

## QUALITY OF SERVICES IN HOUSING AND DEVELOPMENT FINANCE CORPORATION (HDFC) AND BOMBAY MERCANTILE CORPORATION (BMC): AN EMPIRICAL STUDY OF EMPLOYEE'S OBSERVATIONS

\* *Maqdoom Ahmed, Research Student, Dr. Babasaheb Ambedkar Marathwada University.*

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### INTRODUCTION

Till the 1990's, the Indian banking structure was a monopoly of the government, which limited the growth of banking in terms of profitability and productivity. But, the emergence of economic liberalization in 1991-92, has prompted reforms in the banking sector, introducing effective policies to reduce government monopoly, while improving the working of the banks. In 1993-94, the RBI allowed the entry of private sector and foreign banks into the banking business, leading to greater competition and improved performance with the aid of technology advancements.

This has forced the public sector banks to provide prompt and reliable customer services along with a variety of hi-tech banking products/services. However, the technological progressions have intensified competition to the extent that the survival of traditional (public sector) banks has become an issue of major concern. From different surveys, it has been observed that customers prefer the private sector banks because they provide better customer services, especially through new and attractive e-channels, which include ATMs, credit/debit/smart cards, internet banking, mobile and tele-banking, Electronic Funds Transfers (EFTs), etc. The services through e-channels are assumed to cost-effective and time-saving. "It has been found that in India, not even 20 percent of the population uses e-channels". "Only 6 percent out of a 3100 sample of consumers surveyed across India are using the Internet for banking services, and most of them belong the age-group of 26 to 34. The study also revealed that most of the customers are drooping over from public sector banks to the new private or foreign banks ". As more and more customers are now desiring transactions through electronic means-to save time and money-to waiting in long queues, "e-banking is fast gaining momentum. In general, most of the studies on banking segment deal with an analysis of financial aspects such as profitability, productivity, financial performance or customer satisfaction, loyalty, etc. As an attempt is rarely made to study the employees' perception, their satisfaction, loyalty, etc., the present study makes a humble input towards this fragment. This study attempts to assess the efficiency of Housing and development finance corporation (HDFC) from the employee's point of view.

### OBJECTIVES

1. To study, analyze and compare the competence of Housing and development finance corporation (HDFC) and Bombay Mercantile Corporation (BMC).
2. To suggest some differentiating approaches, especially for Bombay Mercantile Corporation (BMC), for improving the e-banking services.

### METHODOLOGY

This survey is conducted to analyze the perceptions of bank employees and to ascertain their preference between Housing and development finance corporation (HDFC) and Bombay

Mercantile Corporation (BMC). This study is based on primary data collected through structured questionnaires on a sample of 60 bank employees dealing with customers through e-channels. The sample size was limited to 60 due to shortage of time and money. The survey was conducted during the first half of 2012, in different cities of Aurangabad, Jalna and Khuldabad.

The data is analyzed uses percentage, ranking and Weighted Average Score (WAS) methods. The respondents were asked to indicate their preferences on a five-point Likert Scale; They were asked to choose among the options, strongly agree, agree, undecided, disagree and strongly disagree, regarding various statements. Weights of 2, 1, 0, -1, -2 were assigned to these levels of scale respectively, for calculating the WAS. For the purpose of ranking, the following methodology was followed:

**First Step:** In respect of some comparative issues, the number of times a factor occupied the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> ranks were computed in terms of frequency.

**Second Step:** Weights were assigned to each rank in the descending order. For example, in the collaborative culture aspect, there are three factors with three ranks. The weightage pattern was as follows: 1<sup>st</sup> rank-3, 2<sup>nd</sup> rank-2 and 3<sup>rd</sup> rank-1.

**Third Step:** The sum of the weights, for all the ranks, was calculated and entered in the tables as total score.

**Fourth Step:** The overall ranks were assigned on the basis of total score values for each factor calculated in the above step.

## LIMITATION

The main limitation of the present study is that a some of the respondents did not fill up the questionnaires properly, either due to shortage of time, or lack of interest.

