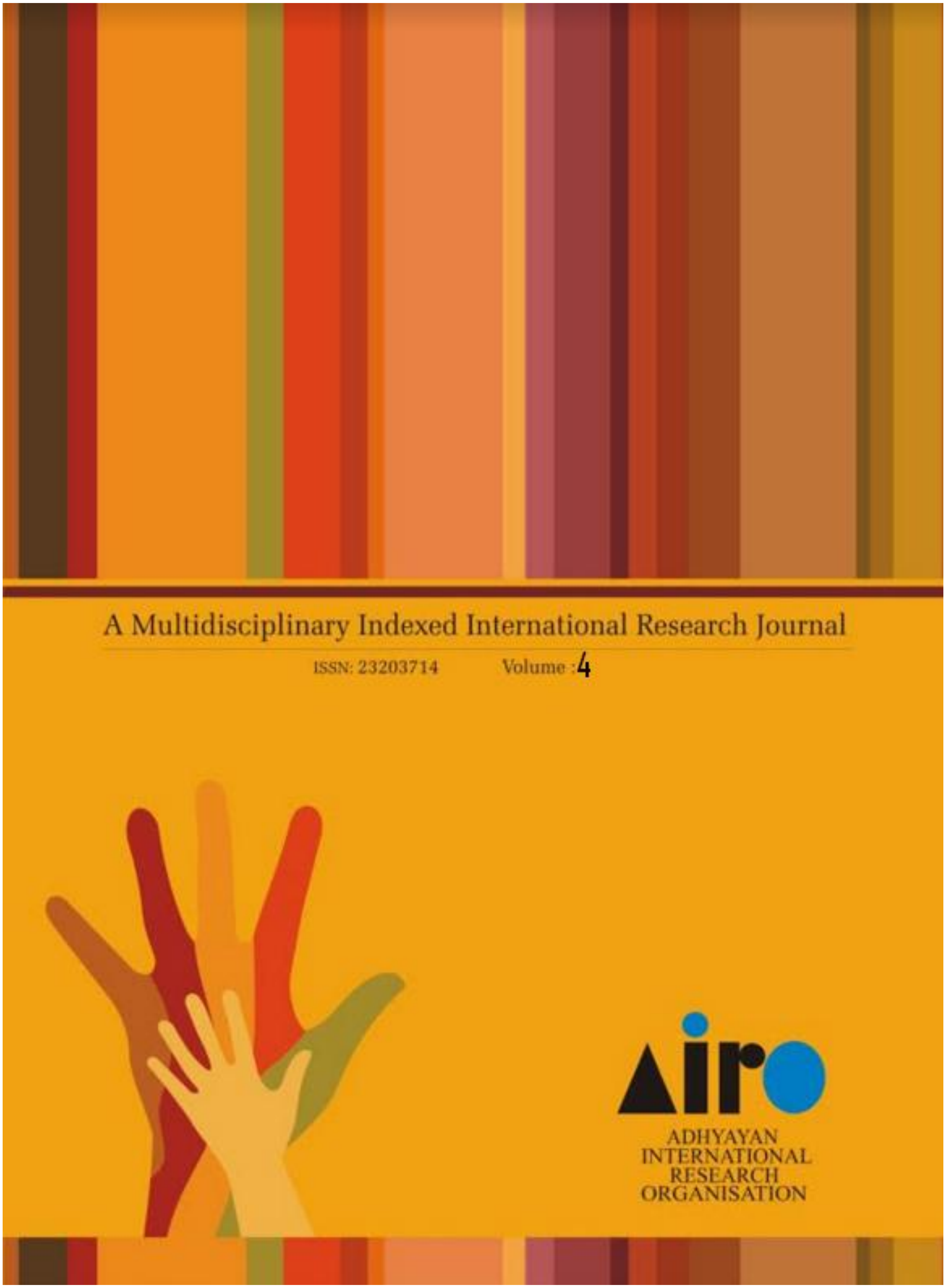
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"Customer Satisfaction Level in HDFC Bank (among ATM & e-banking customers)"

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Abstract

In the days of intense competition, the banks are no different from any other consumer marketing company. It has become essential for the service firms in general and banks in particular to identify what the customer's requirements are and how those customer requirements can be met effectively. In the days where product and price differences are blurred, superior service by the service provider is the only differentiator left before the banks to attract, retain and partner with the customers. Superior service quality enables a firm to differentiate itself from its competition, gain a sustainable competitive advantage, and enhance efficiency. Primary as well as secondary data have been used for achieving the objectives of the study.

