

**CUSTOMER SATISFACTION IN URBAN COOPERATIVE BANKS****Dr. Balwinder Singh<sup>1</sup>,**Faculty Member,  
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Jalandhar**Abstract**

The origins of the urban cooperative banking movement in India can be traced to the close of nineteenth century when, inspired by the success of the experiments related to the cooperative movement in Britain and the cooperative credit movement in Germany such societies were set up in India. From its origins then to today, the thrust of UCBs, historically, has been to mobilize savings from the middle and low income urban groups and purvey credit to their members - many of which belonged to weaker sections. So, the application of the knowledge of customer satisfaction is imperative to establishing and maintaining a long-term relationship with customers and long-term competitiveness. In this context, for the better performance and growth of UCBs, it has become very essential to give proper weight age to the opinions of customers of these banks and at the same time to measure and monitor the customer satisfaction continuously. In the present paper an attempt has been made to identify factors (as perceived by customers) which are expected to be dictating and determining the service quality performance of Urban Cooperative Banks of Punjab, Haryana and Himachal Pradesh.

**Keywords:** Customer satisfaction, UCB, Service quality, Performance, Growth**Introduction**

Cooperative societies are based on the principles of cooperation, - mutual help, democratic decision making and open membership. Cooperatives represented a new and alternative approach to organization as against proprietary firms, partnership firms and joint stock companies which represent the dominant form of commercial organizations. These banks, till 1996, were allowed to lend money only for non-agricultural purposes. This distinction does not hold today. These banks were traditionally centered on communities, localities work place groups. They essentially lent to small borrowers and businesses. The Maclagan Committee of 1915 was appointed to review their performance and suggest measures for strengthening them. The committee observed that such institutions were eminently suited to cater to the needs of the lower and middle income strata of society and would inculcate the principles of banking amongst the middle classes. The recommendations of the Committee went a long way in establishing the urban cooperative credit movement in its own right.

Banking institutions across the globe have recognized the importance of customer satisfaction and of developing and maintaining enduring relationship with their customers as two crucial parameters leading to increased business profits. Customer dissatisfaction is still the major reason of bank customers' switch to other banks. This dissatisfaction could be because of a variety of reasons. Customer satisfaction is the key to long term success of any organization. Keeping the importance of customer satisfaction in mind, banks need to maintain stable and close relationships with their customers. Customer satisfaction levels need to be judged. The application of the knowledge of customer satisfaction is imperative to establishing and

maintaining a long-term relationship with customers and long-term competitiveness (Kumar & Reinartz, 2006). Banks recognize the fact that delivery of quality service to customers is essential for success and survival in today's global and competitive banking environment. Customer satisfaction has a measurable impact on purchase intentions (Carter, 2010), on customer retention (Voss & Voss, 2008) and on a firm's financial performance (Chalmeta, 2006). Customers who shift banks mainly do so because they are dissatisfied with service. At the same time, customers who are satisfied with their banks' service stay loyal, even if they have to pay a little more for it. Over time, loyal customers turn into advocates, recommending their banks to others. Therefore, few things are more important than ensuring customer loyalty in today's competitive banking environment.

In this context, for the better performance and growth of UCBs, it has become very essential to give proper weightage to the opinions of customers of these banks and at the same time to measure and monitor the customer satisfaction continuously. In the present paper an attempt has been made to identify factors (as perceived by customers) which are expected to be dictating and determining the service quality performance of Urban Cooperative Banks of Punjab, Haryana and Himachal Pradesh.

## **Review of Literature**

Customer satisfaction has been considered the essence of success in today's highly competitive banking industry. Prabhakaran and Satya (2003) mentioned that the customer is the king. Generally speaking, if the customers are satisfied with the provided goods or services, the probability that they use the services again increases (East, 1997). Also, satisfied customers will most probably talk enthusiastically about their buying or the use of a particular service; this will lead to positive advertising (File and Prince, 1992; Richens, 1983). On the other hand, dissatisfied customers will most probably switch to a different brand; this will lead to negative advertising (Nasserzadeh et al., 2008). The significance of satisfying and keeping a customer in establishing strategies for a market and customer oriented organization cannot be ignored (Kohli and Jaworski, 1990).

