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The Role of Customer Satisfaction for Commercial Banks in Financial inclusion: An Empirical Study in Aizawl District



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Abstract

The banking industry has developed during the recent years, which has led to the expansion of their products including Financial Inclusion. Financial Inclusion is the availability of banking services/products at an affordable cost for the lower level income group and the disadvantaged in the society. The main objectives of this study were to study the roles and measures taken up by the commercial banks within Aizawl district where three banks such as Mizoram Co-operative Apex bank (MCAB), State bank of India (SBI) and Mizoram Rural Bank(MRB) were taken in account. Also, this study was made to assess the Customers satisfactory and awareness levels of Banks products and services. It is observed that limitation of employees have caused a serious problem when having issues and certain requirements and also while making transactions. Banks still need to concentrate more on the services rendered to their customers and also see that the unreached are reached, as their part in financial inclusion.

Keywords: Financial inclusion, Role of Banks, Banks services, Customers perception

Introduction

Over the years scheduled commercial banks in India have played a pivotal role in the development. An essential pre-requisite for inclusive and sustainable economic growth is capital formation through credit and financial services. The Indian banking sector today is dealing with the issue of financial inclusion. Financial inclusion is defined as the process of ensuring access to timely and adequate credit and financial services by vulnerable groups at an affordable cost (Kamath, 2007). Financial inclusion is also defined as the process of ensuring access to financial services viz., savings, insurance, remittance, payments, etc. and timely and adequate credit wherever needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost. Financial inclusion was envisaged and embedded in Indian credit policies in the earlier decades also, though in a disguised form and without the same nomenclature (Rao, 2007) and emphasis. Increasing access to credit for the poor has always remained at the core of Indian planning in fighting against the poverty. Financial inclusion is no longer considered as a periphery subject. It is recognized as an important part of the mainstream thinking on economic development based on country leadership (Hannig, 2013).

In order to expand the credit and financial services to the wider sections of the population, a wide network of financial institutions has been established over the years. The organized financial system comprising Commercial Banks, Regional Rural Banks (RRBs), Urban Co-operative Banks (UCBs), Primary Agricultural Credit Societies (PACS) and post offices caters to the needs of financial services of the people. The initiatives taken by the Reserve Bank and the Government of India towards promoting financial inclusion since the late 1960s have considerably improved the access to the formal financial institutions. Banking sector plays considerable role in bringing financially excluded people in to formal financial sector as policies of the government and Reserve Bank towards financial inclusion are implemented through banking sector.

One of the drivers of financial exclusion – and thus a missed opportunity for inclusion – is a lack of understanding of the core needs, aspirations and behaviours of poor people regarding financial services. Financial seproviders have a powerful role to play in solving problems for customers. Providers and product designers need deeper insights into their clients as well as the ability to translate those insights into better service offerings and sustainable

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business models. This roadmap highlights what it takes to systematically uncover such insights about the lives of unserved or underserved customer segments and translate them into relevant financial solutions. The financial services industry has long been supply-led—offering simple, standardized products that are easy and profitable to deliver. While some financial service providers have a clear client orientation and have successfully translated that into appropriate service offerings, the industry as a whole has not fully adapted its business models to systematically meet customer needs creatively while retaining profitability. The broad range of financial service providers that can reach poor and low-income people either directly or through partnerships can benefit from shifting their focus from a transactional approach (i.e., selling products) to a relationship approach (i.e., addressing customer needs).

