Customer Service Quality and Satisfaction: A Comparative study of Public and Private sector Banks

MANI KUMARI
Research Scholar
IFTM University Moradabad (U.P.)
India

Abstract:

The major aim of the research paper is to measure the quality of service offered and the satisfaction level of the customers of public and private sector banks. Today, due to availability of large number of choices to the customer, it become difficult for the banks to make new customers and retain the existing customer and survive in the dynamic business environment.

Therefore the option remains with the banks to provide better services and fulfill the expectation of the consumer.

This research paper uses the SERVQUAL model to investigate the relationship between service quality and customer satisfaction. The five dimension of SERVQUAL model i.e., reliability, assurance, tangibility, empathy and responsiveness were used to measure the quality of service offered by the public and private sector banks mainly PNB & ICICI Bank.

The paper presents the primary data of 425 respondents on different chosen locations of Lucknow. Both primary and secondary data are used for the study.

This research paper is an attempt to focus on the customer satisfaction through better service delivery in the both private and public sector banks.

Key words: Bank, Service quality, Customer satisfaction, SERVQUAL, comparison between public sector and private sector banks.

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INTRODUCTION

Banks are the dominant financial intermediaries across the world. The Indian Banking sector has seen incredible transformation since post-independence. Whether it was an enactment of the Banking Regulation Act 1949, the nationalization of commercial banks, liberalisation policy of government to issue license to private banks or the recommendations suggested by the Narsimham committee on banking sector reforms in 1991 and later on in year 1998. Such reforms have changed the destiny of Indian Banking sector through the transformation of class banking into mass banking. Today, bank reaches to all parts of the country specially the unbanked rural and semi-urban areas which were earlier far from the reach of the banks.

Now the whole scenario of Indian banking sector has changed. Customer is become the king and have many choices. The customer's confidence and trust on the service delivered by the bank determines the bank's fate. In this global and competitive banking environment a full -fledged service delivery to the customer secures the bank's success and survival. So, banks should shift their focus towards better service delivery so that maximum customers can be satisfied.

LITERATURE REVIEW

It is relevant to refer briefly to the previous studies and research in the related areas of the subject to avoid the repetition and to search out the different dimensions of the study. Previous research work offers many valuable contributions related to the measurement of service quality and customer satisfaction .The term quality has been variously defined as value (Feizenbaum, 1951), conformance to requirements (Crosby, 1979), fitness for use (Juran et al., 1974). Parasuraman and Berry (1988) pointed out that with the fast

changing, fierce market conditions prevalent within the service trade, improvements in terms of competitiveness and yield rates rely on effective, active, and improved service quality. Service quality is the extent to which a service meets customers' needs or expectations (Lewis & Mitchell, 1990; Dotchin & Oakland, 1994; Asubonteng et al., 1996). Ismail A., Abdullah M.M.B. and Sebastian K.F. (2009) explore the relationships among service quality features (responsiveness, assurance, and empathy), perceived value and customer satisfaction. The augmented SERVQUAL by Zeithaml et al. (1993) illustrated the association between service quality and customer satisfaction. The model also assumed linearity between services attributes to performance with customer satisfaction (Tan & Pawitra, 2001). In this paper, service attributes to performance in banks were defined within the service dimension of Reliability, Responsiveness, Assurance, Empathy and Tangibles.

Service quality is a precursor of customer satisfaction and customer delight. Several authors have discussed the unique importance of service quality to service firms (Normann, 1984, show 1978) and demonstrated its positive relationship with profits ,increased market share, return on investment, customer satisfaction, and future purchase intentions (Anderson, Fornell and Lehmen 1994, Boulding et.al,1993, Buzzell and Gale 1987, Rust and Oliver, 1994). According to Water, H, Devries, J. (2001), Quality of services can be judged from its various dimensions, (e. g. Reliability, availability, performance, serviceability, reputation, security, competent staff, responsiveness & courtesy, technical faculties, operational facilities, technical procedure and communication). Parasuraman, Zeithaml and Berry defined the concept of service quality as "a form of attitude, related but not equivalent to satisfaction that results from a comparison of expectations with perceptions of performance. Expectations are viewed as desires or wants of consumers, i.e.; What they feel a service

provider should offer rather than what the service provider would offer " (Parasuraman et al; 1988, p. 15).

Before proceeding further, it is best that one fully understands the definition of the phrase 'Customer Satisfaction`. The phrase does not only express a happy customer, but rather complex than that. It is a business term explaining about a measurement of the kind of products and services provided by a company to meet its customer's expectation. It is well established that satisfied customers are key to long-term business success (Kristensen et al., 1992; Zeithami et al., 1996; McColl-Kennedy and Scheider, 2000) .

