Customer Retention and Customer Compliant Handling Strategies in Indian Banking Sector – A Comparative Analysis of Public Sector and Private Sector Banks in India

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ABSTRACT

Customers today want the best for every penny spent and that too on their terms. Only those firms in an industry that provide extremely exceptional products and services at reasonable prices survive in the long run. Thus, the key motive of every organization is to utilize customer centricity as a strategy and banks are no exception to it. In the present Indian banking scenario, customer retention and customer complaint handling is the prominent phenomenon which is the focal point to the emerging strategies and practices. Banks in Indian banking sector are catering to the needs of individual customer by providing customized banking. They are coming up with the new improved products to attract more customers as well as to retain the existing ones. The present paper aims to study and compare the customer retention and customer complaint handling strategies of the public sector and private sector banks.

Keywords: indian banking sector, public sector, private sector, handle customer complaint etc.

INTRODUCTION:

The most successful businesses that have survived the test of time and are still thriving in a fast-paced competitive market are a testimony to the fact that being customer focused is the only sustainable way of growing a business. Customers today want the best for every penny spent and that too on their terms. Only those firms in an industry that provide extremely exceptional products and services to the customers at reasonable prices survive in the long run. Thus, the key motive of every organization is to utilize customer centricity as a strategy.

Banks are not an exception to the above mentioned customer specific challenges and opportunities and instead such issues become even more intense in the banking industry. The reason for the same is that the banks are providing homogeneous services and therefore span of competitive advantage shortens. Thus, the customers can't remain satisfied and loyal for long only because of that competitive advantage. To keep customers stay loyal with bank for long period of time, banks must take a step forward and move towards customers' delight i.e. one's expectation going beyond to a surprising degree.

In the contemporary Indian banking scenario, customer retention and customer complaint handling is the prominent phenomenon which is the focal point to the emerging strategies and practices. Banks in Indian banking sector are catering to the needs of individual customer by providing customized banking. They are coming up with the new improved products to attract more customers as well as to retain the existing ones.

The present paper aims to study and compare the customer retention and customer complaint handling strategies of the public sector and private sector banks and private sector banks in India.

REVIEW OF LITERATURE:

Christopher, et al. (2002) The need to develop sustainable relationships with customers has been underscored in the study on the grounds that customer retention has become a measure of marketing success. The organizations ought to build up a customer-driven approach with specific customer segments and deliver services according to individual customer desires. The key elements of the achievement of an organization is the development of mutual advantageous relationships

Zeithaml and Bitner (2003) underlined upon the components of the successful service recovery strategy. Effective recovery strategies can lead to satisfied customers. They express that the firm must welcome, support and foresee the complaints of the customers. The customer research should be conducted through the use of customer satisfaction survey, critical incidents studies and lost customer research.. The employees must be prepared and engaged to follow upon customer's complaint as fast as could reasonably be expected. Likewise, each and every single client ought to be dealt with reasonably and just as. The firm should also learn from previous mistake of service failures and service recovery experiences, and the customers who leave the firm.

Ndubisi, et al. (2005) observed that the banks can use relationship marketing strategies to acquire a reliable client base and manage the supplier-customer relationship. Relationship marketing has been considered as an effective way for banks to establish a unique long-lasting relationship with their customers. Relationship marketing strategy, apart from its ability to help understand customers' needs, can also lead to customer satisfaction, retention further more customer building strategies such as communication, commitment, competence and conflict handling certainly have a direct or indirect impact on customer loyalty.

Biswas (2009) in his paper observed that, there has been a rapid change in the operating environment of banks since 1991. The rivalry has been escalated likewise due to advancement of information technology. This has exposed the banking sector to various challenges. Deregulation, Competition, Non Performing Assets (NPAs) Management, Profitability, Risk Management, Technology, Phishing, Managing Standards and Quality, Customer Retention and Loyalty, the Internal Customer Management are the major challenges of the banking sector. To survive and succeed in this competitive environment, SWOT analysis should be undertaken by the banks and suitable strategies must be defined.

Oghojafor, et al. (2014) examined the marketing activities that influence the customer satisfaction and further if the customer satisfaction is the only factors that determine customer loyalty. He based his study on five constructs, i.e. product, price, distribution, promotion and customer service. It was concluded that the product (core service), promotion and distribution have a higher impact on the level of customer satisfaction. Also, apart from customer satisfaction, trust is a major determinant of customer loyalty in a firm. He suggested that it is necessary for firms to make its services available everywhere and every time. The firms should also respond quickly and favourably to customer complaints, create avenues to hear from the customers and also to communicate with them.

