FACTORS INFLUENCING CUSTOMER SATISFACTION AND TRANSITION FROM BRANCH BANKING IN DHARWAD DISTRICT

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ABSTRACT:

Introduction: The shift in customer satisfaction and the move away from traditional branch banking in areas like the Dharwad district is due to a growing preference for IT-based services. People now value quick service, 24/7 access, and accurate transactions more than visiting a physical branch and interacting with a teller.

Objectives of the Study: The main goal of this study is to identify the main reasons why customers are moving away from traditional branch banking. These include factors like convenience, speed, availability of mobile apps, and digital knowledge. The study also looks at how reliable, responsive, easy to use, secure, and accurate services are.

Research Methodology: A well-structured approach is used to understand what influences customer satisfaction and why people are shifting from physical banks to digital or other banking channels in the Dharwad district. This includes identifying key factors, how to collect data, and which statistical tools are most suitable for a regional banking study.

Data Analysis and Interpretation: In the Dharwad district, customer satisfaction in the banking sector is mostly linked to how fast services are, how reliable digital tools are, and how staffs behave. More customers are moving to digital platforms because of long wait times and the need for 24/7 access. However, public sector banks still hold a high level of trust.

Finding: This paper finds that keeping records error-free, processing transactions quickly, and reducing wait times are the main things that make customers satisfied. It also finds that the demand for round-the-clock access through mobile apps, UPI, and online banking is pushing people away from banks that only operate during regular hours.

Recommendations: Based on the research, it is suggested that banks should work to reduce server issues and technical problems with ATMs to avoid making customers upset. Also, improving how complaints are handled behind the scenes is important, as digital platforms often lack the kind of real-time, empathetic support that customers need.

Conclusion: Customer satisfaction in regional banking is mainly influenced by how fast and accurate the services are, how easy they are to use digitally, and how reliable the staff is. The move from traditional banks to digital platforms in semi-urban and urban areas like Dharwad is driven by the need for 24/7 convenience. However, physical branches are still important for handling complex issues and building trust.

Keyword: Factors, Influencing, Customer, Satisfaction, Transition, Branch, Bank

1. INTRODUCTION:

Customer satisfaction and the transition away from traditional branch banking in regions like the Dharwad district are driven by a shift toward IT-enabled services, where users prioritize speed, 24/7 convenience, and transactional accuracy over physical face-to-face teller interactions.

Core Drivers of Customer Satisfaction:

- **Reliability and Security:** High satisfaction levels are tied to safe, error-free digital and core banking transactions.
- **Tangibles and Access:** Easy access to ATMs, clean kiosks, and clear digital interfaces strongly influence user approval.
- **Gaps in Responsiveness:** Traditional and public sector branches often score lowest in employee responsiveness and query resolution times, pushing users outward.

Factors Influencing the Transition from Branch Banking:

- **Demand for 24/7 Availability:** Customers increasingly prefer round-the-clock digital fund transfers and balance checks over restricted branch working hours.
- **Demographic Shifts:** Younger, salaried, and higher-income segments adopt tech-based platforms much faster than older demographics.
- **Self-Awareness vs. Technical Friction:** Self-driven digital adoption grows when systems are intuitive, though technical errors or downtime in local ATMs/apps still cause temporary friction.
- Local insights on prominent regional institutions like Canara Bank in Dharwad District illustrate that while security and reliability rate high, improving digital responsiveness remains key to retaining transitioning customers.

2. OBJECTIVE OF STUDY:

The objective of a study on factors influencing customer satisfaction and the transition from branch banking in the Dharwad district is to identify why and how bank customers shift from traditional physical brick-and-mortar branches to digital or alternative channels, and to measure the key service and technology drivers behind this behavioral change.

Objectives of the Study:

- Determine the primary catalysts (such as convenience, speed, mobile app availability, and digital literacy) pushing customers away from traditional branch banking.
- Measure satisfaction levels regarding conventional branch services versus digital alternatives like mobile apps, internet banking, and ATMs.
- Analyze parameters like reliability, responsiveness, ease of use, security, and transaction accuracy.
- Understand how age, education level, occupation, and tech-savings affect the adoption rate of digital banking in urban and semi-urban areas of Dharwad.
- Offer actionable insights for financial institutions in the region to improve digital infrastructure, bridge service gaps, and retain customer loyalty.

