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BANKING SERVICES AND CUSTOMER PERCEPTION IN SOME SELECTED COMMERCIAL BANKS IN BANGLADESH: A COMPARATIVE PERSPECTIVE

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Abstract: The banking system is facing challenges with stiff competition and advancement of technology. It becomes imperative for service providers to meet or exceed the target customers' satisfaction with quality of services expected by them. Hence, the present study attempted to study customers' perception of quality of services (both transactions-based and IT-enabled) in terms of its constituent factors and IT adoption in public, private, and foreign commercial banks in this E-age. The present investigation was planned with the objective to assess the extent of use of services especially the IT-enabled services in these banks and to analyze the constituent factors affecting customer satisfaction with the quality of services. The study area was Dhaka, the capital city of Bangladesh. Simple random sampling was used for selection of sample branches. The study reveals that check deposition and check clearance are the most popular banking

services among the customers of all sample banks. The customers of nationalized banks were not satisfied with the employee behavior and infrastructure while respondents of private and foreign commercial banks were not satisfied with high charges, accessibility and communication. A small number of respondents were using IT-enabled services other than ATM, and a few respondents made complain against their respective banks.

Keywords: Transaction-based banking services, IT-enabled banking services, Customer satisfaction, Service quality

1. Introduction

Banks play a role of substantial economic importance as intermediaries in mobilizing public savings and channelizing the flow of funds for productive purposes, keeping on the process of the economic growth of the country. Realizing the significance of the role of the banks in economic development, Government of Bangladesh and Central Bank of Bangladesh took several major initiatives after the country's independence to gear up the banking system in order to achieve national objectives. One of the most momentous of such initiative was the substitution of public ownership by private ownership. Branch expansion programs formulated by the Central Bank aimed at making available necessary banking services in all parts of the country, specially the unbanked rural and semi-urban areas. This was perceived as essential for implementation of project for rural development and boosting of economically weaker sections and spreading the banking habit even in the remote areas of the country. Banks assist in the rehabilitation of sickly weak industrial units and in the prevention of unemployment. An efficient financial sector is an engine for economic growth. It converts the fuel of savings into technical energy for the economy. The banking industry which is at the core of financial sector must take the lead. Currently, overall banking in Bangladesh is considered as fairly mature in terms of supply and product range. Reaching in rural Bangladesh still remains a challenge for the private sector and foreign banks. They aim at a profitable and wealthy part of the market in contrast to the nationalized banks. Almost 80% of the businesses are still controlled by private sector banks and foreign banks. Private sector banks are still dominating in the commercial banking system. The banking system is facing the challenges with stiff competition and advancement of technology, hence, the service provided by banks has become easier and convenient for the customers. The country is overwhelmed with private banks

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and their ATM stations. Efforts are being put to give a satisfactory service to customers. Phone-banking and net-banking are being introduced. The entire system has become more convenient and swift. Time is given more importance than money.

With the span of years, banks are adding services to their customers. The Bangladeshi banking industry is passing through a phase of customer market in which customers have more options in choosing their banks. A competition has been established within the banks operating in the country. The newer Information Technology (IT) is bringing about sweeping changes in the banking industry, forcing them to re-engineer many of their basic processes and systems. Few of the technology-driven electronic banking services being offered are viz. automated Teller Machines (ATM), Electronic Clearing Services (ECS), Electronic Fund Transfer (EFT), tele-banking, and internet banking. New technological capabilities could effectively be used to create value and to better manage customer relationship. Reddy (2001) stated "Banks are at different stages of technology adoption partly due to their different legacies, as much as the differences in their strategic approaches to computerization and technological absorption". The foreign banks are ahead of in offering better banking services and products, coupled with smart use of IT adoption and have considerably achieved high operational efficiency. Vyas (2004) concluded that there was an effective implementation of e-banking services in the case of private and foreign banks, whereas, nationalized banks were found to have lesser degree of computerization. Financial reforms have its impact on Bangladeshi Banks and financial institutions. In the fast changing financial environment, fierce competition and changes in the regulatory policies created uncertainty and risk for the Bangladeshi banking industry. Realizing this fact, academicians and practitioners highlighted in their studies that information source in banks is of capital importance and they look at information technology as strategic response to changing financial environment/challenges (Ammayya, 1996). Hammond (2001) was the first path breaking step in this direction, which highlighted that computerization must be looked upon as means to improve customer service and efficiency and that the banks' workforce should realize that mechanization would lead to growth and employment expansion (Bide, 1997). Leeladhar (2006), while highlighting the problems faced by public sector banks stressed the need for greater measure of computerization in banks. The committee also observed that modern banking involves a great deal of processing of mass information and commitment to technology is the only