OBJECTIVES OF STUDY:

The objectives of the study are as under:
- To compare the customer retention and customer complaint handling strategies adopted by the public sector and private sector banks in India for marketing of their loan products.
- To compare the customer retention and customer complaint handling strategies adopted by the selected public sector banks for marketing of their loan products.
- To compare the customer retention and customer complaint handling strategies adopted by the selected private sector banks for marketing of their loan products.

RESEARCH METHODOLOGY:

The universe of the study is the banks operating in the states of Punjab, Haryana and Union Territory of Chandigarh. The study include 10 leading banks out of which 5 are from public sector (SBI, PNB, OBC, UCO Bank and Corporation Bank), and 5 from private sector (ICICI Bank Ltd., HDFC Bank Ltd., AXIS Bank, The Federal Bank Ltd. and ING Vysya Bank Ltd). The officials of 10 leading banks were contacted for the purpose of the study. A sample of 500 officials were selected from the above banks. The sample scheme comprised of 250 officials from each sector bank. The data collection was collected from respondents who are presently handling banking services through structured questionnaire. An effort was made to make the sample more representative. T-test and F-Test are used to test the various hypothesis.

HYPOTHESIS:

The following null hypothesis has been framed for the purpose of the study:

H0$_1$: There is no statistical significant difference between the mean values of variables relevant to study the customer retention and customer complaint handling strategies in relation to loan products of the selected public sector and private sector banks in India.

H0$_2$: There is no statistical significant difference among the mean values of variables relevant to study the customer retention and customer complaint handling strategies of the selected public sector banks in relation to loan products.

H0$_3$: There is no statistical significant difference among the mean values of variables relevant to study the customer retention and customer complaint handling strategies of the selected private sector banks in relation to loan products.

DISCUSSION AND ANALYSIS:

A questionnaire containing a number of statements was developed to know the marketing mix strategies of the public sector and private sector banks in India. The respondents were asked to express their level of agreement/disagreement with these statements on five-point Likert scale. T-test and F-test have been applied to test the null hypothesis. The test has been applied to check the level of significance at 0.01 and 0.05 level of significant.

Distribution of the responses of bank officials towards the customer retention and customer complaint handling strategies of the selected public sector and private sector banks in India
Eight statements for customer retention and customer complaint handling strategies were framed and respondents were asked to express their level of agreement/disagreement with these statements on five-point Likert scale. Distribution of the responses of bank officials of the selected and public sector and private sector banks towards the customer retention and customer complaint handling strategies is given in table 1.

Table 1: Distribution of the responses of bank officials of the selected and public and private sector banks towards the customer retention and customer complaint handling strategies

Variables/ Level of agreement	Strongly Disagree n (%)	Disagree n(%)	Neutral n(%)	Agree n(%)	Strongly Agree n(%)	Mean
The employees encourage customers to give their suggestions in person or through suggestion box.	75(15)	193(38.6)	34(6.8)	112(22.4)	86(17.2)	2.88
Your bank has sufficient customer care touch points.	33(6.6)	46(9.2)	96(19.2)	226(45.2)	99(19.8)	3.62
The response time taken by customer care executive to answer the call is satisfactory.	11(2.2)	44(8.8)	79(15.8)	208(41.6)	158(31.6)	3.92
The customer care executives call back the customers to take the feedback regarding the resolution of their problems.	71(14.2)	117(23.4)	137(27.4)	148(29.6)	27(5.4)	2.89
Regular phone calls are made to the customers for detailing them about special offers.	41(8.2)	68(13.6)	133(26.6)	183(36.6)	75(15)	3.37
Your bank frequently conducts surveys on customer satisfaction of the existing customers.	38(7.6)	49(9.8)	198(39.6)	168(33.6)	47(9.4)	3.27
Advise on cost saving methods is given to the customers.	23(4.6)	85(17)	134(26.8)	175(35)	83(16.6)	3.42
Physical evidence of your bank brings positive perceptions of service quality in the mind of customers.	52(10.4)	68(13.6)	62(12.4)	116(23.2)	202(40.4)	3.70