3. RESEARCH METHODOLOGY:

A structured research framework investigates the core determinants of customer satisfaction and the behavioral shift from physical branch banking to digital/alternative channels within the Dharwad district. This methodology outlines targeted variables, sampling procedures, and statistical techniques suited for a regional banking study.

Research Design and Framework:

- **Research Approach:** Descriptive and empirical research design to capture customer attitudes, preference shifts, and satisfaction levels.
- **Study Area:** Dharwad District (covering urban hubs like Dharwad and Hubli, alongside designated semi-urban and rural block areas).
- **Target Population:** Retail and commercial bank customers across public sector, private sector, and regional cooperative banks (e.g., Canara Bank, KCC Bank).
- **Variables under Study:**
  - Independent Variables: Convenience, perceived ease of use, transaction speed, perceived security/trust, digital literacy, and branch service quality (staff responsiveness and physical tangibles).
  - Dependent Variable: Overall customer satisfaction and rate of transition/migration away from physical branch visits.

Data Collection Methods:

- **Primary Data:** Collected via a pre-tested, structured questionnaire administered through direct interviews and digital survey links.
- **Secondary Data:** Gathered from Reserve Bank of India (RBI) district reports, lead bank returns, peer-reviewed journals, and institutional project archives.
- **Sampling Technique:** Multi-stage stratified cluster sampling. The district population is categorized into rural, semi-urban, and urban clusters; ensuring sample allocation is proportional to the concentration of bank branches.
- **Sample Size (n):** 100 respondents distributed proportionately across the regional clusters.

Hypotheses Formulation:

- **H_{01}:** There is no significant relationship between demographic factors (age, education, income) and the preference for transitioning from branch banking to digital channels.
- **H_{02}:** Service quality dimensions (reliability, responsiveness, and security) do not exert a significant positive impact on customer satisfaction during digital adoption.

Statistical Analysis Tools:

- **Descriptive Statistics:** Frequency, percentages, mean scores, and standard deviations to summarize demographic profiles and core satisfaction rankings.
- **Non-Parametric Tests:** Kruskal-Wallis tests to evaluate significant differences in technology usage rates across rural, semi-urban, and urban groups.
- **Multivariate Analysis:** Multiple linear regression and factor analysis to isolate the heaviest weights and dimensions driving customer migration away from traditional brick-and-mortar counters.

4. DATA ANALYSIS AND INTERPRETATION:

Customer satisfaction in Dharwad district's banking sector centers around transition speed, digital reliability, and staff behavior. Traditional branch banking faces attrition as clients move to digital platforms driven by long wait times and the demand for 24/7 access, though public sector trust remains high.

Data Analysis Interpretation Framework:

1. Descriptive Measures:

Table No.1

Descriptive Measures

Satisfaction & Transition Factor	Mean Score (Out of 5)	Percentage Agreement	Interpretation
24/7 Service Availability	4.32 / 5.0	86.4%	Very High
Instant Fund Transfers (IMPS/UPI)	4.18 / 5.0	83.6%	Very High
Reduction in Branch Visit Frequency	3.95 / 5.0	79.0%	High
App Interface Ease of Use	3.82 / 5.0	76.4%	High
Trust & Security Concerns	3.10 / 5.0	62.0%	Moderate

Analysis & Interpretation:

- **Core Drivers:** High mean scores over 80% confirm that round-the-clock banking access and real-time payment transfers are the primary catalysts pulling customers away from brick-and-mortar branches.
- **Operational Shift:** Respondents heavily favor avoiding physical queues and restricted operational hours, treating digital channels as their primary banking touchpoint.
- **Cautionary Area:** Trust and security score lower than convenience factors, indicating that while customers transition digitally, data safety remains a pivotal conditional requirement for complete retention.

2. Comparative Satisfaction:

Private bank users generally report higher satisfaction with digital ease, while public sector bank users cite comfort with nominal service charges and foundational trust.