solution that ensures timeliness, assurance and resultant improved performance and enhanced customer service (Bide, 1997). Technology in service organizations is important for success. Some scholars have studied technology in services from different perspectives. Harsh (1993) studied beneficial aspects of technology and identified five major benefits of technology to a service organization.

First, the equipment could be employed in place of work force. Such substitution of equipment and machines for labor reduces cost of operation and increases efficiency.

Second, introduction of technology may help to achieve standardization in the quality of service.

Third, higher service levels could be achieved by such blending of technology.

Fourth, service organizations can maintain close links with their customers by
fastening up in the computer networks such technologies permit one firm
to link itself with the information system of the other land, thereby, be in
touch.

Finally, technology may be useful in directing employees' behavior and enhancing status and motivation.

Ammayya (1996), along with Godse (1997), while appreciating the introduction of information technology in banks, stressed on training needs of people who play crucial role in turning the hardware, software, and networking tools into powerful combination to aid the bank in improving the service quality and performance. Many authors, while studying customer service and bank marketing, have observed that the need for computerization or bank automation has arisen because customers expect their checks to be encashed within a reasonable time, prompt realization of clearing check, a quick transfer of funds and timely receipt of correct statements of their accounts (Chidambaram and Alamelu, 1996). All this can be possible if banks are automated.

A customer can be defined as a user or potential user of banking services. A customer would include an account holder, or his representative, or a person carrying out casual business transaction with a bank, or a person who, on his initiative, may come within the banking fold (Ishaq, 2001). The efficiency of a banking organization depends upon how best it can deliver services to its target customers. In order to survive in competitive environment and provide continual customer satisfaction, the providers of banking services are now required to continually improve the quality of services. The globalization of economy has truly called for much more disciplined approach on the part of banking sector to improve the overall quality customer services through smart

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use, absorption and adoption of flexible and appropriate information technology. It is seen that 5% increase in customer retention can increase profitability by 35% in banking business, 50% in insurance and brokerage, and 125% in the consumer credit card market. Therefore, banks are now stressing on retaining customers and increasing market share (Cothani, Siva, and Narayanan, 2004).

A favorable climate for excellent service manifests itself in employee behavior, for example, being attentive to customers, speaking favorably about the organization and its services. With frequent employee-customer contact, customers are more often exposed to such positive behaviors, which in turn, affect customer satisfaction. In such a competitive environment, financial institutions are forced to examine their performance because their survival in the dynamic economies of the coming years will be dependent upon their overall efficiencies. In response, banking firms have been trying to adopt and to adjust themselves to improve their efficiencies in the changing social and economic development. The efficiency of a banking sector depends upon how best it can deliver services to its target customer or how far the expectations of customers are met. Any service to be provided to the customer can be differentiated by the service provider from the rest of the service providers if it possesses some unique selling propositions. The customers compare the perceived service with the expected service. The customer perceives the service quality to be high if it is perfect on his expectation. The perception leads to customer satisfaction with the related service. In the present time, customer satisfaction is an interesting and dynamic concept. It is a concept, which varies from time to time. What is considered as "good" customer services today may be termed "bad" tomorrow. It strategies therefore, need to be in proper consonance with bank's marketing strategies. Customers are now demanding an individualistic and are no longer willing to accept delay in transactions. A customer centric has replaced the earlier product centric view.

Therefore, it becomes imperative for service providers to meet or exceed the target customers' satisfaction with quality of services expected by them. Hence, the present study will attempt to study customers' perception of quality of services, both transaction based and IT enabled in terms of its constituent factors in public sector, private sector and foreign banks. Also, the present study attempts to identify gap, if any, that exists which might hamper good customer services and in turn, affects customer satisfaction. Also through the present study, it is to measure the extent of IT adoption in public sector, private sector and foreign banks in this e-age.

