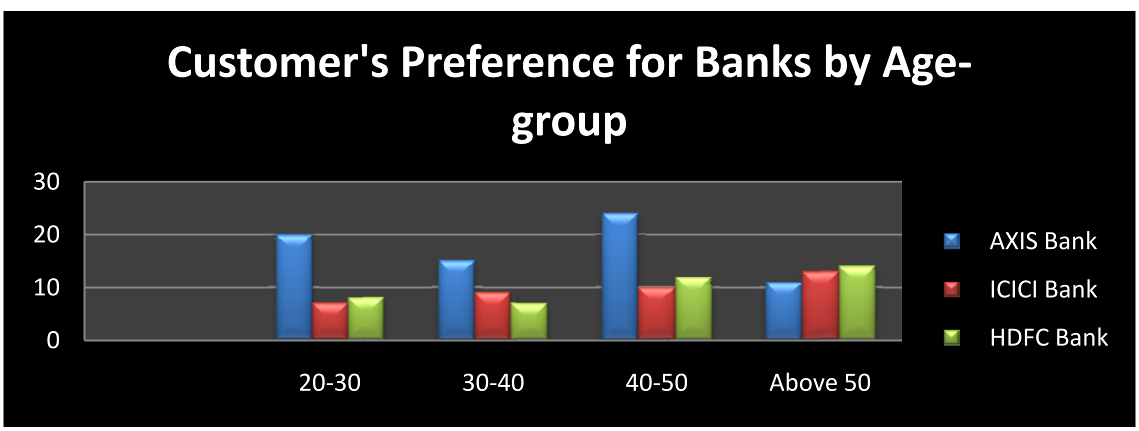
Standard Deviation	52.59911279
Average	50



The above table no. 1 reveals that majority of respondents (47 per cent) preferred to have accounts in AXIS Bank, probably to take advantage of the services offered by AXIS Bank. Further out of the remaining 80 respondents, majority (53 percent) preferred to ICICI Bank, HDFC Bank. This might be because of the various and newer products/ services offered by AXIS Bank, ICICI Bank, HDFC Bank.

Customer's Preference for Banks by Age-group:
A further analysis of customers' preference for a type of bank was done according to their age group. The results are presented in Table no. 2.

Age Group (inYears)	AXIS Bank	ICICI Bank	HDFC Bank	Total
20-30	20	7	8	35
30-40	15	9	7	31
40-50	24	10	12	46
Above 50	11	13	14	38
Total	70	39	41	150



The Table shows that younger persons prefer to have an account either exclusively With AXIS Bank, ICICI Bank, HDFC Bank**.** In the age group of 40-50 years, out of 46 respondents, 24 had their account only withAXIS banks and 10 had account with ICICI Bank, whereas 13 customers had account with HDFC banks. Further, beyond 50 years of age.

Descriptive Statistics

	AXIS Bank	ICICI Bank	HDFC Bank
Mean	17.5	9.75	10.25
Standard Error	2.843120352	1.25	1.652018967
Median	17.5	9.5	10
Standard Deviation	5.686240703	2.5	3.304037934
Sample Variance	32.33333333	6.25	10.91666667
Range	13	6	7
Minimum	11	7	7
Maximum	24	13	14
Sum	70	39	41
Count	4	4	4
Confidence Level (95.0%)	9.048077857	3.978057881	5.257461656

Out of 38 customers, 11 had accounts with **AXIS** banks, 13 customers had accounts with ICICI banks and 14 had an account HDFC bank.

Interpretation : By observing the above descriptive Statistics, Except Count all other statistical techniques are high in AXIS Bank When Compared to ICICI Bank and HDFC Bank but Count is common to all i.e. 4. And ICICI Bank is Low.