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 regressions showed that three variables: social responsibility, positive word-of-mouth, and reliability have major influences on the overall satisfaction of the customer.

Ganguli and Roy (2011) studied the factors affecting customer satisfaction in the Indian retail banking sector. Online structured questionnaire developed to determine the factors for customer satisfaction was distributed among the respondents. The dimensions were identified using a factor analysis. Next the reliability and validity of the factors for customer satisfaction were established. The paper identifies four generic dimensions in the technology-based banking services – customer service, technology security and information quality, technology convenience, and technology usage easiness and reliability. It was found that customer service and technology usage easiness and reliability have positive and significant impact on customer satisfaction.

## **Research Methodology**

### **Population and Sample size**

As on 31-3-2014, there are four UCBs in Punjab, seven in Haryana and five in Himachal Pradesh. On the basis of discussions held with senior officials of UCBs and cooperative departments of respective states, a sample of six banks i.e. two each from Punjab, Haryana and Himachal Pradesh was selected for the study. This sample was based on good performing UCBs. Out of state of Punjab, The Citizens Urban Co-op Bank Ltd, Jalandhar and The Hindu Co-operative Bank Ltd, Pathankot, from Haryana The Panipat Urban Co-op Bank Ltd and The Sonapat Urban Co-op Bank Ltd and from Himachal Pradesh TheBaghat Urban Co-op Bank Ltd, Solan and The Parwanoo Urban Cooperative Bank were selected.

## Data Analysis

For data analysis purpose SPSS-16 version were used and following technique used were Cronbach's alpha, Correlation, Descriptive statistics (mean, standard deviation) and Factor analysis. Data so collected was used for factor analysis to bring out the important factors which a customer expects from their bank. Table 1 shows that majority of the respondents were male i.e. 80.1% of the total and the rest 19.9% were female. It can be seen from the table that out of 302 respondents, 220 were married and 82 respondents were unmarried. So, majority of the respondents were married males. It also indicates that number of respondents in age group from 26-35 years stood at the dominant 32.5% of the total. Out of 302 respondents, 15 respondents belongs to below 18 category, 47 respondents falls under 18-25 years, 98 belongs to 26-35 years category, 84 respondents falls under 36-50 years, 41 falls under 50-60 years and the rest 17 respondents were 60 years and above.

**Table: 1 Key Demographic Characteristics of sample**

Demographic Characteristic	Number of Respondents	Percentage
<b>Gender</b>		
Male	242	80.13
Female	60	19.9
<b>Marital status</b>		
Married	220	72.8
Unmarried	82	27.1
<b>Age</b>		
Below -18	15	5.0
18-25	47	15.6
26-35	98	32.5
36-50	84	27.8
50-60	41	13.6
60& above	17	5.6
<b>Qualification</b>		
Vocational course	19	6.3
Below matric	25	8.2
Martic	59	19.5
Graduate	129	42.7
Post graduate	70	23.2
<b>Occupation</b>		
Agriculture	20	6.6
Professionals	27	8.9
Self-employed	29	9.6
Housewife	28	9.3
Businessman	57	18.9
Salaried	123	40.7
Student	18	6.0

<b>Residence</b>		
Rural	30	9.9
Semi-urban	150	19.7
Urban	122	40.4
<b>Distance of bank</b>		
1 km	52	17.2
2 km	97	32.1
3 km	79	26.2
4 km	46	15.2
5 km	19	6.3
6 km	8	2.6
7 km	1	0.3
<b>Types of accounts</b>		
Loans	13	4.3
Deposits	150	49.7
Loan and deposits	139	46.0