INTRODUCTION

Today's finicky banking customers will settle for nothing less. The customer has come to realize somewhat belatedly that he is the king. The customer's choice of one entity over another as his principal bank is determined by considerations of service quality rather than any other factor. He wants competitive loan rates but at the same time also wants his loan or credit card application processed in double quick time. He insists that he be promptly informed of changes in deposit rates and service charges and he bristles with customary rage if his bank is slow to redress any grievance he may have. He cherishes the convenience of impersonal net banking but during his occasional visits to the branch he also wants the comfort of personalized human interactions and facilities that make his banking experience pleasurable. In short he wants financial house that will more than just clear his cheque and updates his passbook: he wants a bank that cares and provides great services.

With the passage of time, banking sector has come up with immense use of technology in the daily operations of the bank. Channel innovation has had an immeasurable impact on banking. Starting with the advent of the ATM, followed by phone, Internet and mobile banking, the last couple of decades have been characterized by the emergence of anytime, anywhere banking. Efforts by banks to encourage customers to use such channels for routine transactions have begun to pay off, and many studies have documented the increasing adoption of self-service, multi-channel banking. In the process, branch banking has become one of many ways of conducting banking transactions. Several branches have been pared down to thin units, with their scope limited to activities that involve customer interaction.

So does HDFC bank meet these heightened expectations? What are the customer's perceptions of service quality in case of the ATM services & the e-banking services of the HDFC bank? Which dimension of service quality of these services of HDFC bank is performing well? To find out answers to these questions I undertook a survey of Ambala branch of HDFC bank.

The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalisation of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995.

HDFC Bank comprises of a dynamic and enthusiastic team determined to accomplish the vision of becoming a World-class Indian bank. HDFC bank's business philosophy is based on our four core values - Customer Focus, Operational Excellence, Product Leadership and People. They believe that the ultimate identity and success of their bank will reside in the exceptional quality of people and their extraordinary efforts. They are committed to hiring, developing, motivating and retaining the best people in the industry.

REVIEW OF LITERATURE

P Janaki Ramudu & S Durga Rao (2006), conducted study since Indian economy opened its doors to MNCs, the Indian banking sector has been witnessing bizarre changes in terms of new products and services and stiff competition as well. The sorts of IPOs that have been taking place in banking sector are amazing. In the light of these recent developments, a careful analysis of the profitability of Indian banking sector is inevitable. The present study attempts to analyze the profitability of the three major banks in India: SBI, ICICI, and HDFC. The variables taken for the study are Operating Profit Margin (OPM), Net Profit Margin (NPM), Return on Equity (RoE), Earnings per Share (EPS), Price Earnings Ratio (PER), Dividends per Share (DPS), and Dividends Payout Ratio (DPR). The study brings out the comparative efficiency of SBI, ICICI, and HDFC.

Rajkumar (2007) examined the performance of 28 Private Sector Banks during the period 2005-06. The author used the data relating to income, expenditure and profits. He calculated the ratios relating to interest, expenditure, and income and operating profit. The ratios showed that there was more increase in interest income in the year 2005-06 as compared to 2004-05, but operating expenses among total expenditure decreased. The profitability ratios of all the 28 Private Sector Banks showed a positive trend. During the period ICICI Bank ranked No. 1 with highest amount of profits followed by HDFC Bank, UTI Bank and Federal Bank respectively; whereas Development Credit Bank Ltd. and United Western Bank Ltd. incurred losses.

Goyal and Kaur (2008) analyzed the performance of seven new private sector banks for the years 2001-07. The various statistical tools like mean, standard deviation, annual compound growth rate and one-way ANOVAs have been applied. The researchers calculated various ratios relating to capital adequacy, asset quality, employee productivity, earning quality and liquidity of banks. The study evidenced that capital adequacy ratio of all the banks has been above 9 per cent, the prescribed limit of Reserve Bank of India. Average debt/equity ratio is found to be higher in the case of Axis Bank. Kotak Mahindra Bank registered maximum percentage increase in NPAs over the previous years. Ratio of advances to total assets has shown an increasing trend for all the banks under study which showed an increase in lending operations. The study witnessed significant differences among the mean ratios of all parameters except for liquid assets to total assets, liquid assets to total deposits, net profit to average assets and percentage change in NPAs.