Customer's Preference for Banks according to Occupation

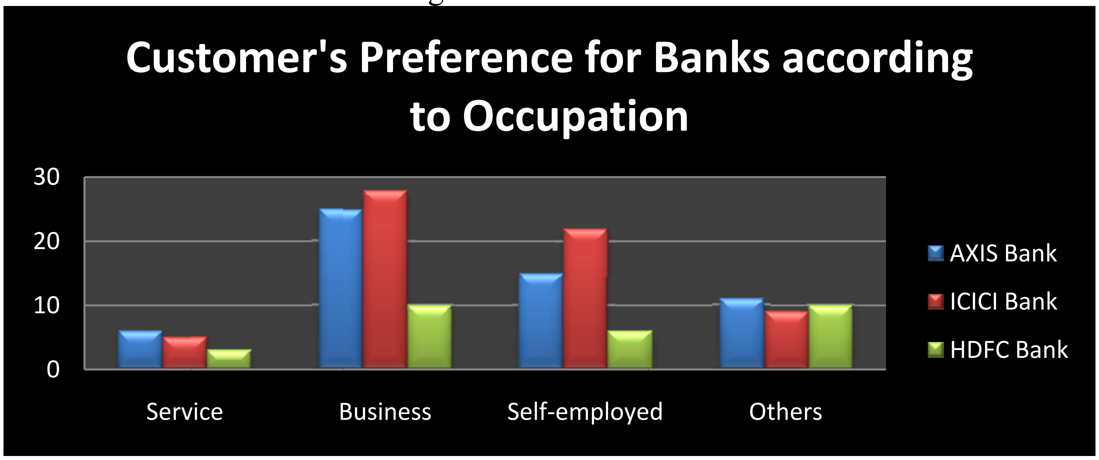
Responses received from customers depending upon their occupation revealed the Preferences, as shown in Table 3.

Occupation	AXIS Bank	ICICI Bank	HDFC Bank	Total
Service	6	5	3	14
Business	25	28	10	63
Self-Employed	15	22	6	43
Others	11	9	10	30
Total	57	64	29	150

Descriptive Statistics

	AXIS Bank	ICICI Bank	HDFC Bank
Mean	14.25	16	7.25
Standard Error	4.028543988	5.400617249	1.701715
Median	13	15.5	8
Standard Deviation	8.057087977	10.8012345	3.40343
Sample Variance	64.91666667	116.6666667	11.58333
Range	19	23	7
Minimum	6	5	3
Maximum	25	28	10
Sum	57	64	29
Count	4	4	4
Confidence Level (95.0%)	12.82062493	17.18717441	5.415616

Interpretation: In the consumer Preference Banks Based on Occupation "By Observing the above Discriptive Statistics,Except Count all other statistical techniques are high in ICICI Bank When Compared to AXIS Bank and HDFC Bank But Count is common to all i.e 4 And HDFC Bank is Low. And Taken to minimum AXIS Bank has high"



It is examined from the above table no. 3 that 14 per cent of the respondents belonged to the service class because in their cases salary is generally credited to the bank account. Out of 150 customers, 63 belonged to business class and 43 belonged to self Employed category and
30 belonged to others categories

Customers Preference for Banks according to Income Groups

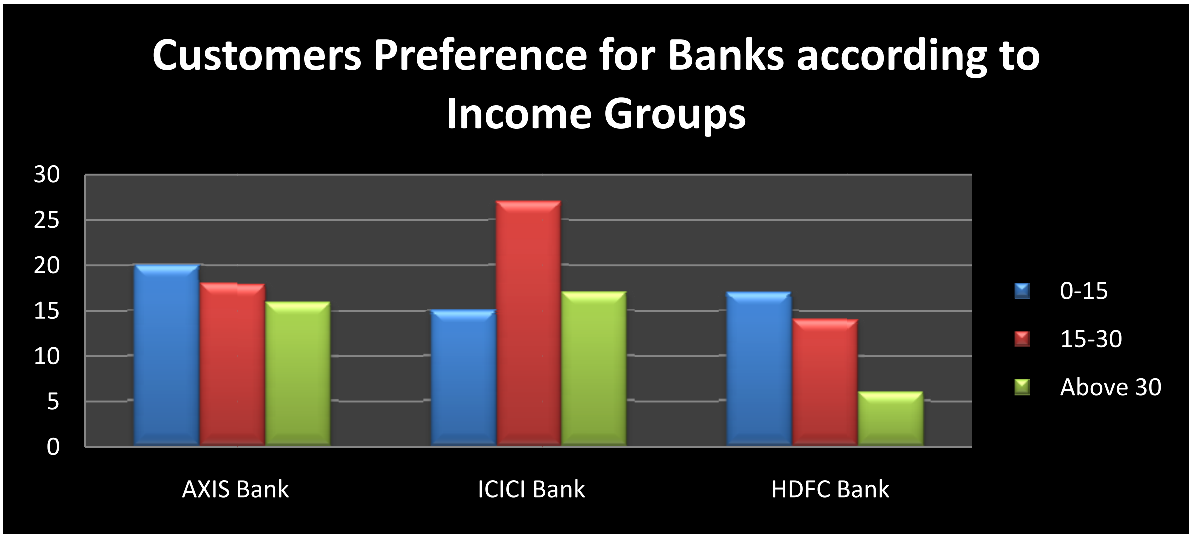
Information through the questionnaire was also collected in respect of the level of monthly income to which these 150 customers belonged to. Table 4 presents the responses received from these respondents