Table 1 presents the details of distribution of responses of bank officials about the customer retention and customer complaint handling strategies formulated by the selected public sector and private sector banks in India. It was observed that the mean values are higher in case of variables like – the response time taken by customer care executive to answer the call is satisfactory (mean 3.92), physical evidence of your bank brings positive perceptions of service quality in the mind of the customers (mean 3.70), your bank has sufficient customer care touch points (mean 3.62), advise on cost saving methods is given to the customers (mean 3.42). Thus, the above mentioned variables are more important while studying the customer retention and customer complaint handling strategies of the selected banks. On the other hand, mean values are lesser in case of variables like- regular phone calls are made to the customers for detailing them about special offers (mean 3.37), your bank frequently conducts surveys on customer satisfaction of the existing customers (mean 3.27), the customer care executives call back the customers to take the feedback regarding the resolution of their problems (mean 2.89) and the employees encourage customers to give their suggestions in person or through suggestion box (mean 2.88). Hence, these variables are comparatively less important while studying the customer retention and customer complaint handling strategies of the selected banks.

Distribution of responses of officials of selected public sector and private sector banks regarding the customer retention and customer complaint handling strategies is shown in figure 1.

Figure 1: Distribution of responses of officials of selected public sector and private sector banks regarding the customer retention and customer complaint handling strategies
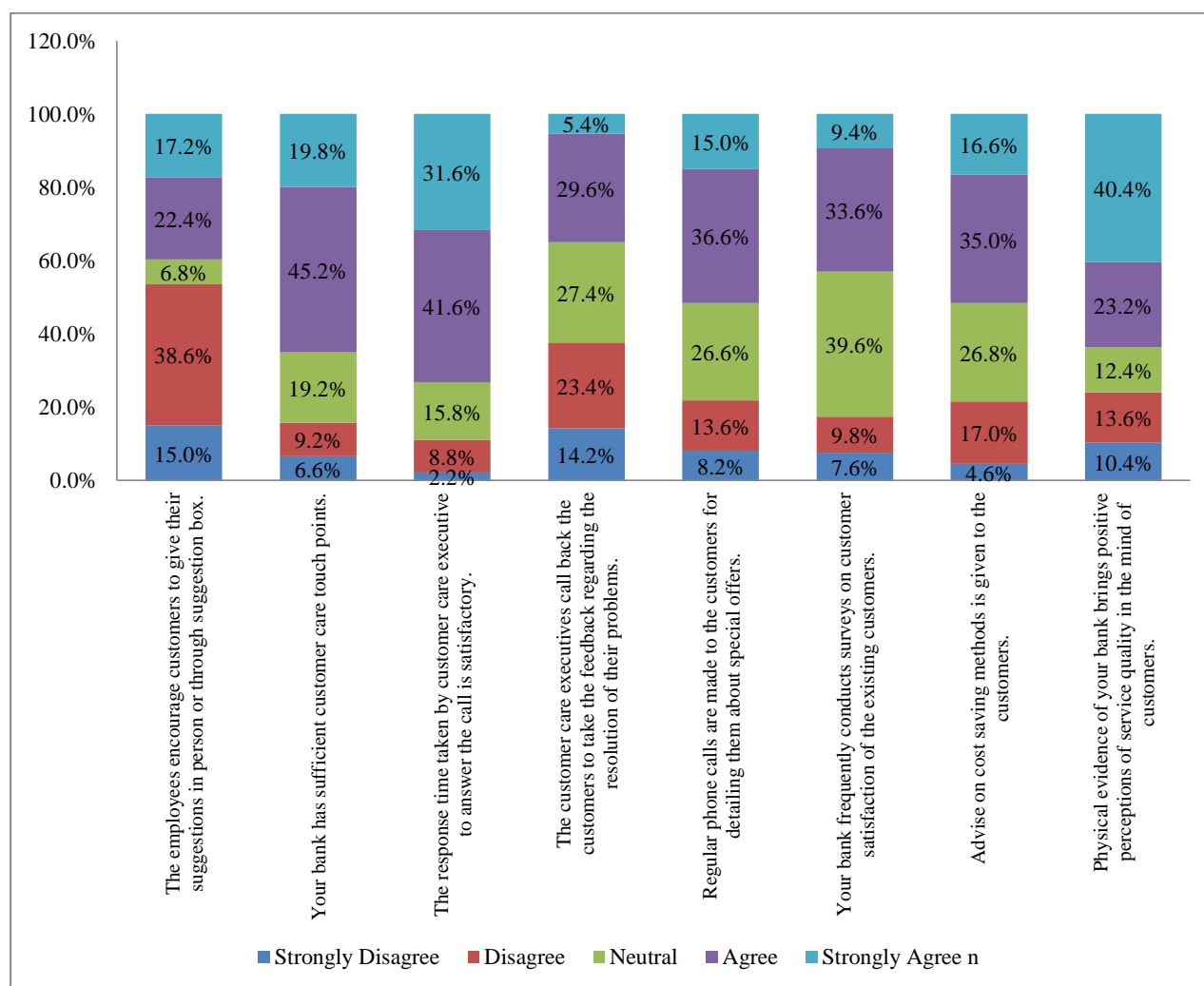
Difference between the mean values of variables relevant for examining the customer retention and customer complaint handling strategies of selected public sector and private sector banks in India:
Null Hypothesis:
$H0_1$: There is no statistical significant difference between the mean values of variables relevant to study the