Johnson (2009) conducted a study on Financial Ratio patterns on which he found that the properties and characteristics of financial ratios have received considerable attention in recent years with interest primarily focused on determining the predictive ability of financial ratios and related financial data. Principal areas of investigation have included the prediction of corporate bond ratings and the anticipation of financial impairment. Related studies have examined the characteristics of merged firms the differences in financial ratio averages among industries whether firms seek to adjust their financial ratios toward industry averages the relationship between accounting-determined and market-determined risk measures, and the influence of financial ratios on analysts' judgments about impending bankruptcy. The general conclusion to emerge from these various research efforts is that a number of financial ratios have predictive and descriptive utility when properly employed.

Kumbirai and Webb (2010) investigated the performance of South Africa's commercial banking sector for the period 2005-2009. Financial ratios were employed to examine the profitability, liquidity and credit quality performance of five South African based commercial banks. The study concluded that overall bank performance increased considerably in the first two years and a significant change in trend was noticed at the onset of the global financial crisis in 2007, reaching its peak during 2008-2009. This resulted in falling profitability, low liquidity and deteriorating credit quality in the South African Banking sector.

Prasad and Ravinder (2011) analyzed the profitability of four major banks in India, i.e., State Bank of India, Punjab National Bank, ICICI Bank and HDFC Bank for the period 2005-06 to 2009-10. Statistical tools like arithmetic mean, one-way ANOVA, Turkey HSD Test have been employed for the purpose of study. The profitability of these banks have been evaluated by using various parameters like Operating Profit Margin, Gross Profit Margin, Net Profit Margin, Earning per Share, Return on Equity, Return on Assets, Price Earnings Ratio and Dividend Payout Ratio. The study revealed that State Bank of India performed better in terms of earning per share and dividend payout ratio, while Punjab National Bank performed better in terms of operating profit margin and return on equity. The study found that HDFC Bank outperformed in terms of gross profit margin, net profit margin, return on assets and price earnings ratio. The study evidenced that ICICI Bank paid highest portion of earning as dividends to shareholders. Analysis ranked HDFC Bank on the top position followed by Punjab National Bank, State Bank of India and ICICI Bank.

Poonam Mahajan & Aparna Bhatia & Subhash Chander (2012), the paper empirically predicts the Return on Assets (ROA) performance of the public sector banks in India for the years 2005-06 and 2009-10. A sample of 27 banks is taken for the study. Backward stepwise regression analysis is used to study the impact of these determinants on the performance of the banks. ROA is taken as the dependent variable, while other variables like spread ratio, provisions and contingencies, non-interest income, credit-deposit ratio, operating expense ratio, investment-deposit ratio, capital adequacy ratio and non-performing assets have been controlled in the study. The results reveal that spread, credit-deposit ratio, non-performing assets, non-interest income and provision and contingencies have the capacity of predicting the profitability (measured by ROA) of public sector banks in India. The measured ROA reveals that the Indian banking sector remained relatively healthy during the current economic crisis, and the performance of the banks was not impacted negatively in a significant manner.

By Dursun Delen, Cemil Kuzey, Ali Uyar (2013), in this analysis, they attempted to determine which financial ratios impact company performance the most. According to findings, two profitability ratios (i.e., Earnings Before Tax-to-Equity Ratio and Net Profit Margin) impact company performance the most. These ratios are also the measurements of profitability, relative to equity and sales respectively. These ratios indicate the potential ability of a company to control their costs and expenses. The higher these ratios, the more successfully the firm can control its costs and expenses, and by doing so improve its performance (represented as ROE and ROA). The Leverage and Debt Ratios were found to impact company performance as well. Debt is a source of financing, other than equity. If a firm invests funds obtained through debt appropriately in profitable operations, it will in all likelihood have a higher performance. Lastly, the Sales Growth and Asset Turnover Rate indicate the ability of a company to generate sales. Therefore, a company requires high sales performance in order to increase overall performance.