Income group	AXIS Bank	ICICI Bank	HDFC Bank	Total
0-15	20	15	17	52
15-30	18	27	14	59
Above 30	16	17	6	39
Total	54	59	37	150

Harmonic Mean

Lower Limit	Upper Limit	Mid Value	AXIS F/X	ICICI F/X	HDFC F/X
0	15	7.5	0.384615385	0.288462	0.326923
15	30	22.5	0.305084746	0.457627	0.237288
30	100	65	0.41025641	0.435897	0.153846
	Total	95	1.099956541	1.181986	0.718057
		Harmonic mean	**86.3670486**	**80.3732**	**132.3014**

Interpretation: In the consumer Preference Banks Based on Income Groups," By observing the Harmonic Mean' HDFC's Harmonic Mean Is High and ICICI's Bank's Harmonic Mean Is Less but Axis has Nominal Harmonic mean.



As shown in Table no. 4, the level of income is not a very important determinant of the customer's preference for a particular type of bank. During the discussion with several respondents, it was learnt that the proximity to the place of residence and the place of work was, an important consideration while opening an account with the bank because this saved time and energy for them in operating their account.

Satisfaction Level for Different Services

In order to assess the extent of satisfaction which the customers derived from different services/ products offered by the banks, respondents were asked about the actual level of satisfaction from different services, namely mobile banking, net banking, phone banking, ATM /Debit card, level of documentation, ambience, service delivery, query handling and the turn-around time

Services	1	2	3	4	5	6	7	Total
Mobile Banking	25	8	12	26	30	29	20	150
Net Banking	21	16	14	28	32	35	4	150
Phone Banking	36	28	19	13	21	18	15	150
ATM/Debt Pin	24	13	9	43	28	9	24	150
Level Documentation	28	18	16	24	19	28	17	150
Ambiance	31	14	12	17	28	30	18	150
Service Delivery	34	13	20	28	15	30	10	150
Query Handling	17	12	28	30	18	14	31	150
Turn Around	13	24	43	9	24	28	9	150

However, these results should not be interpreted to imply that the customers are fully satisfied with different types of services offered by the banks because the level of services provided is still below the level of their expectation. The difference between the expected level of satisfaction and the actual level of satisfaction is a measure of the segmentation gap between the services provided

Services	Average	Quartile
Mobile Banking	21.4285714	30
Net Banking	21.4285714	35
Phone Banking	21.4285714	36
ATM/Debt Pin	21.4285714	43
Level Documentation	21.4285714	28
Ambiance	21.4285714	31
Service Delivery	21.4285714	34
Query Handling	21.4285714	31
Turn Around	21.4285714	43

Interpretation: These results should not be interpreted to imply that the customers are fully satisfied with different types of services offered by the banks because the level of services provided is still below the level of their expectation. The difference between the expected level of satisfaction and the actual level of satisfaction is a measure of the segmentation gap between the services provided. The Averages of All the Services Are Equal But Quartile Has Some Differentiation But It Is IN Between 30 to 45

CRM in Retail Banking: Current Trends and Dynamic

Today, more than ever before, the ability to maximize customer loyalty through close and durable relationships is critical to retail banks' ability to grow their businesses. As banks strive to create and manage customer relationships, several emerging trends affect the approach and tools banks employ to achieve sustainable growth. These trends reflect a fundamental change in the way banks interact with the customers they have − and those they want to acquire.

Trend: Focusing on Organic Growth

How can a retail bank drive growth? Traditionally, banks have grown through an aggressive strategy of acquiring direct competitors and taking over their branch networks. Today, that strategy is no longer sufficient, since it doesn't create organic growth for the financial institution. To build stronger customer loyalty, banks need improved customer knowledge to develop products and deliver services targeted at specific market segments; resulting in more directed marketing, sales and service tactics.

Trend: Responding to Intensifying Competition through Revitalized Offerings

The need to revitalize a company's portfolio of offerings happens in every industry. Examples in high-tech manufacturing, consumer industries and transportation show how important new offerings are in order to stay competitive as products and services become more "commoditized." The same is true in the financial services industry. Today's retail banks face a relentless stream of new competitors, eager to take a share of the market's revenues. Three major competitors offering differentiated products, services or distribution models have emerged over the past decade: Brokerage and insurance firms, expanding their offering portfolios into banking products beyond their traditional product sets. Non-traditional players such as PayPal (expand companies (expanding by bundling of payments for "like" services) are growing by becoming payment aggregators. Nonbanking companies looking to (if not already) enter the market by offering banking products and services. The entry of non-traditional players will not only affect bank growth rates as they compete for consumers, but will also place downward pressure on operating margins and profitability created through their nonbanking business models.