Putting customers first ensures that value is generated from their access to a suite of financial services. This is critical for all types of providers, because it ensures a competitive edge and builds customer loyalty, thus facilitating growth of market share. Offering a range of services helps institutions to reduce risk by diversifying across products and customer segments. Not all these benefits are realized in the short-term, and they require institutions to have strong “muscles” with regard to governance, management, systems, and staff capacity. But providers who have a long-term perspective and who are able to make appropriate investments stand to gain from a customer-centred approach. From a customer perspective, usage of more relevant services can lead to better outcomes. In a customer-centred approach, the customer is the main actor with rights and responsibilities. As customers start engaging in a range of formal financial services, they build financial capability and reduce the perceived or actual risks associated with new services. Successful use builds trust and confidence to service providers. Helping customers to build their financial capability is a key component of customer-centricity. It is hard work to pursue financial inclusion from a demand-driven perspective. The challenge is moving from good intentions and marketing about a customer-centred approach to implementation – and this cannot be achieved overnight. Some emerging literature on customer-centred organizations from all kinds of sectors, including blue chip companies, attempts to distinguish truly customer-centred companies within the ranks of the many companies that merely proclaim a customer focus. The standard approach for reaching low-income people has historically focused on the mass delivery of simple products as a way to keep costs reasonable. Today, technologies and business model innovations allow for more tailored designs. Customer-centricity does not require that each institution provide all financial solutions for every type of client segment. But it does mean that customer-centricity in competitive markets should lead to an ecosystem of providers that offers the full suite of financial services, designed and delivered for diverse client segments.

Financial services do not operate in a vacuum, it works in an eco-system. A financial service tailored

brilliantly to meet a specific, confirmed customer need may not be used if it is offered in a way that does not take into account the total customer experience and context. The skills, capacity, attitudes and culture of the customers and of the staff delivering services are key, as is the socio-economic-political context in which they are delivered. Understanding of trust is also important as trust is a critical element for financial services, especially savings and insurance. The extent to which a financial service meets customers' needs depends on much more than financial terms and conditions. Further, if a financial service cannot be scaled, it will not be attractive to providers. This article is an attempt to assess the role of commercial banking sector towards customer satisfaction in financial inclusion process in North East India.

Literature Survey

In Indian context, most of the studies (Sharma, 2008; Sangwan, 2008) have used publicly available data to study the extent and determinants of financial inclusion. Building an inclusive financial system calls for addressing the above multidimensional forms of exclusion. Several factors (socio-economic circumstances) that lead to financial exclusion have been identified by researchers. Financial exclusion means the inability to access essential financial services in a form appropriate to the needs and circumstances of customers (Sinclair, 2001). Among the financial services and resources which may be essential in different contexts are access to transaction banking services (i.e. basic deposit withdrawal and payment processes); credit provision; insurance protection for property and possessions; savings and assets; advice on effective money management; and the information, skills and confidence to manage household budgets and make informed decisions about financial products (often referred to as financial literacy or capability). Topoworski (1987) suggests distance from nearest banking services as an important determinant of access. Kempson and Whyley (1998) reveal that the residents of remote and hilly areas are more likely to be financially excluded. Kempson and Whyley (1999) and Goodwin et al. (2000) document people in low-income groups, immigrants, the aged, the unemployed, the ethnic minorities, people in unorganized/informal sector as most susceptible to be excluded. Mehrotra et al. (2009) have identified supply and demand side barriers to financial inclusion. An empirical study of Sendhilvel and Karthikeyan (2006) revealed to safeguard financial inclusion of all segments of the population, in both rural and urban areas where banks should give wide publicity to the facility of “no frills” account. Muthiah and Manoharan (2010) observed limited access to affordable financial services such as loans, remittances, insurance and savings to the majority of the population in the rural area and unorganized sector is to be a constraint to the growth impetus in these sectors. The behavioral pattern shows that many people were not comfortable with formal financial services. The main reasons for exclusion were illiteracy, language barrier and too many important documents to be provided for financial services.

Objectives of the Study

The study focuses on the objectives of satisfaction of the customers regarding the opening of an account in the select banks in Mizoram. Apart from

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the opening of the bank's account the study also tries to find the satisfactory level of the select banks in Aizawl, Mizoram.

Research Methodology

The study is based on both primary and secondary data. The primary data was collected from the three select commercial banks of Aizawl, Mizoram viz., State Bank of India (SBI), Mizoram Co-operative Bank (APEX Bank) and Mizoram Rural Bank (MRB) through a structured questionnaire. The secondary data was collected from various published journals, articles, books and websites.

The data were collected through convenience sampling technique. The questionnaires were distributed to the customers of the select banks. The total numbers of samples were 129.