Finally, our findings corroborate the DuPont analysis, which decomposes ROE into the three

Thanh Pham Thien Nguyen & Son Hong Nghiem (2015), this study found a two-way negative association between efficiency and default risk and between capital ratio and default risk. However, this study found a two-way positive relationship between capital ratio and only profit efficiency. Public banks behaved differently from private banks regarding the association between capital and efficiency. Moreover, public banks had greater probability of default risk, lower capital ratio but higher efficiency level than private banks. Further, default risk, capital ratio and efficiency of the Indian banking system increased over time, but the two formers were driven by public banks while the latter was driven by private banks.

Daniel (2016), the theory and practice of the financial ratio analysis suggest the existence of an important positive correlation between the debt ratio and the bankruptcy risk. Previous studies conducted on a sample of Romanian companies confirm this hypothesis and recommend the debt ratio as a useful tool for measuring the bankruptcy risk two years in advance. The objective of the research was to develop a methodology for measuring the bankruptcy risk that would be applicable for Romanian companies. The target population consisted of all Romanian companies with annual sales of over 10,000 (approx. 2,200 Euros). The research was performed over all the target population from Times County (largest county in Romania). The study has thus included 53,252 yearly financial statements from the period 2007-2010. The results of the study allow for the setting of benchmarks, as well as the configuration of a methodology of analysis. The proposed methodology cannot predict with perfect accuracy the state of the company, but it allows for a valuation of the risk level to which the company is subjected.

OBJECTIVES OF THE STUDY

- To analyse overall satisfaction of customers from ATM & e-banking services.
- To test the strength of relationship of rural customer's satisfaction with different factors identified as major determinant affecting adaptability and satisfaction from e-banking.

RESEARCH METHODOLOGY

Data Collection

The study is primarily based upon primary data collected through a questionnaire from users of ATM & e-banking channels from Ambala, Haryana (India).

There were 2 separate questionnaires comprises for the users of ATM services and for the customers of e-banking. There were 11 questions for those using e-banking & 12 for the ATM users on the basis of accessibility, convenience, efficiency, security & reliability of these services in Ambala branch of HDFC bank. The survey has initially been administered on 120 respondents online as well as personally. However, only 70 questionnaires were found suitable in case of the ATM card customers & 40 in case of those who use the e-banking services of HDFC bank, for further analysis. The surveyed population was required to respond to the questionnaires provided. Sources of data included both primary and secondary data which assisted the researcher to make a thorough analysis of the study problem at hand.

Primary Data

Primary data was collected through personal interviews and use of questionnaires to gather accurate information.

Secondary Data

Secondary data was obtained from available sources such as text books, journals, on-line published articles, information from the local newspapers and internet search engines among others.

Data collection Instruments

Questionnaire

Data was collected through a structured questionnaire. Likert scale technique is used. The format of a typical five-level Likert item is:

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

Questionnaire**s** had close-ended questions which required answers to be ticked from the listed options. The respondents selected the correct options. For those who were unable to read and write, interviews were conducted using the questionnaires.

