A Study on Impact of Financial Products and Services on Customer Satisfaction: a Case Study of HDFC Bank

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Abstract

Purpose: The move from traditional to contemporary banking has resulted in considerable changes. Banking operates in the service business and offers a variety of financial services to its customer. The Indian banking industry operates in accordance with the Reserve Bank of India's guidelines. Because the banking sector is a service industry. As a result, client happiness is critical in its operations. This study attempts to obtain many difficulties, or client satisfaction in reference to physical resources, services, commitment services, and assurance. **Research design, data, and methodology**: Descriptive research was applied to investigate the research question that has not previously been studied in depth. The methodology adopted for collecting responses with respect to the research is convenience sampling which covered customers associated with financial products and services. The data is collected from 117 customers availing products and services from HDFC bank. **Results**: The result outlines that the customers are satisfied.The financial products and services are meeting the needs of consumers and providing them with almost satisfaction.

Keywords: Financial products and services, customer satisfaction, HDFC Bank

1. Introduction

The Housing Development Finance Corporation Limited (HDFC) was among the first to get 'in principle clearance from the Reserve Bank of India (RBI) to establish a private sector bank as part of the RBI's liberalization of the Indian banking industry in 1994. The bank was established in August 1994 as 'HDFC Bank Limited,' with its registered office in Mumbai, India. In January 1995, HDFC Bank began operations as a Scheduled Commercial Bank. HDFC is India's foremost home financing organization, with a stellar track record in both domestic and foreign markets. Since its founding in 1977, the Corporation has maintained consistent and healthy growth in its activities in order to remain the industry leader in mortgages.

Its impressive lending portfolio includes well over a million residential units. HDFC has extensive competence in retail mortgage loans to various market segments and a big corporate client base for its housing-related credit facilities. With its financial market knowledge, strong market reputation, huge shareholder base, and distinctive consumer brand, HDFC was well-positioned to promote a bank in the Indian market. (Road et al., 2004) 16 HDFC Bank commenced operations in 1995 with the straightforward goal of being a "World Class Indian Bank." It decided that the only way to get there was to concentrate only on product quality and service excellence. Today, the Bank is pleased to report that it is well on its way to achieving that target.

2. Research gap

Customer satisfaction is moreover an undesirable answer as consumer wants can never be satisfied so this study consumes or overcomes the past evidence of consumer satisfaction

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towards financial products and services of HDFC Bank. Moreover, the Most study does not study financial product satisfaction so here we fill that gap.

3. Scope of the study

A study of customer experience with HDFC bank's various services is a study of consumer satisfaction with HDFC bank's various services. Customers of the HDFC bank may make use of a variety of utility services. The goal of this survey is to determine how satisfied customers are with HDFC Bank's financial product and services. The study examines client perceptions of banking services, which will aid in the development and expansion of HDFC Bank's banking business. The goal of this study is to determine the degree of customer satisfaction with HDFC Bank's banking services in the Bhopal area of Madhya Pradesh.

4. Literature review

(Rabb, 2015) Banking services and performance have an impact on client satisfaction. As a result, consumer concerns are alleviated, as is the number of customers.

(Raj & Bansal, 2019) his study shows that the majority of respondents were happy with SBI's banking services, and the number of people were persuaded by HDFC "Customer Care."

Respondents in (D, 2017) primarily concerned with increasing customer happiness, but banks are concerned with providing modern banking services in order to attract new consumers.

The (Prasad & Prasad, 2017) findings revealed a substantial association between the factors of customer happiness and SBI banking services, with consumers expressing high satisfaction levels with bank services.

(Nawaz, 2017) The nature of the relationship among quality service and consumer loyalty in Indian retail banking was investigated. Confirmatory factor analysis was performed in the study to discover the service quality dimension. The aspects that resulted are Consistency, Sensitivity, Knowledge and Recovery, and Tangibles. The characteristics of service quality improve customer satisfaction, and customer great joy leads to customer loyalty. As per the structural equation model, there is no substantial direct relationship between service quality and customer loyalty. Simultaneously, service quality has a substantial indirect influence on client loyalty, particularly through customer satisfaction.

(Rachman, 2017)Service quality in chosen banks was evaluated and measured in five categories using the SERVQUAL scale produced by Parasuraman et al (1988), revealing a minor perceptual variation in total service quality with the respective banks. According to the report, banks place a greater emphasis on tangible factors such as computerization, physical facilities, and so on in order to attract clients. For both public and private sector banks, the aspects Reliability, Responsiveness, and Assurance have been identified as the most critical and strategic drivers of service quality and customer satisfaction. If banks want to keep clients for the long run, bankers should strive for 100 percent customer happiness, which will naturally lead to customer joy.

(Jain, 2012) tries to study and comprehend the customer perception of service quality as well as the many dimensions of service quality in banks. The sample universe is Moradabad, and the sample size is 100. In the current study, the Zeithamal, Parsuraman, and Berry (1988) service quality model was applied. According to the findings, all aspects of service quality are equally essential among private sector banks.