Consequently, higher customer satisfaction leads to greater customer loyalty (Yi, 1991; Anderson and Sulivan, 1993 Boulding et al., 1993) which in turn leads to higher future revenue (Fornell, 1992; Bolton, 1998). For that matter, many market leaders are found to be highly superior-customer-service orientated. They have been rewarded with high revenue and customer retention as well.

OBJECTIVE OF STUDY

To study the level of customer satisfaction and the quality of service delivery by the both public and private sector banks.

RESEARCH DESIGN & METHODOLOGY

Sample Unit
Customers situated in Lucknow city having the bank account in Punjab National Bank and ICICI Bank.

Sample Size
425 randomly selected respondents.

Sampling Procedure
Random Sampling method

Hypothesis

Ho: There is no significant difference between PNB and ICICI bank in terms of customer service and customer satisfaction.
Ha: There is a significant difference between PNB and ICICI bank in terms of customer service and customer satisfaction.

Primary Data

To achieve the objective of the study, the primary data have been collected through questionnaire. This questionnaire aims to gather information related to quality of service delivered by the banks to its customers and level of customer satisfaction based on certain parameters.

Secondary Data

Secondary data have been collected through journals, magazines, reference books, newspapers, internet and from the libraries of different institutions.

Methodology

The objective of the proposed study is to make an attempt to compare the performance of Public and Private sector banks on customer service and satisfaction. Since there are large number of private and public sector banks exists therefore it is not possible to include all of them due to limitation of resources and time, it is therefore decided to restrict the study to Punjab National Bank and ICICI Bank which are major pioneers in this field. The study is based on the survey conducted in Lucknow, Uttar Pradesh on a sample of 425 customers having saving and current accounts in different branches of PNB and ICICI Bank.

DATA ANALYSIS

Table-1 Factors Selected for the Study

S. No.	Factors
Variable 1	Physical facilities are visually appealing
Variable 2	Availability of ATM machine
Variable 3	Availability of brochure & statement at right place.
Variable 4	Availability of seating space
Variable 5	Bank have enough parking space
Variable 6	Timely work done or not
Variable 7	Bank solves the customer problems
Variable 8	Bank intimate the exact time of performing services
Variable 9	Bank provides prompt services
Variable 10	Wait for a long queue
Variable 11	Bank employee gives frequently and quality response
Variable 12	Behaviour of employee instills confidence in customer
Variable 13	Feel safe in transactions
Variable 14	Bank charges are reasonable
Variable 15	Banking hours are convenient
Variable 16	Managers give personal attention
Variable 17	Employee understand specific needs of the customers
Variable 18	Timely complaint resolution
Variable 19	Level of iteration till complain resolved by bank
Variable 20	Internet banking is available
Variable 21	Get on time call answering &service mails

Table-2 shows the Mean, Standard Deviation and t-value

Component	Punjab National Bank		ICICI Bank		t-value
	Mean	Standard Deviation	Mean	Std. Deviation	
V1. Physical facilities	1.80	0.79	2.57	0.90	9.213
V2. Availability of ATM machine	1.88	0.72	2.70	0.90	10.069
V3. Availability of brochure & statement	1.82	0.75	2.50	0.98	7.804
V4. Space to sit	2.12	0.76	2.69	0.98	6.437
V5.Parking Space	2.64	0.74	2.64	0.80	.000
V6.timely work done or not	2.16	0.84	3.02	0.98	9.446
V7.bank shows sincere interest	2.06	0.86	2.80	0.86	8.729
V8. Intimate the exact time of service	2.20	0.80	3.16	0.92	11.230
V9. Prompt service	2.21	0.75	2.99	0.95	9.088
V10. Wait for a long queue	2.72	0.89	3.22	0.85	5.806
V11. Frequent & quality response	2.22	0.73	3.05	0.89	10.161
V12. Instills confidence	2.36	0.86	3.08	0.99	7.736
V13. Safety in transactions	2.22	0.87	2.52	0.83	3.672
V14. Bank charges are reasonable	3.60	0.74	2.33	0.85	-15.960
V15. Banking hours convenient	2.57	0.91	2.66	0.81	0.989
V16. Managers give personal attention	2.46	0.82	2.44	0.79	-0.311
V17. Employee understand specific needs	2.32	0.86	2.52	0.77	2.325
V18. Timely complaint resolution	2.63	0.81	2.84	0.89	2.533
V19. Level of iteration till complain resolved	2.68	0.83	3.52	0.92	9.678
V20. Internet Banking available	2.04	0.70	2.54	0.62	7.595
V21. Get on time call answering and service mails	2.43	0.62	2.98	0.71	8.249

It is identified from the above table that the calculated 't' value in most of the variables is higher than the table value(2.58) and the result is significant at 5% level. Hence, the null hypothesis is rejected. Therefore, it is found from the analysis that there is a significant difference in terms of customer service and customer satisfaction of PNB and ICICI bank.