2. Objectives of the Study

The main objective of the study is to make comparative analysis of banking services and customer perception in private, public, and foreign commercial banks. In line with the main objective, the following specific objectives are formulated:

- 1. To evaluate various aspects of services provided by the private, public, and foreign commercial banks.
- 2. To assess the extent of using services especially IT-enabled services in these banks.
- 3. To find out and compare customers' perception regarding quality of banking services on the basis of different constituent factors.

3. Methodology

The present study is conducted on private, public, and foreign commercial banks in Dhaka, the capital city of Bangladesh. Three commercial banks from private sector, two commercial banks from public (State-owned) sector and two commercial banks from foreign sector have been selected purposively for the study. The study has been proposed to be conducted in Dhaka. Two branches from each of the banks have been selected randomly. While selecting the branch, importance has been given to see that branch should provide IT-enabled services. Ten customers have been selected randomly from each identified branches making a total of 140 respondents as sample through personal visit to the respective branches.

4. Results and Discussion

4.1. Different Banking Services Availed by Customers

It is seen from Table 1 that all the respondents in each bank have been availing facility of check deposit and check clearing. Only two (3.33 percent) respondents availed cash credit facility in PCB, whereas six (10 percent) respondents availed mail transfer. About 30 percent respondents were using the facility of issuance of demand draft, while 20 percent each have availed other facilities like locker, and loan.

Besides, check deposit and check clearing service, 30 percent of respondents of NCB availed term deposit facility the other facility, that is, loan had been availed by 25 percent respondents. A few respondents (5 percent) respondents were benefited by locker facility. All the respondents in foreign commercial banks deposit and clear checks, while only 10 percent respondents availed loan facility from these banks. No other facility was availed by any of the respondent.

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It can be concluded from the study that check deposition and check clearance were the most popular banking services among the customers of all three types of banks. NCB was found to be the largest money lender banks among all the selected banks. Easy lending of loan and customer friendly approach might be attributed as one of the reasons for this finding. The customers of SCB and FCB perceived the charges of banks were very high on different services. It may be one of the reasons of not availing some other services provided by these banks such as locker, issuance of demand draft, and traveler check.

Table 1: Distribution of Bank Customers Availing Different Services

Services	Private Commercial Banks (PCB) (n=60)			I Commercial CB) (n=40)	Foreign Commercial Banks(FCB) (n-40)		
	n	%	n	%	Ω	%	
Locker	12	20	2	5	•	•	
Traveler checks	-	•	-	-	•	•	
Loan	12	20	10	25	4	10	
Mail transfer	6	10	-	•	•	-	
Cash credit facility	2	3.33	-	•	•	-	
Gift checks	•	-	-	•	- '	•	
Check deposit	60	100	40	100	40	100	
Check clearing	60	100	40	100	40	001	
Issuance of demand draft	18	30	•	-	-	•	
Term deposit	30	50	12	30	-	-	
Check clearing status enquiry	-		•	-	-	•	
Stop payment facili ty of check	-		•	-	•	•	

Source: Field Survey

4.2 Sources of Information about New Service/Scheme Introduced by Banks

This section attempts to probe whether the banks informed the customers about any new scheme/service launched by them. It is evident from Table 2 that nationalized banks did not inform customers about any new service introduced. On the other hand, private and foreign banks informed their customers for their new services. The analysis of data shows that only 10 percent respondents of NCB answered positively as to being informed of the bank's new service or scheme. About 57 percent respondents were informed by the PCB on introducing new service/scheme. Foreign commercial bank informed majority of the respondents that is 70 percent about new service/scheme introduced by the bank. The reason behind not informing customers about new service/scheme would be poor communication and customer service of nationalized banks. On the basis of above analysis, private commercial banks and foreign commercial banks have good communication with their customers.

Table 2: Bank Customers getting Information of new Services/Scheme Introduced by Banks

Banks	P	PCB		CB	FCB		
Yes	Frequency 34	Percentage 57	Frequency 04	Percentage 10	Frequency 28	Percentage 70	
No	26	43	36	90	12	30	
Total	60	100	40	100	40	100	

Source: Field Survey

4.3. Customers Availing Loan

The results presented in Table 3 revealed that the highest number of respondents (63 percent) had taken loan from private commercial banks. Only 27.5 and 10 percent respondents had taken loan from the nationalized commercial and foreign commercial banks, respectively. Thus, the findings are pointed to the fact that the highest number of respondents availed loan from private commercial banks. It is well manifested that easy and flexible approach of the bank to provide loans to their customers might be one of the reasons of above results. Providing proper information of loan facility to the customers might be another reason.