customer retention and customer complaint handling strategies in relation to loan products of the selected public sector and private sector banks in India.

Independent t-test has been used for comparison between the mean values of variables relevant for examining the customer retention and customer complaint handling strategies in relation to loan products of the selected public sector and private sector banks

Table 2: Comparison of mean values and t-values of variables relevant for examining the customer retention and customer complaint handling strategies in relation to loan products of selected public sector and private sector banks

| Variables/ Banks	Public		Private		t-value	df	P value
	Mean	SD	Mean	SD			
The employees encourage customers to give their suggestions in person or through suggestion box.	2.49	1.34	3.28	1.30	-6.69	498	0.00**
Your bank has sufficient customer care touch points.	3.36	1.17	3.89	0.96	-5.60	498	0.00**
The response time taken by customer care executive to answer the call is satisfactory.	3.76	1.04	4.07	0.96	-3.40	498	0.00**
The customer care executives call back the customers to take the feedback regarding the resolution of their problems.	2.58	1.09	3.20	1.11	-6.30	498	0.00**
Regular phone calls are made to the customers for detailing them about special offers.	3.00	1.11	3.73	1.06	-7.48	498	0.00**
Your bank frequently conducts surveys on customer satisfaction of the existing customers.	3.05	1.03	3.50	0.97	-4.98	498	0.00**
Advise on cost saving methods is given to the customers.	3.22	1.00	3.62	1.15	-4.16	498	0.00**
Physical evidence of your bank brings positive perceptions of service quality in the mind of customers.	3.31	1.48	4.08	1.16	-6.52	498	0.00**

** $p < 0.01$ level of significance
 * $p < 0.05$ level of significance

Table 2 presents that there is a significant mean difference at 0.01 level of significance between the public sector and private sector banks in respect of all the variables associated with the customer retention and customer complaint handling strategies. It is observed that the mean values for all the variables is more in case of private sector banks than the public sector banks. These variables with mean values of private sector banks are - the employees encourage customers to give their suggestions in person or through suggestion box (mean 3.28), your bank has sufficient customer care touch points (mean 3.89), the response time taken by customer care executive to answer the call is satisfactory (mean 4.07), the customer care executives call back the customers to take the feedback regarding the resolution of their problems (mean 3.20), regular phone calls are made to the customers for detailing them about special offers (mean 3.73), your bank frequently conducts surveys on customer satisfaction of the existing customers (mean 3.50), advise on cost saving methods is given to the customers (mean 3.62) and physical evidence of your bank brings positive perceptions of service quality in the mind of customers (mean 4.08). On comparing the mean values, it can be concluded that the private sector banks are making more efforts for customer satisfaction and customer retention.

Mean comparison of variables relevant to study the customer retention and customer complaint handling strategies of the selected public sector and private sector banks is shown in figure 2.