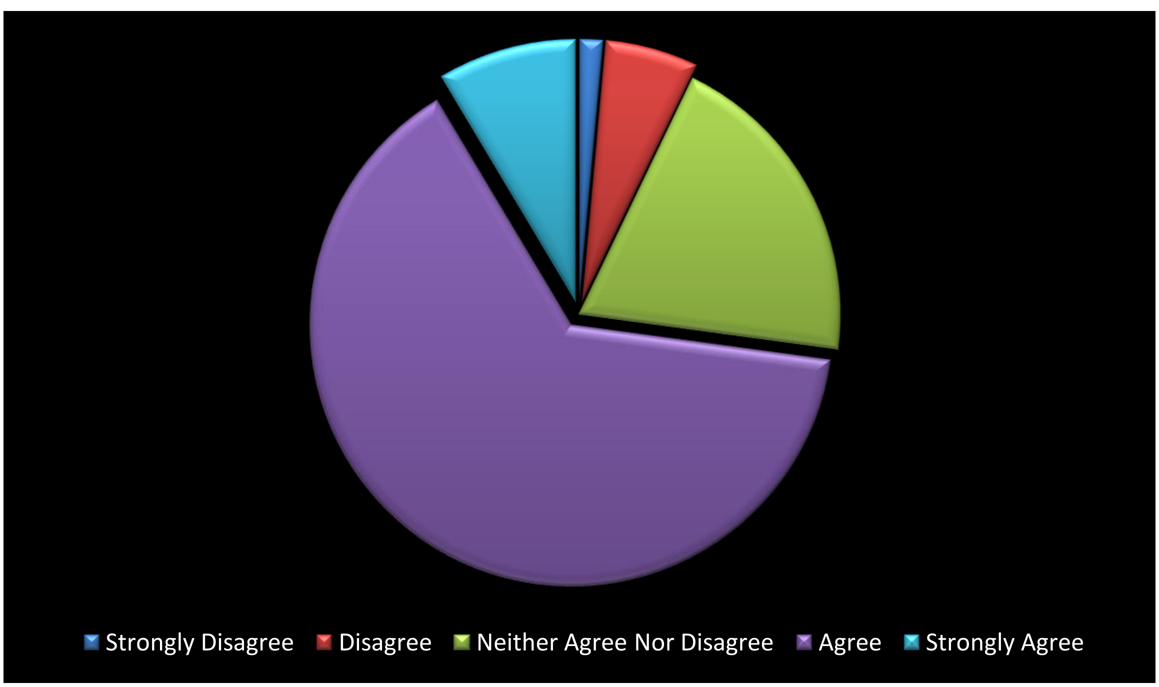
Interview

Interviews were determined beforehand while others arose during the course of the conversation. The interviews were also done on individual-oriented basis to allow expression of personal viewpoints. The researcher used face to face interviews because of the following reasons; Provision of firsthand information, Rich data collection, Cost effective, speedy and Ability to clarify the questions, clear doubts and adds new questions where necessary.

DATA ANALYSIS AND INTERPRETATIONS

Customers of ATM services: Table: 1

Questions	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
I can easily locate my bank's ATM in my city.	1	4	14	45	6