Table-3 KMO and Bartlett's Test

		PNB	ICICI Bank
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.647	.658
Bartlett's Test of Sphericity	Approx. Chi-Square	975.024	974.199
	df	210	210
	Sig.	.000	.000

In the above table, Kaiser-Meyer-Olkin Measure of sample adequacy and Bartlett's Test of Sphereicity are used to test the appropriateness of the factor model. The KMO measures the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to proceed. As it is shown that the value of KMO Statistic is 0.647 for PNB and 0.658 for ICICI, it is suggested that the strength of the relationship among variables is strong.

Bartlett test is used to test null hypothesis that the variables are not correlated .The observed significance level is .000 and the appropriate chi-square statistics is 975.024 which is significant at 1% level, are enough to reject the null hypothesis.

Table-4 Factor Association of Punjab National Bank with other dependent factors

Dimension	Variables	Eigen Values	Percentage Variance	Cumulative Variance
Tangible	V1	10.415	17.660	17.660
	V2		11.038	28.697
	V3		7.838	36.536

	V4		6.792	43.328
	V5		6.268	49.597
Reliability	V6	2.386	5.974	55.571
	V7		5.386	60.957
Responsiveness	V8	3.562	4.912	65.869
	V9		4.420	70.289
	V10		3.967	74.256
	V11		3.663	77.919
Assurance	V12	2.004	3.355	81.275
	V13		3.223	84.497
	V14		2.961	87.458
Empathy	V15	1.388	2.339	89.797
	V16		2.216	92.014
	V17		2.058	94.072
Grievance Handling	V18	0.691	1.761	95.833
	V19		1.530	97.363
E-Banking	V20	0.553	1.469	98.832
	V21		1.168	100.000

Table-5 Factor Association of ICICI Bank with other dependent factors

Dimension	Variables	Eigen Values	Percentage Variance	Cumulative Variance
Tangible	V1	10.619	18.196	18.196
	V2		10.342	28.538
	V3		8.343	36.881
	V4		7.226	44.107
	V5		6.461	50.568
Reliability	V6	2.268	5.697	56.265
	V7		5.105	61.371
Responsiveness	V8	3.396	4.457	65.828
	V9		4.176	70.004
	V10		3.974	73.978
	V11		3.562	77.540
Assurance	V12	2.008	3.425	80.965
	V13		3.189	84.154
	V14		2.947	87.101
Empathy	V15	1.463	2.575	89.676
	V16		2.292	91.967
	V17		2.099	94.067
Grievance Handling	V18	0.701	1.731	95.798
	V19		1.610	97.408
E-Banking	V20	0.544	1.339	98.746
	V21		1.254	100.000

The factor analysis results in seven important service quality factors namely tangibility, reliability, responsiveness, assurance, empathy, grievance handling and E-Banking. The factor loading of the service quality variables included in the above said seven factors and its, Eigen value, per cent of variation and cumulative variance explained by the service quality factors are presented in Table 4 (PNB) and Table 5 (ICICI Bank).

The Researcher has found highest Eigen value 10.415 for PNB and 10.619 for ICICI Bank in Tangibility dimension. It carries five service quality variables like; Physical facilities are visually appealing, availability of ATM machine, availability of brochure & statement at right place, availability of seating space, bank have enough parking space. Second important dimension was Responsiveness. It consist four service quality variables with second highest Eigen value 3.532 for PNB and 3.396 for ICICI Bank. It includes various criteria like, bank intimate the exact time of performing services, bank provides prompt services, wait for a long queue, bank employee gives frequently and quality response . Rest of the service dimension are Reliability, Assurance, Empathy ,Grievance Handling and E-banking with Eigen value of 2.386, 2.004, 1.388, 0.691 and 0.553 for PNB and 2.268, 2.008, 1.463, 0.701 and 0.544 for ICICI Bank respectively.

CONCLUDING REMARKS

Service qualities of private and public banks were measured by using SERVQUAL method. The result of this study provides evidence that the SERVQUAL dimensions are useful tool to predict over all service performance of banks. In this paper we have found that a customer gives highest importance to tangibility and responsiveness dimension in both public and private sector banks. From Analysis it was found that a customer gives third importance to reliability than Assurance,

Empathy, Grievance Handling and E-banking. The comparison between the two bank shows the outcome that private sector bank i.e., ICICI Bank is a better performer in most of the aspects of service delivery and customer satisfaction as compare to Public sector Bank i.e., PNB.

So, banks whether they are private sector bank or public sector bank, should focus on increasing reliability, Assurance, Empathy, Grievance Handling and E-banking.

For that they can give training to their employee which will help them to give personalized service. It will also help to implement empathetic approach.

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