Figure 2: Mean comparison of variables relevant to study the customer retention and customer complaint handling strategies in relation to loan products of the selected public sector and private sector banks
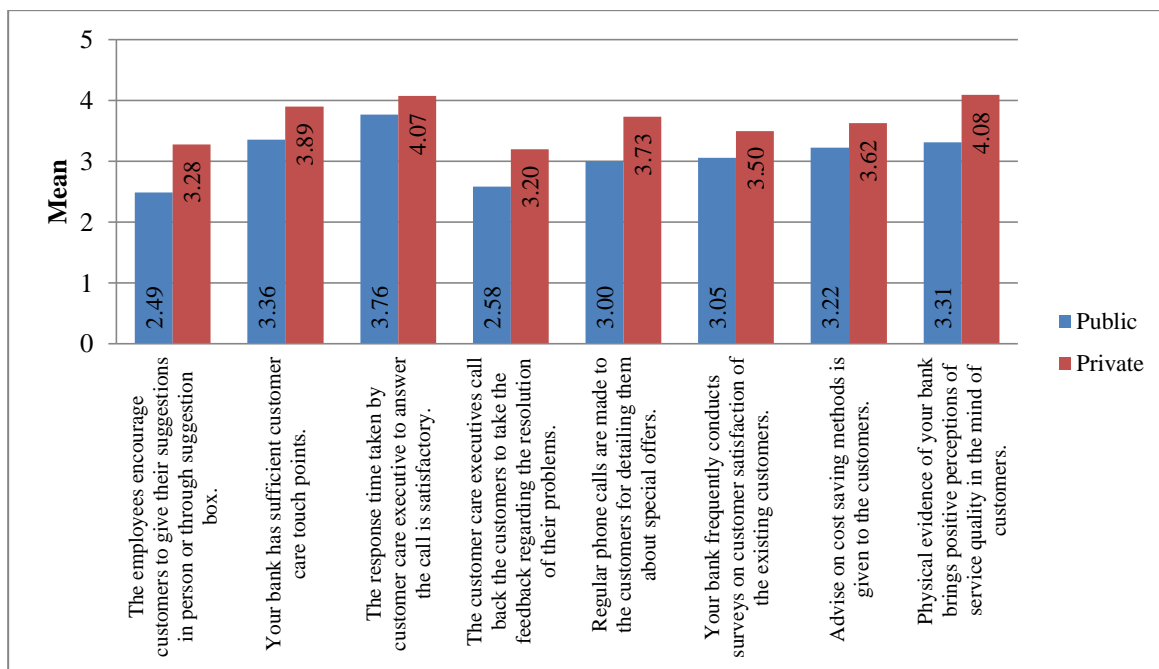
Difference between the mean values of variables relevant for examining the customer retention and customer complaint handling strategies of selected public sector banks in relation to loan products
Null Hypothesis:
H0₂: There is no statistical significant difference among the mean values of variables relevant to study the customer retention and customer complaint handling strategies of the selected public sector banks in relation to loan products.

F-test has been used for comparison between the mean values of variables relevant for examining the customer retention and customer complaint handling strategies of the selected public sector banks. Comparison of mean values and f-values of variables relevant for examining the customer retention and customer complaint handling strategies of the selected public sector banks is shown in table 3.

Table 3: Comparison of mean values and f-values of variables relevant for examining the customer retention and customer complaint handling strategies of selected public sector banks

Public Bank	PNB		SBI		OBC		UCO		Corporation Bank		f-value	P value
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
The employees encourage customers to give their suggestions in person or through suggestion box.	2.62	1.40	2.56	1.50	2.56	1.43	2.36	1.14	2.34	1.22	0.46	0.77
Your bank has sufficient customer care touch points.	4.12	1.02	3.40	1.14	3.46	1.13	3.02	1.04	2.78	1.07	11.10	0.00**
The response time taken by customer care executive to answer the call is satisfactory.	3.82	0.94	3.98	1.17	3.76	0.96	3.64	1.17	3.62	0.92	0.99	0.41
The customer care executives call back the customers to take the feedback regarding the resolution of their problems.	3.00	1.03	2.70	1.02	2.64	1.17	2.46	1.03	2.08	1.03	5.12	0.00**
Regular phone calls are made to the customers for detailing them about special offers.	3.04	0.99	3.20	1.28	3.02	1.25	2.98	0.98	2.78	1.00	0.92	0.45

| Public Bank	PNB		SBI		OBC		UCO		Corporation Bank		f-value	P value
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Your bank frequently conducts surveys on customer satisfaction of the existing customers.	3.20	1.11	3.04	1.01	3.14	1.07	3.12	0.94	2.76	0.98	1.43	0.22
Advise on cost saving methods is given to the customers.	3.42	0.99	3.20	1.05	3.32	1.04	3.14	0.97	3.02	0.91	1.22	0.30
Physical evidence of your bank brings positive perceptions of service quality in the mind of customers.	4.04	1.24	3.56	1.58	3.36	1.57	2.90	1.39	2.68	1.22	7.31	0.00**