5. Research Framework

The research analyses the impact of consumer satisfaction towards the financial products of HDFC Bank. (Raj & Bansal, 2019) The research has considered financial services as independent variable and customer satisfaction has been treated as dependent variable. The conceptual framework of the study is as follows –
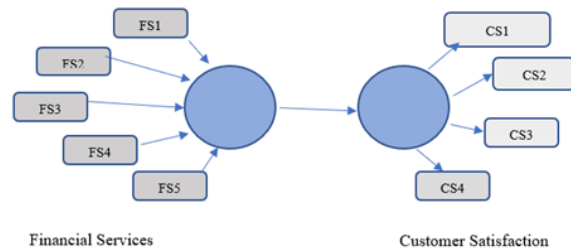
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Figure 1 Conceptual Framework

6. Research Hypothesis

Based on the subject of study following hypothesis derived are:

H0 null hypothesis: there is no significant impact of consumer satisfaction towards financial products of HDFC Bank

H1 alternative hypothesis: there is a significant impact of consumer satisfaction towards financial products of HDFC Bank

7.   Research Methodology

This study aims to build the relationship between customer satisfaction. Descriptive research was applied to focus on the characteristics of the population under investigation. Using the snowball sampling technique by an online questionnaire data was collected from 117 respondents who are the users of financial product and services of HDFC Bank. The survey consisted of four parts, and a Likert scale of five points was used for evaluating the results.
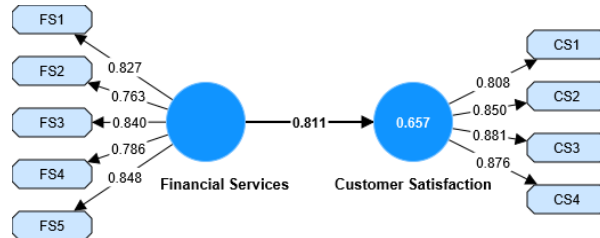
8.   Results and Analysis

Demographic Factors

Frequencies of AGE			
Levels	**Counts**	**% of Total**	**Cumulative %**
Below 25	108	92.3 %	92.3 %
25-35	9	7.7 %	100.0 %
Frequencies of GENDER			
Levels	**Counts**	**% of Total**	**Cumulative %**
Female	60	51.3 %	51.3 %
Male	57	48.7 %	100.0 %
Frequencies of OCCUPATION			
Levels	**Counts**	**% of Total**	**Cumulative %**
Business Service	6	5.1 %	5.1 %
Other	3	2.6 %	7.7 %
Professional	21	17.9 %	25.6 %
Student	87	74.4 %	100.0 %
Frequencies of INCOME			
Levels	**Counts**	**% of Total**	**Cumulative %**
0 TO > 50000	87	74.35 %	74.35 %
50000 > 250000	12	10.25%	84.60%
250000 TO 500000	15	12.8 %	97.40%
500000 and above	3	2.6 %	100%

Table 1 Demographic Factors

Table 1 highlights the demographic profile of the respondents wherein in the age factor 92.3% (108 respondents) composed of age below 25 and 7.7% (9 respondents) contributed to the age group of 25-35. The gender composition of respondents was approximately the same as 51.3% was covered by females and 48.7% by males respectively. The major respondents were students as they composed 74.4% (87 respondents), 17.9% (21 respondents) were professionals, 5.1% (6 respondents) were from business class and the rest 2.6% were from other occupations.

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Results and analysis

Measurement Model

	R-square	R-square adjusted
Customer Satisfaction	0.657	0.654

	Cronbach's alpha	(Rho_A)	Composite reliability	Average variance extracted (AVE)
Customer Satisfaction	0.876	0.877	0.915	0.729
Financial Services	0.874	0.903	0.907	0.662

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Ho: There is no significant impact of financial services on customers satisfaction	0.811	0.814	0.030	27.188	**0.000**

The results indicated that the base model is acceptable as, in the majority of cases, the results exceeded the minimum required threshold, with results of Composite Reliability (Construct Reliability) (Fornell and Lracker, 1981). is more than the threshold value of 0.70. The average Variance Extracted (AVE) for each construct also exceeded the required threshold of 0.50. Moreover, the factor loadings(figure2) of all indicator items are also more than the recommended threshold of 0.70, indicating that the research instrument has sufficient convergent validity.

Discriminant Validity (Fornell-Larcker criterion)

	Customer Satisfaction	Financial Services
Customer Satisfaction	0.854	
Financial Services	0.811	0.814

Notes: Figures in bold represents the Square Root of Average Variance Extracted (AVE) signifies discriminant validity. Other figures are correlation coefficients. Table 3 indicates that the discriminant validity has been achieved as all crossed-construct correlations are lower than the square root of the AVE (Average Variance Extracted). (Fornell and Lracker, 1981).

R Square (Quality Criteria)

Analysis of Structural Model

In order to test the hypotheses, structural equation modeling was employed and the results are shown in Table No. 4 and figure no 3.
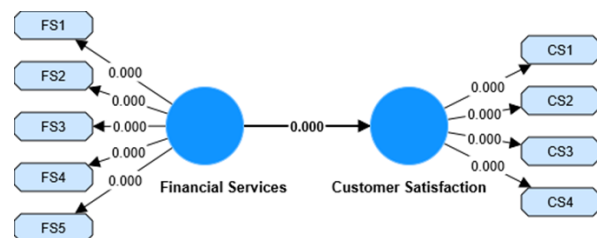
Conclusions

Table No 4 indicates that the hypothesis has p-values less than 0.05, indicating the positive impact of financial products and services on the customer satisfaction of employees. Hence both hold a significant impact on each other.

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Suggestions and Recommendations

Though a positive impact is noticed still customer needs and satisfaction and always there is a room for improvement hence these can also be considered

• Employee empowerment.

• Excellent self-service support.

• Segment your customer base to create a personalized customer experience.

• Stay consistent across all touchpoints.

• Educate clients about financial education.

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