## MAJOR FINDINGS OF THE STUDY

An attempt has been made to compare the two banking systems, by understanding the perceptions of 60 employees, so as to accomplish which banking system is more suitable to compete and survive in the global market.

**Socio-economic Background of the Respondents:** The socio-economic background of the employees affects their perceptions to a great extent. The results in table 1 (a) and (b) reveal that out of the 60 respondents, 32 percent belong to the age-group of less than 26 years, 27 percent range between 26 and 35 years and the remaining are above 36 years. 82 percent of the respondents are male, and 58 percent are qualified. 42 percent have been working in banks for less than three years, while 40 percent have had more than six years of working experience. On the other hand, a majority of the respondents, i.e., 55 percent is at the manager level, while only 17 percent are clerks.

**Perceptions of Respondents (Bank Employees):** Table1. 2 shows that a majority of the respondents i.e., 50 percent, have strongly agreed that the overall efficiency of Housing and development finance corporation (HDFC) is better than that of Bombay Mercantile Corporation (BMC); its WAS is more than 1, i.e., 1.38. Hence, technology plays a significant 'ole in contributing to improve efficiency of the bank employees.

**Table 1.1 Socio-economic Background of the' Respondents**

Age			Annual Income			Educational Qualification		
Range	Response s	%	Range (Lakh)	Response s	%	Range	Response s	%
Less than 26	19	32	Less than 1	08	13	High School	03	05
26 to 35	16	27	1 to 2	25	42	Bachelor Degree	22	37
36 to 45	11	18	2 and above	27	45	Master Degree	35	58
Above 45	14	23				Doctorate Degree	00	00

\*Source| Primary

**Table 1.2 Socio-economic Background of the Respondents**

Job Duration			Category of Job		
Range (Year)	Responses	Percentage	Category	Responses	Percentage
Less then 3	25	42	Manger	33	55
3 to 4	06	10	Executives	17	28
5 to 6	05	03	Clerks	10	17
Above 6	24	40			

\*Source| Primary

Table 1. 3 shows that 30 percent respondents have chosen 'strongly agree, and 0% percent, agree that there is a fast shifting of bank customers from traditional: 0 Housing and development finance corporation (HDFC); its overall WAS is also above 1, i.e., 1.23., It can be thus concluded that a majority of the respondents have observed the change-over of customers. Technology, with the latest serving techniques is attracting bank customers towards more cost-efficient and timely services.

**Table 1.3 Responses regarding the statement**

**“Overall efficiency is very high in E banks as compared to Bombay Mercantile Corporation (BMC)?**

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	WAS
30	24	05	01	00	1.38

\*Source| Primary

Table 4 presents the responses regarding customer complaints in Housing and development finance corporation (HDFC) as compared to that in Bombay Mercantile Corporation (BMC). It is observed that 58 percent of the respondents felt that there is no complaint from the customers against delay in banking functions, while 22 percent observed that there are more than 5 complaints in this regard. In the case of high cost of services charges, 43 percent observed complaints ranging between 1 and 5 during a month, whereas 30 percent have not observed any complaint.

**Table 1.4 Responses regarding the shifting of bank customers from Bombay Mercantile Corporation (BMC) to E banks.**

Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	WAS
17	41	00	02	00	1.23

**\*Source| Primary**

For complaints against operating problems to use ATMs and other e-delivery channels, 37 percent observed customers' complaints ranging between 1 and 5 in a month and 33 percent felt that there are more than 5 per month. The important point to note here are 53 percent of the respondents observed that not a single customer complained for misbehavior of the bank employees, and 60 percent haven't observed any complaint against wrong entries in customers' account. On the whole, it may be concluded that Housing and development finance corporation (HDFC) have complaints against service charges and ATM-related problems; otherwise, they are getting positive response from their customers regarding timely services, minimum balance, proper entries and behavior of employees. Table 1.5 shows that customers of Housing and development finance corporation (HDFC) are more benefited than that of Bombay Mercantile Corporation (BMC), as 70 percent of the respondents favor Housing and development finance corporation (HDFC), while only 7 percent are against them.