So, the majority of respondents was married males and belonged to an age group 26-35 and 36-50 years. Further, the respondents are analyzed on the basis of their educational qualifications. Out of 302 respondents, 70 are post graduates and above, 129 are graduates, 59 are matric, 25 are below matric and rest 19 have done some sort of vocational course in different fields. So, maximum respondents 42.7% were taken from the category of graduates and 23.2% taken from the category of post-graduates and above. As far as occupation of respondents is concerned, table 1 indicates that majority of them (40.7%) were from salaried class category. Out of 302 respondents, 20 respondents were from agriculture category, 27 were professionals, 29 were self employed, 28 were housewives, 57 were businessmen, 123 were salaried and rest 18 were students. It shows that 49.7% of the total respondents reside in semi-urban areas and 40.4% resides in urban areas. It is also evident from table that out of 302 respondents, majority of respondents were living at a distance of 2 to 3 km from bank branch. 32.1% of the respondents resides at a distance of 2 km, 26.2% resides at a distance of 3 km followed by 17.2% at 1 km and 15.2% at a distance of 4 km.

It further discloses that out of 302 respondents, 150 respondents were having deposit accounts with sampled UCBs, 13 were having loan accounts and 139 respondents were having loan and deposit accounts both which reflects a very positive trend in the performance and growth of sampled UCBs.

The sampled customers were asked to rate the level of their satisfaction regarding different aspects of performance of UCBs on a Five Point Likert Scale i.e. Highly Satisfied (HS), Satisfied (S), Neutral (N), Dissatisfied (D), and Highly Dissatisfied (HD). These attributes were assigned weights as 5, 4, 3, 2 and 1 respectively and the average level of satisfaction was worked out on the basis of assigned weights. Mean Scores were, then, compared with each other to know the

**Table 2: Perceptions of customers of urban co-operative banks in Punjab Haryana & Himachal Pradesh**

Sr.	Statement	Average score	Standard deviation
P1	Location of bank	3.6623	.53932
P2	Efficiency of the bank	3.7947	.44375
P3	Range of deposit products	3.5497	.50498
P4	Promptness of the bank	3.7450	.45883
P5	ATM services in multiple	3.1821	.47174
P6	Locker facilities	3.3411	.47485
P7	Best in market interest rates	3.4073	.49214
P8	Interest rate on loans	3.4073	.49214
P9	Service charge of bank	3.4470	.49801
P10	Technological up to date	3.6755	.47600
P11	The way employees behave	3.8642	.42914
P12	Bank advertisement	3.2682	.45849
P13	Collection and payment	3.3212	.46771
P14	Bank's competitiveness	3.5828	.51370
P15	Initiatives for customer	3.1921	.40290
P16	Updated display of bank	3.2616	.44023
P17	Promptness in providing ac	3.6821	.48046
P18	Cleanliness of bank branch	3.5497	.71238
P19	Teller/enquiry counter	3.5232	.61902
P20	Complaint / suggestion box	3.4305	.53465
P21	Bank customer meetings	3.2848	.48055
P22	Seating arrangements for	3.5265	.59702
P23	Drinking water	3.5695	.61010
P24	Security systems of bank	3.7748	.55492
P25	Parking space for customer	3.2318	.53382
P26	Pleasing personality of bank	3.6987	.51418
P27	Feedback system	3.3212	.47476
P28	Bank's overall image	3.4007	.49757
P29	Overall service quality of bank	3.3940	.49620
P30	Telephonic enquires	3.3709	.50402
<b>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</b>			<b>0.870</b>
<b>Cronbach's Alpha test of reliability</b>			<b>0.920</b>

level of satisfaction of the customers on different aspects of performance of UCBs. The perceived factors in service quality of banking identified for the purpose of the present study are presented in the table 2. The mean scores and standard deviation is calculated to assess the inclination of respondents towards various factors affecting performance of UCBs.

The reliability of the scale was tested using Cronbach's alpha which is most widely used method to test reliability. It may be mentioned that value more than 0.6 is satisfactory for the scale to be reliable, (Malhotra 2002). In our study this comes to be 0.870, this indicating high level of reliability.

The adequacy of data to run factor analysis is tested by Kaiser Meyer Olkin (KMO) measure of sampling adequacy. It is recommended to have KMO statistic more than 0.5 for acceptance (Field, 2000). In the present study, this value is 0.920 which shows that the sample is significantly sufficient.

