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CUSTOMER SATISFACTION IN INTERNATIONAL BANKING

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ABSTRACT: -
Banking sector is one of the biggest and fast growing sector in India. With expansion of trade and commerce, the concept of International banking gained importance. All banks have become conscious in offering best products and world class service to their clients.

Increased demand for banking services, speed, service quality is going to be key differentiators for each bank's future progress and improvement. There is a high competition between public and private sector banks. Due to fierce competition, more demanding customers and volatile market banks have introduced customised products and introduction of technology in banking system. Banks are trying hard to meet the customer's needs and demands. Each and every client needs support from the bank whether it be in the form of finance or advances, or advisor or guarantor. Banks play a very instrumental role in facilitating trade finance activity in International Banking. Customer satisfaction cannot be measured in numbers or percentage hence, banks tries to create emotional consistency with their clients. Customer satisfaction is the key to survive in the competition. The study aims in understanding of the relationship between customer satisfaction and customer loyalty & customer satisfaction and customer retention by empirically assessing the nature of the relationship between service quality, innovative product and consumer satisfaction in international business of banks. This study also aims to study and evaluate the link between customer expectation and customer satisfaction.

KEYWORDS: *Customer satisfaction, customer expectation, customer loyalty, customer retention.*

INTRODUCTION :
Customer Satisfaction

According to Kotler (2000) defined satisfaction as: "a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations". Customer satisfaction is the measure of how the needs and responses are collaborated and delivered to excel customer expectation.

Customer satisfaction is the overall essence of the impression about the bank. This impression which a customer forms regarding bank is the sum total of all the process he goes through, right from communicating with bank before opening an account, availing products and services, doing transactions, and managing complaints or queries post opening an account. During all the process the customer comes across working environment of various departments and the type of strategies, processes involved in the bank. All such touch points help the customer to make strong opinion about the bank which finally results in satisfaction or dissatisfaction.

A REVIEW OF LITERATURE

Satisfaction has been broadly defined by Vavra, T.G. (1997) as a satisfactory post-purchase experience with a product or service given an existing purchase expectation.[1]Jay Kandampully and Dwi Suhartanto (2000) conducted a research study on the customer loyalty. The objective is to identify factors of image and customer satisfaction, that has positive relation with customer loyalty in the hotel industry. The research also helps in understanding the relationship between customer loyalty, customer satisfaction, and image. Increased choice; greater value for money; and augmented levels of service are the three major implication of competition for the customer.[2]Enhanced customer satisfaction would lead to retention of valued customer. In SERVQUAL model Out of the five dimensions, responsiveness found to be the most significant in predicting overall satisfaction in banking services [3].Constructs such as reliability, responsiveness, fulfillment, privacy and security plays a role great towards the customer satisfaction in internet banking [4]. Small Businessmen and low income groups are more satisfied with the service quality of the bank, whereas middle income group and higher income group are not much satisfied with the services provided by the Bank [5]. A Comparative Analysis of Selected Banks in Delhi" evaluated perception of service quality to customer on basis of three dimensions; the customer-employee interaction i.e. functional quality, the service environment i.e. environment quality, and the outcome-service product i.e. technical quality[6]. Foreign banks (Citi Bank, HSBC, and Bank of America) operating in Delhi provide better quality of service, as compared to private sector banks (ICICI, HDFC, Karur Vysya Bank); and public sector banks (SBI, Corporation Bank, PNB). Citibank, ICICI Bank and SBI were perceived to deliver better services among all in Delhi[7]. The service quality is positively linked with customer loyalty, commitment and trust from the customer's perspective in Indian banking sector[8]. Satisfaction of customers is based on the tangible dimensions of service quality. It has a direct, positive and significant impact on internal marketing. It is also followed by trustworthiness, receptiveness, assurance and sympathy dimension [9]. Most important service quality dimension for customer satisfaction is responsiveness as it is perceived as most dominant in service quality. The results concluded that the service quality dimensions tangibles, responsiveness, reliability and assurance are positively and significantly influencing overall customers satisfaction, while empathy is negatively and significantly leading to dissatisfaction[10]. The service quality indices with respect to the three groups and the Indian banking industry as whole, offer interesting information on the level of service quality delivered by banks in India. The variation is great with respect to the level of service quality offered by the three groups of banks. Customers in developing economies seem to keep the "technological factors" of services such as core service and systematization of the service delivery as the yardstick in differentiating good/bad service while the "human factors" seem to play a lesser role in discriminating the three groups of banks[11]. Satisfaction level is the result of the difference between expected and perceived performance. Satisfaction (positive disconfirmation) occurs when product or service exceeds expectations. On the other hand, a performance worse than expected results with dissatisfaction (negative disconfirmation)"[12]

