

# A Review of Customer Satisfaction Trends in the Banking Industry

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**Abstract:** *The current state of banking has undergone a transformation, as the foundation of banking services is no longer a brick-and-mortar structure. The manner in which banking services are provided has been altered as a result of the ongoing growth of technology, the expansion of the customer base, and the development of alternative financial channels. Consequently, customer satisfaction has changed. The financial industry is a service industry that prioritizes consumer fulfillment as a result of the intense competition. Banks are increasingly committed to maintaining their existing clientele by offering exceptional services that result in customer fulfillment.*

*The transition from traditional to modern banking has significantly altered the concepts and determinants of customer satisfaction. This can be observed by investigating the literature on customer satisfaction in the banking sector. This paper is the result of a comprehensive literature review and aims to examine the substantial changes in the concepts and determinants of customer satisfaction that have occurred during the transition from traditional to modern banking. The results of the study will offer a significant perspective on the historical trends of customer satisfaction and will serve as a foundation for bank managers to develop customer satisfaction strategies in the near future..*

**Keywords:** Customer Satisfaction, Banking Industry Trends, Digital Banking.

## I. INTRODUCTION

According to psychology, gratification is "a mental state that typically arises from a comparison between the anticipated and the actual." Past experiences and knowledge are the sources of satisfaction, which is a mindset. In the current competitive environment, all organizations are emphasizing consumer satisfaction. In the end, the organizations' ability to continue in business will be determined by the level of consumer satisfaction.

The literature on satisfaction promotes satisfaction as both a process and a consequence (Parker and Mathews, 2001; Yi, 1990). Howard and Sheth (1969, p. 145) defined customer satisfaction as "the buyer's cognitive state of being adequately or inadequately rewarded for the sacrifices he has undergone." The factors that influence customer satisfaction in the service industry are distinct from those in other industries. The objective of our research is to identify the pertinent factors that contribute to consumer satisfaction in the banking sector. The Indian banking industry has been undergoing significant changes in terms of services, consumer satisfaction, and product offerings as a result of the entrance of foreign and private banks and the immense competition. The consumer may occasionally be perplexed by the growing competition, which can hinder their ability to make an informed decision. Customer satisfaction is the sole means of survival in the current competitive environment, which is why all banks are implementing customer satisfaction methods, tools, techniques, and software.

Conversely, we are transitioning from traditional banking to modern banking, where customers are more informed and informed than they were in the past. It is imperative to identify the factors that contribute to client fulfillment in a competitive and dynamic environment.

### **NEED AND RELEVANCE OF THE STUDY**

The banking industry has undergone a significant transformation. In contrast to conventional banking, which required consumers to physically visit the bank, complete the form, and then wait in line to deposit and withdraw funds. Banking, like other service industries, is a customer-focused service industry. The focus is on distinguishing consumer services from those of competitors. The primary obstacles facing the banking sector include the reduction of documentation costs and the enhancement of customer contentment through the provision of advanced quality services. The focus has now shifted to the quality of service provided to customers during their personal interactions with bank employees. (Chakravarty, 1996).

However, a new facet of finance has emerged in the present day. Online transactions are the preferred method of banking for customers than branch banking. For this reason, it is imperative for banks to ascertain whether their consumers are content with the services they offer. This literature review-based study is primarily concerned with identifying the factors that significantly contribute to customer satisfaction. This information will be useful to bank management in evaluating the strategies they employ to ensure customer satisfaction.

"If you cannot measure it, you cannot improve it." - Lord William Thomson Kelvin (1824-1907).

### **OBJECTIVE OF THE STUDY**

Banking has evolved from traditional banking to modern banking over the past two decades.

Customers have a greater number of options when selecting institutions than in the past.

All banks are striving to retain and maintain their valuable clientele at any cost.

In order to ensure that their consumers are content, banks are implementing a variety of technological components and software.

The query that surfaces is, "How do they ensure that their customers are satisfied?" Our goal is to conduct a comprehensive literature review to identify the trends in customer satisfaction within the banking sector.

### **LITERATURE REVIEW**

#### **Ameme, B., & Wireko, J. (2016)**

Claimed in his research that in the current competitive environment, technology plays a significant role. He further stated that there is a positive correlation between technology and consumer satisfaction in the finance sector or industry. They also stated that customer satisfaction is not solely achieved through the introduction of innovative products and services; it is much more complex than that. Additionally, they determined that the bank must implement the innovation approach in all areas, including products and services, in order to establish itself as the market leader in the competitive environment. Additionally, there is a substantial correlation between technological innovation and cost. The expense increases in tandem with the advancement of innovation.