For the purpose of factor analysis we used Principal Component method followed by Varimax rotation. SPSS 16.0 along with MS Excel was used for various calculations. By using the Principal

component Method, using Varimax rotation, 30 statements of the questionnaire was reduced to six factors. The Varimax method rotated six factors solution so derived is shown in table 3.

It can be seen from Table 3 that all six derived factors taken together explains 66.43% of the total variance in service quality. It can also be observed from table that nine statements namely, location of the bank branch, cleanliness of the bank branch, teller / enquiry counter, complaint / suggestion box, bank customer meetings, seating arrangements for customers, drinking water, security systems of bank premises and parking space for customers represent factor 1.

**Table3: Factored perceptions about customer service among bank customers**

Factor	%age variance explained	Eigen value	%communalities variance	Statement included in factor	Loading	Communalities
F1	30.808	9.243	30.808	P 1 P18 P 19 P20 P21 P22 P23 P24 P25	.283 .848 .862 .737 .636 .831 .809 .655 .601	.622 .760 .791 .683 .512 .778 .750 .675 .412
F2	12.022	3.606	42.830	P6 P7 P8 P9	.620 .887 .909 .852	.566 .867 .895 .846
F3	7.498	2.249	50.328	P27 P28 P29 P30	.679 .844 .852 .813	.638 .830 .879 .781
F4	6.201	1.860	56.529	P2 P3 P4 P11	.840 .669 .732 .507	.781 .690 .637 .470
F5	5.609	1.683	62.138	P5 P12 P13 P15	.428 .621 .543 .802	.557 .497 .542 .745
F6	4.29	1.289	66.435	P10 P14 P17 P26	.464 .679 .670 .468	.497 .604 .500 .386

These factors j can be christened Tangible factors. This factor explains as high as 30.808% of total variance. The Eigen value comes to be 9.243, as reflected in table. Four statements namely, locker facilities, best in market interest rates on saving A/C & FDs, interest rate on loans and service charges of bank can be put under title Basic banking services. This factor accounts for 12.022% of total variance and has an Eigen value of 3.606.

The next factor can be named Customer grievance and redressal system. It consists of four variables namely, feedback system, bank's overall image, overall service quality of bank and telephonic enquires. This factor is responsible for 7.498% of total variation in customer satisfaction and has an Eigen value of 2.249. Factor 4 covers four variables namely, efficiency of the bank staff to solve customer problems, range of deposit products provided by bank as per customer's varied needs, promptness of the bank in providing services and the way employees behave customers. It accounts for 6.201% of total variation. This factor is given the name of Soft skills of employees. The Eigen value here is 1.860. As depicted in the Table 3 that four variables (ATM services in multiple locations, bank advertisement / marketing about innovative banking products, collection and payment of cheques & demand draft and initiatives for customer education & awareness are clubbed into factor 5 which can comfortably be termed as Provision of convenient banking and customer empowerment. This factor is responsible for 5.609% of total variance and has an Eigen value of 1.683. The last prominent factor i.e. factor 6 covers four variables namely, technological up to date equipments of the bank, bank's competitiveness with respect to customer services, promptness in providing account statements and pleasing personality of bank employees, therefore coined as Technology based competitive customer services. This accounts for 4.298% of total variance along with an Eigen value of 1.289.

## Conclusion and results

There are six major factors related to various perceptions of customers about the service and performance of UCBs. The respondents perceive that Tangible customer service factors are the most important factor to get them satisfied. Basic banking services are considered to be an important feature of a good service giving bank branch. Customer grievance and redressal system followed by Soft skills of employees is the main tangible factor which the customers of UCBs expect from their service provider. Provision of convenient banking and customer empowerment among the customers of the bank is relatively less considered perception. Technology based competitive customer services is given least importance by the customers, but this should carefully be looked into by the UCBs so as to give optimum value for money to them. In our view, this study is a genuine attempt to understand the construct of customer satisfaction and the factors affecting customer satisfaction in the urban cooperative banking sector in the states of Punjab, Haryana and Himachal Pradesh through a qualitative approach. It is expected that the study would help to understand customer satisfaction in urban cooperative banking sector better. The very widely representing profile of respondents helps us to rely and appropriately weigh the above outcomes.

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