** $p < 0.01$ level of significance

Table 3 presents that there is significant mean difference at 0.01 level of significance regarding the customer retention and customer complaint handling strategies in case of three variables among the public sector banks. Null hypothesis is rejected for these three variables and PNB shows more mean value for all these three items. These three variables are - your bank has sufficient customer care touch points (mean 4.12), the customer care executives call back the customers to take the feedback regarding the resolution of their problems (mean 3.00) and physical evidence of your bank brings positive perceptions of service quality in the mind of customers (mean 4.04).

For all the other variables, there is no significant difference in the mean values of variables of the selected public sector banks.

Mean comparison among the public sector banks for customer retention and customer complaint handling strategies in relation to loan products is shown in figure 3.

Figure 3: Mean comparison among public banks for customer retention and customer complaint handling strategies
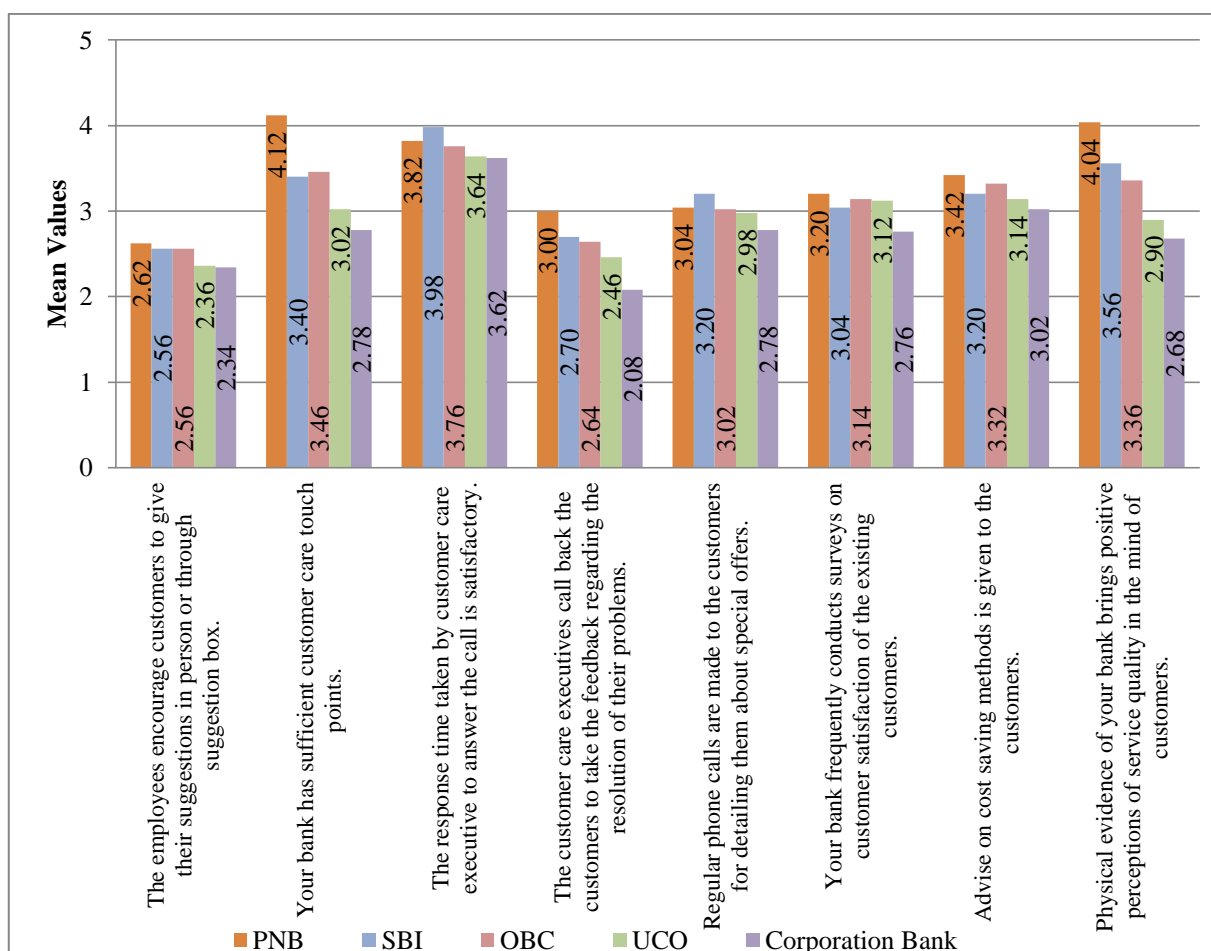
Difference between the mean values of variables relevant for examining the customer retention and customer complaint handling strategies of selected private sector banks in relation to loan products
Null Hypothesis:

H0₃: There is no statistical significant difference among the mean values of variables relevant to study the customer retention and customer complaint handling strategies of the selected private sector banks in relation to loan products.

F-test has been used for comparison between the mean values of variables relevant for examining the customer retention and customer complaint handling strategies of the selected private sector banks. Comparison of mean values and f-values of variables relevant for examining the customer retention and customer complaint handling strategies of selected private sector banks are shown in table 4.

Table 4: Comparison of mean values and f-values of variables relevant for examining the customer retention and customer complaint handling strategies of selected private sector banks

Private Bank	ICICI		HDFC		AXIX		ING Vyasa		Federal Bank		f- value	P value
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
The employees encourage customers to give their suggestions in person or through suggestion box.	3.60	1.41	3.58	1.28	2.90	1.23	3.08	1.26	3.22	1.18	2.92	0.02*
Your bank has sufficient customer care touch points.	4.04	0.78	4.46	0.84	3.82	0.96	3.76	0.87	3.38	1.03	9.70	0.00**
The response time taken by customer care executive to answer the call is satisfactory.	4.14	0.99	4.08	0.85	3.76	0.87	4.18	0.94	4.18	1.08	1.73	0.14
The customer care executives call back the customers to take the feedback regarding the resolution of their problems.	3.26	1.21	3.50	1.04	3.32	1.10	3.10	1.05	2.80	1.05	2.92	0.02*
Regular phone calls are made to the customers for detailing them about special offers.	4.16	0.87	3.84	1.06	3.68	0.96	3.60	1.05	3.36	1.19	4.16	0.00**
Your bank frequently conducts surveys on customer satisfaction of the existing customers.	3.70	0.89	3.70	0.95	3.48	0.95	3.42	0.97	3.18	1.00	2.60	0.04*
Advise on cost saving methods is given to the customers.	3.66	1.26	3.72	1.11	3.70	1.20	3.64	1.03	3.38	1.16	0.72	0.58
Physical evidence of your bank brings positive perceptions of service quality in the mind of customers.	4.16	1.09	4.46	0.93	4.20	1.25	4.08	1.05	3.52	1.30	4.68	0.00**

** $p < 0.01$ level of significance

Table 4 presents the significant mean difference about customer retention and customer complaint handling strategies among the selected private sector banks. The significant mean difference was found at 0.01 level of significance for three variables. Of these variables, HDFC bank has the maximum mean value for two variables

i.e. your bank has sufficient customer care touch points (mean 4.46) and physical evidence of your bank brings positive perceptions of service quality in the mind of customers (mean 4.46). ICICI bank has the maximum mean for one variable i.e. regular phone calls are made to the customers for detailing them about special offers (mean 4.16).

Further, for three variables the significant mean difference was found at 0.05 level of significance. Of these variables, ICICI bank has the maximum mean for one variable i.e. the employees encourage customers to give their suggestions in person or through suggestion box (mean 3.60). HDFC bank has the maximum mean for one variable i.e. the customer care executives call back the customers to take the feedback regarding the resolution of their problems (mean 3.50). For one variable, both HDFC bank and ICICI bank have the maximum mean. This variable is - your bank frequently conducts surveys on customer satisfaction of the existing customers (mean 3.70).

However, for the remaining two variables i.e. the response time taken by customer care executive to answer the call is satisfactory and advise on cost saving methods is given to the customers, there is no significant difference among the private sector banks.

Mean comparison among the private sector banks for customer retention and customer complaint handling strategies in relation to loan products is shown in figure 4.