CUSTOMER EXPECTATION VS CUSTOMER SATISFACTION IN BANKS

Satisfaction Business always starts and ends with customers and hence the customer is treated as the 'King' of the business. Banking institutions across the globe have recognised the importance of customer expectation and need of developing and maintaining long term relationship with their customers resulting to increased business profits and success. The common expectations of a customer from a bank are-

- Expert in knowledge
- Speed of service
- Efficiency of service
- Competitive products and price
- Friendly, helpful service staff
- Prompt replies
- Easy accessibility

- Best technology
- Safe and convenient banking

To maintain a competitive edge customer's expectations must be translated and quantified into measurable targets. With better understanding of customers' expectations, banks can determine the actions required to meet the customers' needs. Banks have become competitive business marketplace, various banks do customer satisfaction survey and measure how the needs and responses are collaborated and delivered to excel customer expectation. All the radical business decisions are taken on the basis of the feedback and response of the customer. Banks status, brand image, profits depends on customers. Also by meeting the expectations of customers bank increases the chance of transforming first time customers into loyal customers. Thus, expectations are a key factor behind satisfaction.

IMPORTANCE OF CUSTOMER SATISFACTION IN BANKS

In today's scenario, the banking industry has witnessing to several regulatory changes that have resulted in a heightened level of competition among the banks; and recognition of service quality as a competitive weapon is accepted more and more. The focus of marketing has shifted to managing enduring relationship with customers. Customer satisfaction is an important performance exponent and basic differentiator of business strategies in banks. Hence, the more is customer satisfaction; more is the business growth; more the profits and the bonding with customer. Banks can take informed decisions in order to retain and increase customer base and improve customer relationship. If the customer is satisfied then there are good chances for bank to retain the customers to enhance repeated purchases/transactions and make good profits. Strong and healthy customer-bank bonding leads to customer loyalty and customer retention. A satisfied customer guarantees free advertisement and is likely to send more business back to the bank, while an unsatisfied customer may be more apt to prevent the business from soaring. Negative feedback from customers can have more of a negative impact on a bank's reputation and goodwill. It is also concluded that it's cheaper to retain customers than acquire new ones. If you cannot measure it, you cannot improve it." - Lord William Thomson Kelvin (1824-1907). Hence, we can say measuring customer satisfaction is the need for the bank.

ROLE AND IMPORTANCE OF BANKS IN INTERNATIONAL BANKING BUSINESS

Banks have become the lifeline for traders. Without commercial banks the international finance and import-export industry would not exist. Banks offers trade solutions and loans to boost international business and also reduces trade and credit risk .Their role includes professional advice, bills for collection and negotiation/open account and, foreign exchange example travelers cheques and foreign currencies, information on trade and exchange restrictions, collection and transfer of funds status enquires, opening of documentary Letter of credit (LOC) Bank Guarantee(BG) etc.

Commercial banks provides platform for the reliable transfer of funds and translation of business practices between different countries all over the world. The global presence of commercial banking also makes possible the distribution of valuable economic and business information among customers and the capital markets of all countries.

Banks play a very vital role in facilitating trade finance activity in International Banking. Banks also serves as a worldwide barometer of economic health and business trends. Large banks such as Citigroup, Bank of America and Chase are retail (consumer) banks maintain full commercial banking activities in the United States with branches in many countries. These larger banks may act as affiliates of smaller banks that do not have branch presences in other countries. Through foreign branch banking, U.S. based multinational companies can consolidate their financial business at a single bank that handles their trade finance, currency transactions, project loans, payroll, cash management investments and deposit accounts throughout the world.

Banks also arrange deals between their customers globally, including strategic partnerships and project fulfillment agreements. These banks finance trade between companies and customers located in different countries. It also removes credit risk by issuing LOCs. The seller company can then feel assured of being paid if it

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ships goods to its offshore customer. It is an assurance given by the buyer's bank to remit the amount to the seller through seller's bank on maturity, as per the terms and conditions of document based on the contractual agreement between buyer and seller. Bank Guarantee (BG) offers safety on behalf of the customer to the beneficiary, that the bank will be responsible for payment, if the customer defaults in discharging its obligations.
Banks are capable of minimizing Exchange rate fluctuation risk between major traded currencies through a hedging operation by taking a reverse position in the forward market or using options (to buy or to sell) banks invest in foreign exchange through futures market, and provide competitive rates for : Spot Markets Forward Markets Options Swap etc. to its clients.