Table 3: Distribution of Bank Customers by Availing Loan from the Bank

SL.	Types of Loan	PC	В	NO	СВ	FCB	
		n = 60	%	n = 40	%	n = 40	%
1	Car loan	6	10	3	7.5	•	
2	Property I oan	7	12	2	5	-	-
3	Two wheeler loan	03	5	-	-	•	-
4	Home loan	5	8	3	7.5	-	-
5	Personal loan	17	28	1	2.5	-	-
6	Other	-	-	2	5	4	10
	Total	37	63	11	27.5	4	10

Source: Fiel&urvey

4.4. Customers' Opinion on Charges Levied by the Bank for Different Services

In this section, customers' point of view on charges levied by the bank for different services is identified. Table 4 highlights the fact that customers of nationalized commercial banks found the charges normal levied by the bank for different services. On the other hand, customers of private and foreign banks found the above charges are high. The reason of the above results would be the differences of charges in different types of banks. The charges levied by the bank on different services are higher in private or foreign banks as compared to nationalized banks.

Table 4: Customers' opinion on levied charges by bank for different services

SL.	Services	PCB		N	CB	FCB	
		n	%	n	%	n	%
1	High charges	33	55	8	20	24	60
2	Normal charges	27	45	32	80	16	40
	Total	60	100	40	100	40	100

Source: Field Survey

4.5. Different IT-Enabled Services used by Customers

Khan (2001) suggests that to overcome growing customer dissatisfaction banks should adopt two-fold strategy. Firstly, the creation of a wide range of services is suitable and beneficial to the customers. Secondly, prompts and efficient delivery of these services by the front line staff. To ensure quick delivery of these services, banks will have to introduce revolutionary technological changes like Electronic Fund Transfer (EFT), Electronic Clearing Services (ECS), Net Working the Service Branches, Automatic Teller Machines (ATM), modern and up-dated communication facilities. An attempt was made to scrutinize different IT-enabled services used by customers. Analysis of results from Table 5 reveals that no customer was using two services, that is, online tax accounting system and Real Time Gross Settlement System (RTGS). ATM was the most common IT-enabled service among customers of every bank. Customers of nationalized commercial banks were using comparatively fewer IT-enabled services as compared to private and foreign banks. All the respondents of PCB were using ATM, while about 40 enquiry, internet banking and RTGS. The analysis of data reveals that a few respondents in Dhaka were availing IT-enabled services other than ATM. No respondent in any of the above bank was using online tax accounting and foreign exchange system. The respondents were asked about the reasons of not using IT-enabled services and they mentioned various reasons such as security, no facility, no awareness, and no need. Banks should create more awareness regarding all Information Technology enabled services among customers and should put more efforts in increasing security features of these services. The findings are in tune with the study done in Nigeria. It is revealed from the study that among the e-banking processes adopted 40 Percent respondents were using credit card and debit card and 30 percent respondents were using ECS. About 20 percent each were availing internet banking and centralized banking. A little respondents, that is, 10 percent were availing utility payment services and interactive voice response system enquiry. About half of the respondents were using ATM in nationalized commercial banks; while 30 percent and 20 percent respondents were availing centralized banking and

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electronic clearing services respectively, and only 10 percent were having credit card and debit card. All the respondents of FCB were using credit card and debit card, and ATM. About 20 percent each were availing electronic clearing service, electronic fund transfer and centralized banking. A few respondents, that is, 10 percent customers of both private commercial banks and foreign commercial banks were using interacting voice response system; ATM was the most common IT-enabled services among customers of every bank. Customers of nationalized banks were using comparatively fewer IT-enabled services as compared to private foreign banks. In addition, it was found that attitudinal dispositions significantly influenced their ATM usage. Similarly, in research, KPMG (2009) found that Nigerian bank customers give special consideration to IT, particularly ATM. It seems that, though, Nigerian banks customers are increasingly associating quality of bank services with online real time, they are now more alert and conscientious in choosing banks to patronize (Idowu, Alu, and Adagunodo, 2002).