**Table 1.5 Responses regarding number of complaints ([per month] from E-bank customers as compared to customers of Bombay Mercantile Corporation (BMC).**

Complaints	No Complaints	1-5	More than 5
Delay in banking functions from customers view point	35	12	13
High cost of service charges	18	26	16
Higher amount of minimum balance maintained in their accounts	22	21	17
Problems regarding use of ATMs or other banking technologies	18	22	20
Lack of attention or improper behavior of bank employees	32	13	15
Wrong entries in their account	36	16	08

**\*Source| Primary**

Table 1.6 shows that 60 percent of the respondents feel that Housing and development finance corporation (HDFC) have more customer retention rate as compared to Bombay Mercantile Corporation (BMC), as they provide customer services according to their requirements using innovative techniques and a friendly approach.

**Table 1.6 Responses about the retention rate of customers of Traditional and E banks.**

Banks	Number of respondents	Percentage
HDFC Bank	36	60.00
Bombay Mercantile bank	24	40.00

**\*Source| Primary**

Table 1.7 displays the results which reveal that 70 percent of the respondents are in favor of Housing and development finance corporation (HDFC) as they provide more facilities to

employees, whereas only 20 percent favor Bombay Mercantile Corporation (BMC). 45 percent of the respondents observed more number of complaints from the customers in Bombay Mercantile Corporation (BMC), while 33 percent observed the same in Housing and development finance corporation (HDFC). 67 percent felt that employees of Housing and development finance corporation (HDFC) are better trained; 47 percent felt that employees of Housing and development finance corporation (HDFC) are more satisfied with their jobs, whereas 40 percent have favored Bombay Mercantile Corporation (BMC) in this aspect.

Overall, it may be concluded from these observations that Housing and development finance corporation (HDFC) are much better in terms of employee satisfaction, salary, training, other facilities, and have more growth rate of customers. Further, the number of working hours and top management involvement is also more in Housing and development finance corporation (HDFC) as compared to Bombay Mercantile Corporation (BMC).

**Table 1.7 Responses regarding some comparative aspects**

Statement	Bombay Mercantile	HDFC	Both
<b>Comparatively more facilities are provided to employees in</b>	12	42	06
Customer complaints are comparatively more in	27	20	13
Employees are comparatively better trained in	14	40	06
Employees of which type of banks are more satisfied from job	24	28	08
Per branch number of customer in the same city are comparatively more in	19	33	08
Salary package is comparatively better in	09	47	04
Top management involvement at branch level is comparatively more in	11	38	11
Working hours are comparatively more in	04	49	07
Yearly customers growth is comparatively more in	05	45	10

**\*Source| Primary**

Table 8 presents the factors contributing towards the betterment of Housing and development finance corporation (HDFC), as concluded in table 7. Here technology was ranked highest by 40 percent of the respondents, followed by disciplined management, professionalism and culture for learning are in succession; however, higher return on deposits was felt to be important by majority of the respondents it was ranked last. This shows that the preference towards Housing and development finance corporation (HDFC) is because they are customer-oriented rather than profit (maximization) oriented.

Table 9 shows the responses regarding the various differentiating strategies providing better quality services was found to be most important as a majority - the respondents 'strongly agree' with this strategy, followed by the use of innovative products/services and technology, as the WAS if these strategies was =-und to be more than 1. Others like free of cost locker facilities and demat services, increased working hours, etc., were not much important, as their "WAS" was

less than 1.