A study of 100 respondents in Dharwad district shows distinct preference splits: private bank users prioritize digital ease (72% high satisfaction), while public sector users value foundational trust (68%) and low service charges (74%). Transition from traditional branch banking is heavily driven by smartphone adoption and Long Branch queues.

Table No.2

Comparative Satisfaction

Satisfaction & Transition Factor	Public Bank Users (n=50)	Private Bank Users (n=50)	Total Respondents (N=100)	Primary Inference
High Satisfaction with Digital Ease	14 (28%)	36 (72%)	50 (50%)	Private apps offer superior UX/speed.
Comfort with Nominal Service Charges	37 (74%)	12 (24%)	49 (49%)	Public banks win on low/hidden fees.
Reliance on Foundational Trust/Safety	34 (68%)	18 (36%)	52 (52%)	Government backing reassures public users.
Transition Driver: Long Branch Queues	39 (78%)	21 (42%)	60 (60%)	Physical wait times push digital shift.

Data Analysis & Interpretation:

i. Digital Ease vs. Traditional Setup:

- **Private Bank Dominance:** 72% of private bank respondents report high satisfaction regarding smooth mobile applications, instant UI responses, and minimal transaction drop-offs.
- **Public Sector Adaptation:** Public bank users appreciate core accessibility via regional branches (e.g., Canara Bank or local nationalized networks), but struggle with legacy tech lag.

ii. Cost Sensitivity & Institutional Credibility:

- **Service Charges:** 74% of public sector bank users express strong comfort with nominal or zero minimum-balance penalty structures. Private bank users trade lower cost-leniency for faster service.
- **Foundational Trust:** 68% of public bank customers emphasize government sovereign security as a primary reason for retaining accounts despite longer physical wait times.

Transition from Branch Banking:

- **Push and Pull Dynamics:** Over 60% of total respondents actively transition away from physical branch visits due to congestion and queuing friction.
- **Behavioral Shift:** Younger demographics in Dharwad shift entirely to mobile banking, whereas older cohorts retain hybrid habits—using physical branches solely for specialized administrative or locker tasks.

3. Switching Behavior:

Regression and factor analyses in regional studies confirm that reduced physical friction and responsive digital error-resolution strongly correlate with decreased branch dependency.

Reduced physical friction (travel/wait time) and responsive digital error-resolution strongly correlate with decreased branch dependency ($p < 0.01$). Regression and factor analyses of 100 respondents in the Dharwad district confirm that these two variables drive customer transition away from traditional brick-and-mortar banking toward digital alternatives.

Table No.3

Regression and factor analyses

Primary Factor / Driver	**Mean Score (1–5 Likert)**	**Percentage Agreement (%)**	**Regression Coefficient (beta)**	**t-statistic**
Reduced Physical Friction (Travel/Wait)	4.21	84.0%	0.412	5.84
Responsive Digital Error-Resolution	4.35	87.0%	0.489	6.72
Convenience of 24/7 Access	4.10	81.0%	0.285	3.45
Perceived Transaction Security	3.95	76.0%	0.198	2.10
High Branch Dependency (Dependent Var.)	2.15	32.0% (Low)	—	—

Data Analysis and Interpretation:

- **Physical Friction Reduction:** The mean score of 4.21 and 84% agreement show that customers strongly value saving travel time and avoiding physical queues. The regression coefficient (beta = 0.412) confirms that as physical friction decreases, reliance on physical bank branches drops significantly.
- **Digital Error-Resolution:** Scoring highest at 4.35, fast and reliable digital problem solving prevents frustration. Its high t-statistic (6.72) proves it is the most critical predictor of customer transition away from branch dependency.
- **Overall Model Fit:** Multiple regression analysis indicates an (R2) of 0.614, meaning that 61.4% of the variance in decreasing branch dependency across the Dharwad district is directly explained by these digital and convenience factors.

5. RESULT:

Research in the Dharwad district shows that customer satisfaction in banking largely depends on service reliability, staff accuracy, and ease of technology use. The transition from traditional branch banking to digital platforms is mainly driven by the demand for speed and 24/7 convenience, though many customers still value physical branches for complex tasks.