Figure 4: Mean comparison among private sector banks for customer retention and customer complaint handling strategies in relation to loan products
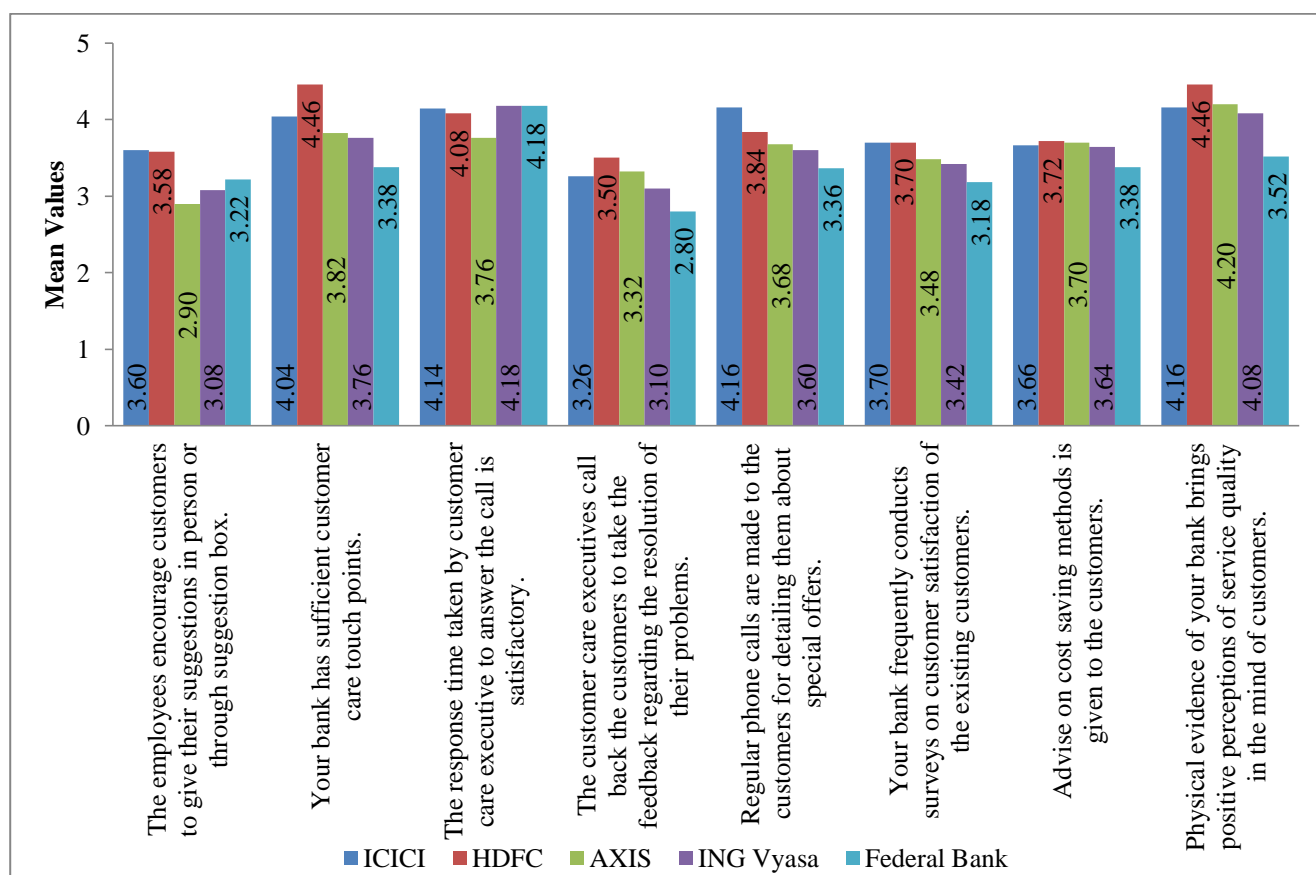
CONCLUSION:

The paper has studied theoretically as well as empirically the customer retention and customer complaint handling strategies of selected public sector and private sector banks in respect of loan products. The comparison between the public sector and private sector banks have been made by applying t-test. Also, the comparison amongst the selected public sector banks and amongst the selected private sector banks has been made by applying f-test.

It has been observed from the results driven by applying T-test and F-test that both the public sector and private sector banks are developing the customer retention and customer complaint handling strategies. They perceive

these strategies as an invaluable opportunity for their banks to identify areas of improvement and to enhance customers' loyalty. Moreover, the customers whose complaints are handled quickly can often turn into loyal customers and even brand advocates. However, it can be said that the private sector banks are taking a lead in practicing these strategies and public sector banks are following them.

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