Data Analysis and Findings

According to Census of India-2011, the total population of Mizoram is 10,91,014 with 5,29,037 living in the rural areas and 5,61,977 in the urban areas. Mizoram state is divided into 8 districts for administration purpose with Aizawl as the capital. This study is primarily confined to Aizawl district as more than 50 percent of the population lives in Aizawl district. Therefore, Aizawl has been taken for the study. At present, there are 4 towns within Aizawl district which more than 20 commercial banks are operating.

The customers of these banks vary in accordance to their income level and locations. Most of these banks are located within Aizawl city while in other areas, only Mizoram Rural Bank(MRB), State Bank of India(SBI) and Mizoram Co-operative Apex Bank (MCAB) are operating. As the majority of Aizawl inhabitants belong to the low-level income group, these banks have the largest number of customers belonging this group. With the directives of Reserve Bank of India to have offices of all commercial banks and the entry of private sector banks to garner market share, it has been considered imperative to study the role of commercial banks in extending financial inclusion in Aizawl district. Since customer's satisfaction plays an important role in financial inclusion activities, the study also encompasses a customer satisfaction survey.

So, the study is based on these three banks that are having their branches spread out within the district. As mentioned, financial inclusion is the delivery of financial services at affordable costs to sections of disadvantaged and low level income groups, these three banks offer affordable credit provision.

Questionnaires were distributed to the customers of these banks and the analysis and findings are as below: The below table highlights the numbers of account maintained by the customers.

Table No 1.
Number of Account Holders in Mizoram

Particulars/banks	Number of a/c holders	Percentage (Approx)
MCAB	35	27.2
MRB	24	18.6
MRB/MCAB	1	0.8
SBI	57	44.2
SBI/MCAB	5	3.8
SBI/MRB	7	5.4
Total	129	100%

Source: Field survey

As seen from the table no. 1 above, it shows that the majority of the account holders are in State Bank of India as represented by 44.2 percent of the respondents. The second highest category belongs to 27.2 percent holding accounts with MCAB and third category in MRB with 18.6 percent. There are some respondents who are having more than one account with different banks while some are maintaining only a single account.

Table No. 2
Customer Satisfaction Level With the Select Banks in Maintaining Their Accounts

Particulars	Answers	Percentage
Yes	124	96.1
No	5	3.9
Total	129	100%

Source: Field Survey

The respondents were asked whether opening of an account with the respective banks they are dealing with is worthwhile or not, 96.1% have given a positive answer while 5% gave a negative answer.

The table no 3 shows the number of customers who has recommend/not recommend the banks to others for opening accounts.

Table No. 3
Recommendation of the Banks to Others

Particulars	Answers	Percentage
Yes	124	96.1
No	5	3.9
Total	129	100%

Source: Field Survey

The respondents were asked whether they will give recommendation on the banks they are dealing with to others, in which 96.1% responded favourably while 3.9% did not respond favourably.

Table No. 4
Need for Opening More Bank Accounts

Particulars	Answers	Percentage
Yes	37	28.6
No	92	71.4
Total	129	100%

Source: Field Survey

Table no 4 represents if the customers need opening of more than one account. The respondents were queried whether they feel the need of opening more than one account in their respective banks, 28.6% feels the need of opening it while 71.4% are satisfied with just one account.

Table No 5
Satisfaction of Customers With Bank's Services

Particulars	Answers	Percentage
Yes	118	87.6
No	11	8.4
Total	129	100%

Source: Field survey

The above table shows that whether the customers were satisfied with the services of the bank. The respondents were asked whether they are satisfied with the service offerings by these banks. The table shows that 87.6% are contented with the bank services provided while 8.4% are not.

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Table No 6

Level of Satisfaction with Bank's Services.

Particulars	Answers	Percentage
Very satisfied	6	4.7
Satisfied	82	63.6
Somewhat satisfied	39	30.2
Dissatisfied	2	1.5
Total	129	100%

Source: Field survey

The above table shows the level of satisfaction with the respondents regarding the bank's services. The respondents were asked if they are satisfied with the services provided by the banks. 4.7% of the respondents are very satisfied, while 63.6% are satisfied. Second largest 30.2% are somewhat satisfied and while least 1.5% are dissatisfied.