#### **Machogu, A. M., & Okiko, L. (2015)**

The complexities of e-banking have a substantial impact on consumer satisfaction, according to research. The results suggest that there are factors that contribute to consumer satisfaction, particularly in e-banking, a swiftly expanding and essential method of conducting banking. The following factors influence customer satisfaction: accessibility, convenience, security, privacy, content, design, speed, fees, and charges. The other factors that have been mentioned do not have a substantial impact.

#### **Ernst & Young (2012)**

Although the financial literacy of average bank customers remains relatively low, personalized recommendations continue to be effective in this context. The results of our research indicate that the loyalty of consumers with varying degrees of intensity can be converted into the potential purchase of supplementary banking products. The primary potential interest of bank consumers was in mortgage loans and savings deposits. The level of interest in the acquisition of investments and other products was relatively low. In contrast to Slovakia, where 52% of respondents changed their account to another bank, only 17% of respondents in the Czech Republic have changed their bank in the past or have

accounts in two different banks, according to Deloitte research (2012a). Poland, Hungary, and Romania accounted for 12%, 28%, and 42% of respondents, respectively.

**Rahi, S. (2015)**

The results of the research indicate that consumers are more loyal to banks that offer internet banking services. Additionally, a strong brand image fosters a relationship between banks and their customers, thereby increasing consumer loyalty to the bank. Additionally, he determined that consumers who utilize internet banking services are more loyal to their financial institutions. Additionally, he proposed that the brand image may have a substantial impact on the loyalty of consumers to internet banking. The positive relationship between customers and internet banking is facilitated by the role of brand image.

**Pareek, V. (2014)**

The research concluded that customer satisfaction in Indian banks is influenced by a limited number of causal fundamental factors, including product attributes, employee characteristics, customer convenience, bank tangibles, cost of transactions, and customer communication. It is intriguing that convenience, one of the four P's that comprise the marketing blend, was determined to be insignificant in determining consumer satisfaction in Indian institutions that were examined.

**Vyas, V., & Raitani, S. (2014)**

believed that there are numerous factors that contribute to the conduct of transferring between institutions. In particular, they identified nine critical factors that contribute to the decision to transfer institutions. Customer satisfaction is a highly intriguing factor that influences consumers' altering behaviors. Therefore, it is imperative that we acknowledge that customer satisfaction is one of the most significant factors. Banks should develop strategies that enhance customer satisfaction.

**Suriyamurthi, S., Mahalakshmi, V., & Arivazhagan, M. (2013)**

emphasized that in the fierce competition in which all banks are striving to retain and attract new customers, relationship marketing is the critical component that should be implemented by the banks. Additionally, they discovered that the banking sector is a significant service sector, and the profitability of banks is in some measure contingent upon consumer satisfaction and service. It is imperative that banks enhance their services and establish positive relationships with their customers.

**Sharma, N. (2012)**

The 17 variables associated with the quantitative aspects of e-banking were employed in the research study. The study on the satisfaction of rural consumers with e-banking was found to be significant. The research indicates that rural consumers are quite contented with e-banking services. Therefore, in order to enhance the likelihood of rural residents utilizing e-banking channels, it is imperative to encourage and publicize the use of local dialects during transactions. Additionally, her research indicates that ATMs are among the most critical channels for attracting rural consumers among all alternative banking channels.

**Ganguli, S., & Roy, S. K. (2011)**

Banks should implement technology that fosters customer satisfaction and loyalty in today's fast-paced technological environment, according to research. In consideration of this, they conducted research on four dimensions: technology security and information quality, technology convenience, technology usage accessibility and reliability, and customer service. The findings indicate that there is a substantial correlation between customer satisfaction, technology usage ease and reliability, and customer service. Conversely, they discovered a positive correlation between customer satisfaction and the ease of using technology. Therefore, it was determined that technology is a critical factor in ensuring customer satisfaction, particularly in the banking sector.

## **II. CONCLUSION AND MANAGERIAL IMPLICATION**

After reviewing the diverse literature on customer satisfaction in the banking sector, it has been determined that there are numerous factors that contribute to customer satisfaction in the banking sector. Customer satisfaction is an

essential component of the banking industry and is a vast field that requires further investigation. This subject is the subject of ongoing research by academics and researchers. The banking industry is obligated to adapt to the rapid changes in technology, consumer perception, and services. Modern banking has evolved from traditional banking. Banks prioritize customer satisfaction over any other factor, as customers' expectations regarding service quality and attention are on the rise. The findings of my investigation demonstrate that contemporary banking practices result in moderate customer satisfaction, as evidenced by the most recent customer satisfaction trends. The findings of this study indicate that the following trends contribute to customer satisfaction in the banking industry: Service quality, E-banking, Customer relationship management (Customer services), Employee behavior, Reduced documentation process and cost, Tangible appearance, Prompt service and appearance, and Lower interest rates. If bank administrators truly desire customer contentment, they must anticipate all critical factors.

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