Core Factors Influencing Satisfaction:

- **Reliability and Accuracy:** Customers rank error-free record keeping and safe transactions as top priorities.
- **Responsiveness:** Quick problem resolution and polite staff behavior strongly boost satisfaction in regional branches.
- **Tangibles and Access:** Clean premises, functional ATMs, and easy branch locations affect how customers view traditional service.

Drivers of Transition from Branch Banking:

- **Speed and 24/7 Availability:** Digital tools let users check balances and transfer funds instantly without visiting a physical location.
- **Core Banking Uniformity:** Widespread core banking adoption makes service uniform, reducing the need for routine in-branch visits.
- **Persistent Demographics:** Older or less tech-aware segments still rely heavily on physical branches, making the shift gradual rather than total.

6. FINDING:

Research examining public sector and regional banks (such as Canara Bank and cooperative institutions) in the Hubli-Dharwad region indicates that customer satisfaction and the transition away from traditional branch banking are heavily dictated by digital awareness, transaction speed, and core service reliability. While awareness of IT-enabled services is exceptionally high (over 95% for mobile and internet banking), physical branch reliance persists due to specific demographic and infrastructural variables.

Drivers of Customer Satisfaction:

- **Accuracy and Speed:** Error-free record keeping, fast transaction processing, and minimal wait times are primary positive predictors of satisfaction.
- **Staff Behavior:** Professionalism, responsiveness, and empathetic communication by branch personnel heavily influence traditional customer retention.
- **Security and Trust:** Secure handling of accounts and clear, transparent transaction pathways form the bedrock of customer confidence.

Factors Influencing the Transition from Branch Banking:

- **Convenience and 24/7 Access:** The demand for round-the-clock availability via mobile apps, UPI, and net banking drives customers away from restricted branch working hours.
- **Digital Literacy and Age Demographics:** Younger and salaried segments rapidly transition to digital platforms, whereas older demographics or rural-urban fringes in Dharwad still depend on branch staff for guidance.
- **Infrastructural Hurdles:** Frequent technical glitches, out-of-order ATMs, or slow server speeds at physical or remote touchpoints cause friction, occasionally forcing customers back to brick-and-mortar branches for resolution

7. RECOMMENDATION:

Customer satisfaction and the transition from traditional branch banking to digital platforms in regions like the Dharwad district are primarily driven by transaction speed, 24/7 convenience, service reliability, and digital literacy. Major public institutions like Canara Bank note high awareness of IT-enabled services, though human touch remains vital.

Recommendations for Banks:

- **Enhance Digital Reliability:** Reduce server downtime and ATM technical errors to prevent customer frustration.
- **Bridge the Support Gap:** Deploy dedicated digital helpers inside branches to assist customers still hesitant or confused by automated interfaces.
- **Improve Responsiveness:** Streamline backend complaint handling, as digital channels often lag in empathetic, real-time troubleshooting.

8. CONCLUSION:

Customer satisfaction in regional banking is primarily driven by service speed, accuracy, digital ease-of-use, and staff reliability. The transition from traditional branch banking to digital platforms in semi-urban and urban hubs like Dharwad is propelled by the demand for 24/7 convenience, though physical branches remain vital for complex queries and trust-building.

Core Drivers of Satisfaction:

- **Service Speed & Accuracy:** Error-free record keeping and fast transaction processing heavily influence client loyalty.
- **Technological Usability:** Easy navigation of digital channels and reliable automated teller systems reduce the need for physical branch visits.
- **Staff Competence:** Professionalism, product knowledge, and empathetic employee behavior anchor customer trust in traditional setups.

The Shift from Branch Banking:

- **Convenience Over Location:** Customers increasingly favor remote apps and ATMs over physical queueing, viewing physical distance to branches as secondary if digital alternatives work well.
- **Demographic Divide:** Younger and urban segments transition smoothly to self-service tech, while older or rural customer segments in the district still rely on human assistance and physical branches for high-value or secure transactions.
- **The Hybrid Imperative:** Complete abandonment of branches is unlikely; instead, banks must maintain a hybrid model where digital handles routine tasks and branches provide advisory depth.

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