Table 5: Distribution of banks customer by using IT-enabled services

SL.	It enabled services	PCB		NCB		FCB	
		n	%	n	%	П	%
1	Electronic clearing services	18	30	8	20	8	20
2	Electronic fund transfer	•	-	•	•	8	20
3	Utility payment services	6	10	-	-	•	-
4	Interactive voice response system enquiry	6	10	-	-	4	10
5	Credit card and debit card	24	40	4	10	40	100
6	ATM	60	100	20	50	40	100
7	Internet banking	12	20	-	•	4	10
8	Centralized banking	12	20	12	30	8	20
9	Online tax accounting	-	-	-	•	-	-
10	Foreign exchange system	•	-	-	-	-	-
11	RTGS	6	10	-	-	4	10

Source: Field Survey

4.6. Customers' Perception regarding Quality of Services

Customers' perception was assessed with five parameters of quality of services, such as employee behavior, accessibility, ambience, infrastructure, and working hours.

Table 6: Distribution of bank customers by perception with quality of service

Quality of S	arriese .	PC	В	NCB		FCB	
Quality of Services -		n = 60	%	n = 40	%	n = 40	%
	Satisfied	42	70	16	40	32	80
Employee Behavior	Not satisfied	18	30	24	60	8	20
	Total	60	100	40	100	40	100
	Satisfied	42	70	36	90	4	10
Accessibility	Not satisfied	18	30	4	10	36	90
-	Total	60	100	40	100	40	100
	Satisfied	36	60	20	50	40	100
Ambience	Not satisfied	24	40	20	50	-	-
	Total	60	100	40	100	40	100
	Satisfied	30	50	12	30	40	100
Infrastructure	Not satisfied	30	50	28	70	-	-
	Total	60	100	40	100	40	100
	Satisfied	12	20	24	60	•	-
Working Hours	Not satisfied	48	80	16	40	40	100
=	Total	60	100	60	100	40	100

Source: Field Survey

Table 6 shows that majority of the respondents were satisfied with employee behavior in private and foreign bank (PCB=70%, FCB=80%). On the contrary, majority of the respondents of national banks were not satisfied with employee behavior (NCB=60%). It shows that the level of customer satisfaction concerning employee behavior was higher in private and foreign banks than nationalized banks. It would be due to strong management system of private and foreign banks. In an attempt to overcome the growing customer dissatisfaction, several researchers have emphasized training and development of bank personnel, employee motivation, procedures and systems, customer education, analysis of individual customer behavior which implies the banker to have training in psychological and social aspects, opening of extra counters on busy days and display of day to day changes in rules and regulations which will improve understanding between both bank staffs and its customers (Harsh, 1993; Muniraj, 1987).

Majority of the respondents were satisfied with the accessibility of PCB (70 percent), whereas, 10 percent of the respondents were satisfied with the accessibility of foreign commercial banks. It is mentionable that almost all the respondents (90%) were satisfied with the accessibility of nationalized commercial banks. The reason of the above finding might be attributed to the fact that NCB and PCB have got maximum number of branches compare to foreign banks, so people have faced accessibility problems with FCB.

The analysis of data shows that majority of the respondents were satisfied with the ambience of PCB, while half of the respondents were satisfied with the ambience of NCB. On the other hand, all the respondents were satisfied with the ambience of foreign commercial banks. Another factor of quality of

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service was infrastructure of the banks. The figures in Table 6 shows that half of the respondents were satisfied with the infrastructure of private commercial banks, while a few respondents, that is 30 percent, were satisfied with the infrastructure of NCB. On the contrary, all the respondents were satisfied with the infrastructure of FCB. More respondents of private and foreign banks were satisfied with infrastructure of their banks in comparison to national banks. Majority of the respondents (80%) were not satisfied with working hours of the PCB, whereas, 60 percent were satisfied with the working hours of the NCB. On the other hand, all the respondents of FCB were not satisfied with the working hours of banks. Working hours are longer in the private and foreign commercial banks rather than in nationalized banks.