Trend: Improving Distribution and Channel Management

How are retail banks responding to intensified market competition? To take themselves to the next level of improved sales and service, banks are focusing on developing, implementing and integrating their channels more rapidly and efficiently. Their goal is to meet three objectives: Improved and more consistent service based on a full customer view Increased revenue through adoption of new product Improved profitability through lower product development and service costs Forward-looking banks will simultaneously improve customer service quality and profitability by deploying an integrated CRM strategy. Deepening relationships must offer their products and services through appropriate delivery channels that appeal to their customers. Deploying multiple channels and integrating them at the enterprise level give banks a consistent and full view of the customer. To be successful, this must include all service channels − both physical and virtual − including, call centre, Web, branch, kiosk, ATM, phone and mobile devices with their customers means that banks.

Trend: Safeguarding Customer Information

Adding to this complexity, customer privacy and information security are under attack as never before. The threats come from many quarters − including increasingly sophisticated identity thieves, constant phishing data to criminals. Expanding legislative and industry requirements for customer security are also increasing costs for financial services companies. Compliance with customer information regulations is becoming expeditions by criminals seeking to trap unwary customers, and even "inside jobs" where staff sell customer increasingly complex as regulations are growing at all operating levels: At the global level – The Payment Card Industry (PCI) Act requires a single set of information security standards and requirements for all payment organizations. At the national level –The Gramm-Leach-Bliley Act not only requires that financial institutions ensure the security and confidentiality of customer records and information but also requires companies to protect against anticipated threats and unauthorized access, which could result in substantial harm or inconvenience to a customer. At the state level Information Practice Act requires businesses in California to disclose any security breach that occurs to any California resident whose unencrypted personal information was, or is reasonably believed to have been, acquired by an unauthorized person.

Industry Trends and Required Actions

Industry Trend	Challenge	Required	Benefits
Achieving greater organic growth	• Finding new revenue streams • Obtaining higher levels of products per customer • Saving "at risk" customers through business intelligence • Can no longer rely on M&As to grow by adding more branches	Improving sales and service consistency • Building greater customer loyalty • Having actionable customer information across the entire enterprise	Increase products-to-customer ratio • Improve up-sell and cross-sell close rates • Build greater customer loyalty • Improve profitability by reducing cost of sales
Serving emerging customer segments	Providing consistent and culturally aligned service to diverse populations • Developing highly skilled customer service	• Develop workforce skills aligned with customer needs • Implement workforce management to ensure	• Gain rapid access to emerging markets to grow revenues • Reduce the cost of new customer acquisition • Maximize customer loyalty

	professionals capable of serving a specific customer segment	the right CSR handles the right call • Develop IT and process frameworks to secure customer information	through culturally aligned service
Revitalizing product offerings	• Losing market share to new, more agile competitors • Differentiating products and services in a "commoditized" marketplace	Faster time-to-market with new products tailored to your customers • Greater flexibility and responsiveness to market changes •Differentiating your brand through superior and consistent service	• Reduce time-to-market for new products • Improve product targeting to the right segments • Improve brand consistency and loyalty • Respond faster to market changes with greater flexibility
Improving channel management	• Inconsistent customer treatments across the channels • Lack of enterprise integration on the customer service platform • Difficult to access a full view of the customer and assess value to the bank	Deploy a consistent, customer-tailored treatment strategy • Deploy an IT platform that operates across all channels	Improve customer loyalty through consistent service across the enterprise • Cut costs by using standardized processes across all channels • Enable the enterprise to use lower cost channels
Securing customer information	Increasingly sophisticated identity "thieves" • Avoiding security breaches by banking staff • Balancing the need for security against the cost	• Adhere to all compliance regulations (Basel II) • Secure customer information, but allow access by the right agent to the right customers	Avoid lost revenue due to customer attrition • Maintain brand reputation • Reduce capital reserve requirements • Achieve ROI on your security investments

Reaping the Benefits of A CRM Solution

Faced with these numerous and varied trends, retail banks are reshaping the way they must interact with their customers. A fully integrated, enterprise wide CRM platform ensures banks have the core capabilities to take full advantage of their customer relationships and capitalize on these market dynamics, rather than losing out because of them. Based on decades of experience in developing CRM solutions for our clients, EDS has developed best practice business requirements for CRM systems. These best practices reflect business results a financial services company must obtain by implementing its CRM solution.