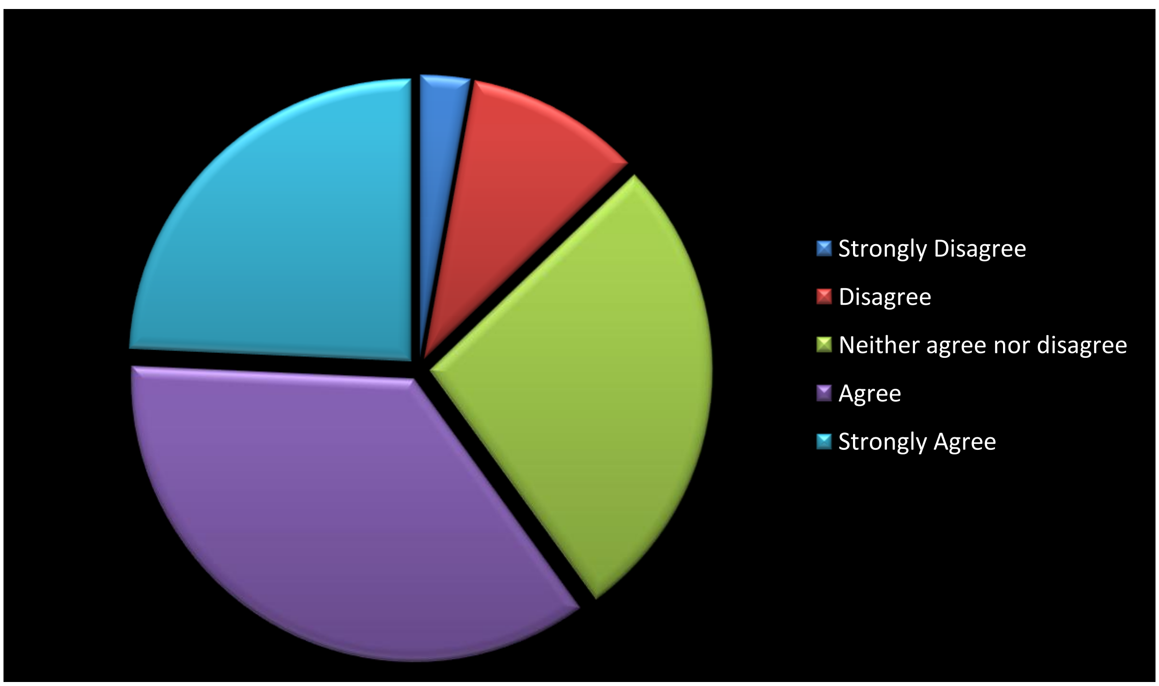


INTERPRETAIONS

- Bank's ATMs can be easily located by the public.
- Those who disagree with the statement are either new to the city, or are new to use this service.

Table : 2

Questions	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
ATM of my bank are found at the places like hospitals, malls, station etc.	2	2	19	30	17



INTERPRETAIONS

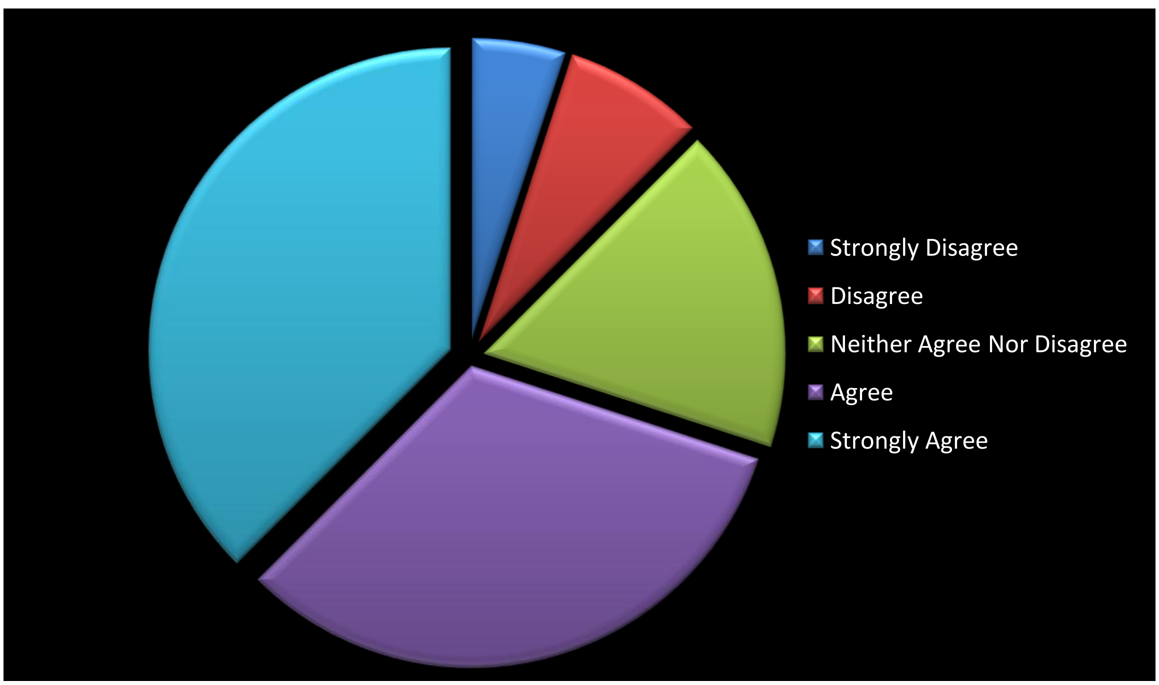
- The customers are able to locate the bank's ATMs at the important places like hospitals, malls & stations etc.