In a similar way, Metawa and Almossawi (1998) observe that bank selection criteria have been heavily investigated over the past two decades (Khazeh and Decker, 1992; Metawa and Almossawi, 1998). Various studies identified several attributes playing crucial role in the process of bank selection to include: availability of credit, relatives' advice and recommendations, friends' advice and recommendations, convenient location, variety of bank services, the quality of services, availability of ATM, adequate banking hours, return on investment, friendliness of personnel, understanding financial needs, special services for women, and bank reputation. In a study, Dutta and Kundu found that the availability of core banking facility and ATM facility (all having mean value 4.88) were the attributes which customers consider their importance next to their features (Dutta and Kundu, 2009).

4.7. Nature of Complaints Made by Customers

An attempt was made to scrutinize complaints of respondents to their bank. The analysis of data in Table 7 shows that the percentage of respondents, who made complaints to their banks, is small. A few respondents, that is 15 percent in PCB made complaints to bank, while 30 percent and 10 percent respondents made complaints to NCB and FCB, respectively. The nature of complaints in different banks were found to be check delay, draft delay, extra charges applicable and loan delay. The single matter in FCB was unsolved, while PCB and NCB had taken lots of time to solve customer complaints. Rest of the matters, that is, 15 percent each in PCB and NCB were solved, though NCB had maximum number of complaints, that is, 30 percent. The above analysis shows that complaining matters were so little in each of the banks that it means customers had negligible complaints. Sometimes respondents did not expect the matter to be solved, while sometimes they did not want to go for complaining. On the contrary, a study was conducted by Uppal on customer complaints in banks: nature, extent

and strategies to mitigation (Uppal, 2010). In the study, the numbers of complaints were maximal in public sector banks and the maximum complaints were related to deposit, credit cards, and housing loans.

Table 7: Distribution of bank customers by nature of complaints made to branch officials

Nature of Complaints -		PC	В ,	NCB		FCB	
Matu	re of Complaints	n = 60	%	n = 40	%	n = 40	%
They ever	Yes	09	15	12	30	04	10
made	No	51	85	28	70	36	90
complain	Total	60	100	40	100	40	100
Nature of	Check delay	08	13.33	02	05	-	
complain	Draft delay		-	04	10	•	
•	Extra charges applicable	06	10	04	10	04	10
	Loan delay	•	•	04	10	• •	-
Response for	Solved	09	15	06	15	•	-
complain	Unsolved	-	•	-	-	04	10
-	Takes time	06	10	04	10		-

Source: Field Survey

4.8. Customer-suggestions for improving bank services

In the light of the above discussions, the researchers summarizes the following customers' suggestions in order to improve the services among commercial banks (please see Table 8).

Table 8: Customers' suggestions for improving the services among commercial banks

SL.	Commercial Banks	Suggestions
		Infrastructure should be improved
		2. Ambience should be improved
		3. Employee behavior should be improved
		4. Works should be completed easily
1	Nationalized	5. Proper guidance should be given to the customers
		6. Interest should be increased
		7. Working hours should be increased
		8. Different forms for transactions should be displayed properly
		Accessibility should be increased
		2. More facilities should be provided by the bank
		3. Charges should be reduced
2	Private	4. Communications with customers should be increased
		5. Statements of transactions should be issued to the customers timel
		6. Information about new services should be given to the customers
		1. Charges should be reduced
3	Foreign	2. Accessibility should be increased
•	6	3. Communications with customers should be increased

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5. Conclusion

Various conventional and IT-enabled banking services used by customers are studied in the present study. In addition, customer satisfaction was also measured from various dimensions. It is observed that check deposit and check clearance were the most common banking services used by the customers of all banks. While charges levied by the bank on different services were perceived higher by the customers in private and foreign banks compare to nationalized banks. A small number of respondents were using IT-enabled services other than ATM. Security, lack of facility, improper awareness were found to be the reasons for not using IT-enabled services. The customers of nationalized banks were not satisfied with the employee behavior and infrastructure, while respondents of private and foreign banks were not satisfied with high charges, accessibility and communication. The study shows that a few respondents made complaint to their respective banks. The nature of complaint was most delay in transaction and extra charges. Hence, the study throws light on different aspects and drawbacks of services of the nationalized, private and foreign banks. Training on stress management and public dealing should be imparted to the employees of nationalized banks. Nationalized banks need to improve their infrastructure and ambience to compete with private and foreign banks in Bangladesh. Branches of private and foreign banks should be increased for easy accessibility by the bank customers.

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