Gaining Sales Momentum

In today's increasingly competitive environment, where maximizing organic growth is a bank's priority, sales momentum is essential. To build this momentum, banks need to focus simultaneously on: Increasing acquisition rates of new and emerging customer segments, such as the Hispanic population in the U.S. Improving retention of existing customers and saving "at risk" customers Increasing profitability of customer relationships, either at the top-line through increased sales, or at the bottom-line through more cost-effective service Improving integrated channel distribution strategies to get the right product, to the right client, at the moment the customer has the née Maximizing the value and return from CRM investments that have already been made.

Increasing Acquisition of New Customers

A CRM solution should help a bank target customers based on the "value" they bring to the bank, now and throughout the life of the customer (and beyond through "next generation" marketing). Banks need to ensure that their value propositions have traction with the right market segments. This will enable the bank to identify, target and capture new customers. Clearly, customer insight and strategy are the core differentiators for the bank. CRM solutions (people, applications, systems and processes) must support these strategies to get the right products and services to the right customers.

Increasing the Profitability of Customer Relationships

Boosting revenues requires improving the product pipeline and close rates, while reducing sales and service costs. On the revenue side, the bank's CRM solution should use customer intelligence to target specific offers and manage marketing campaigns for a high likelihood of acceptance. Customer treatment strategies should be fully integrated with a CRM platform and the processes to support them. On the cost side, better channel management, CRM automation and integration will help increase the efficiency and effectiveness of sales and service.

Improving Retention of Existing Customers

Customer retention can be achieved by enhancing customer satisfaction and loyalty, improving problem resolution, and creating the ability to identify and save "at-risk" customers. In fact, an "at-risk" customer actually represents a major opportunity for additional revenue – if handled correctly. However, the greatest danger for banks is either not identifying "at risk" customers or not having the capabilities to do anything to recover them.

For example, a customer makes a large withdrawal from his or her account. This may signal that the customer is switching funds to another bank. Or the customer may be buying a house, a boat, or paying college tuition, in which case there are clear opportunities to sell additional products or investments. The identification and treatment of this customer should reflect his or her lifetime value. CRM-driven techniques will help retain customers and can migrate mere "account holders" into loyal, long-term, profitable customers.

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Improving Distribution and Channel Management

To win profitable customers and build long-term relationships with them, banks need to have the right insight, products and services for the right customer at the lowest possible cost. From call centres to Web sites, every one of a bank's multiple channels must be scalable, flexible, low-cost and fully integrated with all the other channels. This is the only way to consolidate customer information and provide consistent treatment across the enterprise. Each of the bank's channels must also be able to accommodate change and adapt to future trends in the market place. acceptance. Customer treatment strategies should be fully integrated with a CRM platform and the processes to support them. On the cost side, better channel management, CRM automation and integration will help increase the efficiency and effectiveness of sales and services.

Findings

1. The study found that private banks are maintaining good customer relations. However it requires further improvement in terms of IT enabled solutions to meet the customer Expectations like Quick response and good customer relation.
2. In private sector banks, Net Banking and cheque book services are the highly contributed factors towards satisfaction of the customers of the ICICI and the HDFC Banks.
3. When comparing to other banks the customers are satisfied with AXIS Bank, HDFC Bank by offering the better products and services with low interest rate and longer tenure. However the loan sanction takes a long time when compared to other banks and it is very essential to avoid banking technical problems such as disturbances in ATM machines, internet banking, and SMS alerts etc. proper update of financial transaction should be assured to get customers in high satisfaction level.
4. In private sector banks, knowledge of staff is the highly contributed factor towards satisfaction of the customers of the ICICI Bank and courtesy of the staff and quality of information received is the highly contributed factor towards satisfaction of the customers of the HDFC Bank.
5. These findings propose that the employees of private sector banks are very attentive towards its customers as compared to public sector banks.

Suggestions

1. Customers' grievances should be redressed speedily and customers' satisfaction should always be on the top priority.
2. Employees should be given training to improve their attitude.
3. Banks should arrange meeting with their customers to promptness in providing the services.
4. The banks must try to find out the specific needs of different customers, so that suitable package of services can be made available to them
5. There should be a separate section to deal with the customer queries and other responses
6. When a customer comes to know about the product one should say more about its value and benefits

Conclusion

The study has further revealed that the level of customer satisfaction varies across different Type's services offered by banks and the level of expectations of the customers. There is not a single service in respect of which the actual satisfaction is close to the expectations and the segmentation gap exists across services. However, banks, which work on public funds, must also safeguard against sustainability of private consumption. While mobile, net and phone banking services need to be popularized, they need to improve their service-delivery and query- handling and reduce the turn-around time. The amount of documentation required also needs to be re-examined. Furthermore, despite their zeal for increased retail lending; banks must have to guard themselves against the sustainability of private consumption and implications for banks asset quality. They should provide customized, cost-effective and courteous banking service to their customers.