FACTORS AFFECTING CUSTOMER SATISFACTION

The primary functions of banks are the very much the same across the globe. Banks offer wide range of products and services that suits their customer's needs. Banks offers different types of tailor made products for NRIs, Exporters and Importers These specialised products and services includes the financing of capital in the form of loans like short term loans, medium and long term loans. The banks provide overdraft facilities, to finance the working capital of the business. Banks also offer Trade current account and EEFC account to transact day to day business activity. Exporter can also avail pre -shipment and post-shipment credit to exporter through export financing. Banks send the bills to buyer's bank abroad and facilitate payments through banking channels in the form of remittances. Banks provide platform for efficient and prompt trade transactions with their global partners. Banks also does Foreign and currency risk management for their clients. Banks also issue Letter of credit (LOC) Bank Guarantee (BG) and gives guarantee on the behalf of its client.

Trade charges, Minimum quarterly/monthly balance requirement, documentation handling charges, fees/commission, and exchange rate are prime factors influencing client's decision affecting customer satisfaction in international banking. As to the relationship between price and satisfaction, research has shown that price is one of the determinants of customer satisfaction (Story, 2007). After opening an account, the basic requirement of every customer in relationship with the bank is customer service. Mainly all the banks are at par with the products and offerings to clients. Banking is a customer oriented services industry, therefore, the customer is the focus and customer service is the prime differentiating factor. Service quality perception is calculated on the five dimensions of the SERVQUAL model is reliability, assurance, tangibles, empathy and responsiveness. Technology based online banking tools, ATMs, phone banking and mobile banking are additional allied banking options banks often offer to customers looking for self-service opportunities. Banks also have dedicated customer service managers and personal relationship managers that step in to deal with the most significant customer service concerns. "a brand I feel close to" and "a brand that I can trust" are the top drivers for bank differentiation on customer experience.

CUSTOMER SATISFACTION AND CUSTOMER RETENTION

Precedent studies say that the customer satisfaction is the factor affecting the customer retention in some different level. The customer satisfaction has positive effect on the customer retention. A bank's future profitability depends on satisfying customers in the present – retained customers should be viewed as revenue producing assets for the firm. Empirical studies have found evidence that improved customer satisfaction need not entail higher costs, in fact, improved customer satisfaction may lower costs due to a reduction in defective goods, product re-work, etc. However, the key to building long-term customer satisfaction and retention and reaping the benefits these efforts can offer is to focus on the development of high quality products and services. Customer satisfaction and retention that are bought through price promotions, rebates, switching barriers, and other such means are unlikely to have the same long-run impact on profitability as when such attitudes and behaviors are won through superior products and services (Abratt and Russell, 2009). Today's customers are more knowledgeable of their options. So, once they are settled in a bank, they expect a high level of customer service and offerings. In reality it has become a need for the bank to retain customers, as the option for acquiring new customers has become far more difficult. Feeling of trust and satisfaction leads to customer's loyalty which in turn results in customer retention. A recent study showed that 45% of customers who are dissatisfied with their current bank will discourage others from using that bank's services. So it becomes important for banks to understand their customers on a much more personal level than perhaps in some other businesses. Outstanding service quality can lead to favorable behavioral intentions, which may result in improved customer retention.

CUSTOMER SATISFACTION AND CUSTOMER LOYALTY

The main ingredients that are involved in a high quality relationship between customer and bank are trust and customer loyalty. Satisfying customer ensures the business survival for a bank. Happy customer is a loyal customer. Customer remains with the bank because of bank's reputation, superior service quality and their delivery to meet consumers changing needs. Bank should truly listen to what the customers say and should act to build up trust and relationship. Long term mutual relationship helps the banks to do periodical check as to enhance the quality of services and customise and innovate new products to foster relationship with customers. In a customer loyalty relationship between both bank and customer strive to uphold the relationship and never want to leave each other which in turn results in building the relationship stronger and sharper. In fact, studies by Bain & Company, along with Earl Sasser of the Harvard Business School, have shown that even a 5 percent increase in customer retention can lead to an increase in profits of between 25 and 95 percent. There is, in fact, huge cost which is incurred in switching from customer loyalty relationships of one bank and build new relationships with other bank.

CONCLUSION

Banking is a customer oriented, service based industry. Both public sector and private sector banks have realised the competition and understood that the success of business depends on the client service and satisfaction of the customers. To maintain a competitive edge customer's expectations must be translated and quantified into measurable targets. With better understanding of customers' expectations, banks can determine the actions required to meet the customers' needs. They can identify their own strengths and weaknesses, where they stand in comparison to their competitors, chart out path for future. Customer satisfaction measurement helps to promote an increased focus on customer outcomes and stimulate improvements in the work practices and processes used within the Banks. Banks are required to take positive steps and persistently work on to improve customer experience. It is also concluded that it's cheaper to retain customers than acquire new ones.The results of the current research, coupled with the weight of the evidence in the emerging services literature, suggest that consumer satisfaction is best described as exceeding customers' expectations and transforming first time customers into loyal customers ." Strong and healthy customer-bank bonding leads to customer loyalty and customer retention.

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