Table no 7

Indication of Prompt Services

Particulars	Answers	Percentage
Always	8	6.2
Often	76	58.9
Sometimes	33	25.6
Rarely	9	7
Never	3	2.3
Total	129	100%

Source: Field survey

The above table no. 7 show that the respondents whether their perception of prompt service is carried out or not. The respondents were asked whether they have been receiving prompt services when visiting these particular banks, 6.2% said always, 58.9% said often, 25.6% said sometimes, 7% said rarely and 2.3% said never. The second largest group is 25.6 percent which indicates that a quarter of the respondents are getting prompt services sometimes and at times.

Table No. 8

Satisfaction Regarding Minimum Balance

Particulars	Answers	Percentage
Strongly Agree	2	1.6
Agree	37	28.7
Somewhat Agree	33	25.6
Disagree	57	44.1
Strongly disagree	0	0
Total	129	100%

Source: Field Survey

When the respondents were asked if the minimum account balance offered by the banks are not high and easy to maintain or not, 1.6% strongly agreed, 28.7% agreed, 25.6% somewhat agreed, 44.1% disagreed which means banks are still having a lot to see on their part of financial inclusion, and there are none who strongly disagreed.

Table No 9

Satisfaction Regarding Financial Transactions

Particulars	Answers	Percentage
Very satisfied	15	11.7
Satisfied	83	64.3
Somewhat satisfied	29	22.4
Dissatisfied	2	1.6
Total	129	100%
Particulars	Answers	Percentage

Source: Field survey

The respondents were asked whether they are satisfied with the financial transactions of the banks they are

dealing with, it has been found that 11.7% are very satisfied, 64.3% are satisfied, 22.4% are somewhat satisfied and 1.6% are dissatisfied.

Table number ten highlight

Table No 10

Overall Satisfactory Scale of the Bank's Services

Particulars (scale)	Answers (number of respondents)	Percentage
1	0	0
2	0	0
3	1	0.8
4	6	4.7
5	19	14.8
6	20	15.5
7	24	18.6
8	32	24.8
9	14	10.8
10	13	10
Total	129	100%

Source: Field survey

It is observed from the above table no. 10 that after the respondents were asked to rate the banks, there are few who are not yet satisfied with the products and services offered by the banks they are dealing with. The scales were being given as 1 least satisfied and 10 as most satisfied. So, the banks still have to take certain measures in ensuring their customers quality products and services as a step of financial inclusion.

Apart from questions relating to opinions on financial inclusion, there are certain suggestions made by the respondents with regards to the question on changes or improvement for the banks. The main complaint made by the customers/respondents is that most of the employees of the bank are very hard to cope with and that they often lack politeness and efficiency, they have also mentioned that some of the employees are rude and are not usually helpful. It has also been observed that limitation of employees have caused a serious problem when having issues and certain requirements and also while making transactions; this limitation has resulted in letting the customers to wait for long hours. Another suggestion made by the customers is that the Banks should be situated somewhere spacious or rent larger buildings, it has also been mentioned that recruitment of staffs should be made according to the number of customers each bank is having and that banks should take measures in educating the customers with regards to the loans and facilities provided by them. If actions are taken promptly, banks in their role in financial inclusion will be more effective and faster.

Conclusions

To alleviate poverty, financial inclusion becomes a major prerequisite. Reserve Bank of India's vision for 2020 is to open nearly 600 million new customers' accounts and service them through a variety of channels by leveraging on information technology. However, the improper repayment need for additional workforce, time consumption, and high constant illiteracy is continuing to be a road block in many areas. Many banks are not yet adopting fully fledged financial inclusion plan. Banks should take steps to overcome all these problems and to disseminate its service to remote areas. The banks should try encouraging the society to

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access banking services by ways of, financial inclusion campaign, no frills account and business correspondent. As we could see from the analysis, many people are not yet satisfied with the services offered by the banks as a part of financial inclusion. The government should also try to encourage the banks to adopt financial inclusion by means of advertisements, financial assistance and awareness program etc. to achieve the main aim and plan of 11th plan of Inclusive Growth.

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