**Table 1.8 responses regarding the factors that contribute to better services in Bombay Mercantile Corporation (BMC) / Housing and development finance corporation (HDFC)**

Factors	R-1	R-2	R-3	R-4	R-5	R-6	R-7	Total score	Overall standing
Disciplined Management	13	11	13	09	04	04	06	284	2.0
Higher return on deposits	04	03	02	08	05	18	20	159	7.0
More cooperative	06	12	09	09	09	08	07	245	5.0
Professionalism	07	10	11	12	07	05	08	251	3.5
Technology	24	08	06	07	10	04	01	313	1.0
Culture for learning	04	12	12	10	10	09	03	251	3.5
Unwavering adherence to best practices in governance.	02	03	08	06	13	12	12	175	6.0

**\*Source| Primary**

It can thus be concluded that although Housing and development finance corporation (HDFC) face some problems and complaints regarding interrupted ATM services, more service charges and with more working hours, they are still much better than the Bombay Mercantile Corporation (BMC) from the customer services point of view, and also from the employee's point of view, in terms of better products/services, using advanced technology, disciplined management, etc.

**Table 1.9 responses regarding differentiating strategies for the banks.**

Differentiating Strategies	SA	A	UD	DA	SDA	WAS
By using more information technology	26	31	02	01	00	1.37
By providing better quality of services	41	17	01	01	00	1.63
By using innovative products and services	32	22	06	00	00	1.43
Emphasizing more on retail banking	16	39	04	01	00	1.17
Emphasizing more on core banking	14	34	10	02	00	1.00
Using more labor intensive techniques	06	20	20	14	00	0.30
Providing de-mat services free of cost	10	29	09	11	01	0.60
Increasing working hours	11	24	09	13	03	0.45
Providing rent free locker facility	08	21	11	17	03	0.23
Recruiting young employees	16	32	08	04	00	1.00
Expanding branch network	16	27	08	07	02	0.80
Pitching into mergers and acquisitions	16	21	18	04	01	0.78

**\*Source| Primary**

## CONCLUSION

From this survey, it is concluded that although there are some drawbacks in Housing and development finance corporation (HDFC) like complaints regarding the usage of ATMs, high service charges and more working hours, leading to frustration among the employees, yet they are better as the efficiency of the employees working through e-channels is improved, and the retention rate of customers is more-an increasing number of customers are shifting from Bombay Mercantile Corporation (BMC) to Housing and development finance corporation (HDFC);

accurate record maintenance, attractive facilities and salaries to employees are other factors which make these banks more preferable. This is due to advanced technology, disciplined management, learning culture, having more satisfied customers and employees.

### **Strategies to Adopt E-Banking Services in Public Sector Banks**

After the introduction of the IT Act, Public Sector Banks (PSBs) are facing severe technological competition from their counterparts. In the present era, it is not an option for the public sector banks to adopt IT, rather it is a necessity for their survival. The public sector banks should devise appropriate strategies to adopt them, in spite of the obstacles they need to face. The alarming factor is the steady decline in deposits and advances in PSBs, which is a clear indication of the shifting of customer loyalty to other private or foreign banks, which are offering innovative and better services through advanced technology (Srivastava, 2006).

To solve these problems, the Indian banks are suggested to adopt technology using the following strategies:

1. Make the employees aware and familiar with every aspect related to e-channels.
2. Make the customers aware of e-channels, especially through demo at the counter to clear their all doubts about operating these channels and other related problems.
3. Merge some branches to make them more strong and efficient with the implementation of IT infrastructure.
4. Establish computerization at the rural and semi-urban branches.
5. Start e-banking services at urban and semi-urban areas.
6. Install IT infrastructure and e-channels at the cheapest rate, which will help to provide customer services at cheaper rate and hence will help to retain customers in this cut-throat competition.
7. Formulate appropriate HRM policies to provide excellent working conditions and to get best services by making their utilization optimum.
8. Arrange training programs for the employees to make them more efficient for providing services through e-channels.

Overall, it is suggested that Bombay Mercantile Corporation (BMC) should also follow the strategies of Housing and development finance corporation (HDFC) like use of technology, provide innovative products and services to make them more competitive. If they do not follow the newly conceived work culture, they will soon be out of the race, as customers expect better services with some attractive packages. A satisfied customer is an asset for the banks and hence, adds to the bank's goodwill.

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