For the users of e-banking services

In Ambala, about 25% of the total customers of the HDFC bank are using e-banking. Using e-channels for banking is a new concept here and thus it is mixed experience for them. They feel it both exciting & problematic at various times. The data collected from the questionnaires is presented and analyses s follows:

Table: 3

Questions	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
Web page of the HDFC bank can be loaded quickly.	2	3	7	13	15

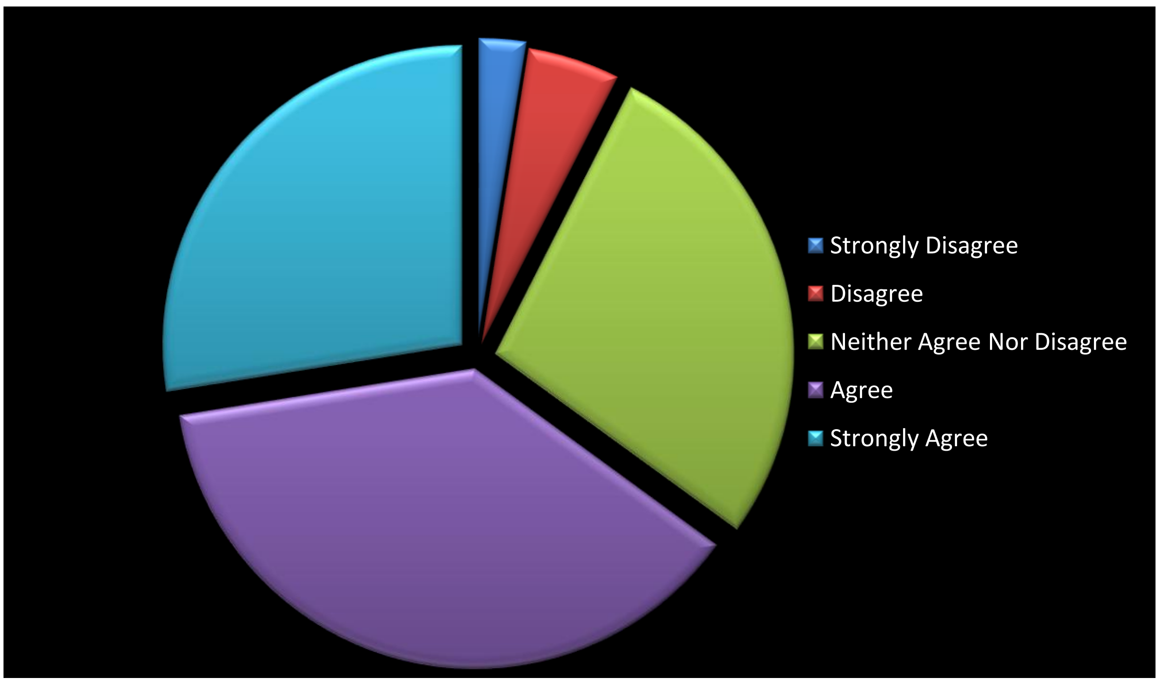


INTERPRETAIIONS

- The customers are satisfied with the speed with which the web page of the bank can be accessed.

Table: 4

Questions	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
Information provided on bank website is accurate.	1	2	11	15	11



INTERPRETATIONS

- Most of the customers are also seen satisfied with accuracy of the information provided by the bank on their website.

Conclusion

Analyzing and interpreting the results so found from the questionnaire, following conclusions can be drawn out:

- Customers are seen satisfied with the access, speed, efficiency of both, ATM & the e-banking services.

- The problem only occurs due to the language barrier which would be eliminated with the passage of time, with the awareness and education among the people.
- The customers find the staff of the bank, very responsive in solving their grievances in reasonable time.
- The customers still hesitate in giving away their account number and password details in the website as they doubt its safety.
- In case of the ATM customers, the main concern is again security. Their answers show that they are not feeling safe while making the transactions via ATM (due to the recent incidents in Ambala).

Suggestions

- The bank needs to cater with the problems of those customers who are not seen satisfied with the access to the website, the speed of transactions etc, so as to attain more perfection in this area.
- The customers should be given the instructions about its use, while issuing them the ATM card.
- There needs to be some awareness regarding the privacy policy of the bank so that the customers feel safe while entering in their account details in the website.
- There should be presence of a guard in front of the ATM cabin (in the region of Ambala) so as to avoid any issues related to security.

LIMITATIONS OF THE STUDY

- The present study is based upon the results of survey conducted on only 70 & 40 users of ATM & e-banking services respectively in the Ambala region. The results of the study are subject to the limitations of sample size, regional territory, psychological, financial and emotional characteristics of surveyed population.
- It was observed that most of the respondents had put down the performance on an average score & they were negligent towards

answering the questions in an unbiased manner.

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