



Service Quality and Customer Satisfaction in Private Sector Banks: An Empirical Study

Vishal Garg

Assistant Professor, Department of Commerce, S.D. (PG) College, Panipat, Haryana, India

ABSTRACT

Service Quality in banking sector is the most important criteria and asset for evaluating and satisfying customers and thereby increases the customer loyalty and average retention rate of customers. Among the service quality determinants, reliability, assurance and empathy have always played a pivotal role. During the last two decades, Indian banking industry has undergone remarkable qualitative and quantitative changes and a good number of private commercial banks have gradually captured the market share of banking business not only in metropolitan cities but in small towns as well. In order to capture the market by enhancing the degree of customer satisfaction, private sector banks are expected to provide quality services through dedicated employees and sophisticated technology.

The paper makes a modest attempt not only to assess the customer perception regarding various service quality dimensions but also to analyse the influence of perceived service quality on satisfaction of customers in the branches of private sector banks operating in Panipat District of Haryana. The perception of bank customers on select dimensions of service quality has been analyzed using different statistical tools. The study concludes that all the dimensions of service quality significantly influence the satisfaction of bank customers except empathy dimension.

ARTICLE INFO

Article history:

Received 21 Aug 2022

Received in revised form
23 Sep 2022

Accepted 30 Oct 2022

Keywords:

Responsiveness,
Assurance, Reliability,
Empathy, Tangibility
and Service Quality.

© 2022 Hosting by Research Parks. All rights reserved.

Introduction

Service quality is a recent and more dynamic decisive issue in the marketing thought. It also helps control the competitive position and consequently determines the market share and profits. Therefore, the ability of banks to continue and survive in the market depends on their ability to respond to the requirements of change and interact with the output of it. As the customers' needs and wishes are shaped and formed in the light of their economic, social and civilization conditions, there is a close relationship between the banks' ability to continue and survive and their ability to produce services that fit in with the increasing and changing needs of the customers. Hence, service organizations, especially banks, work hard to find effective ways to counter external changes in order to survive and they enhance their effectiveness by means of activating their services and creating and developing new ones. Thus, The importance of achieving high levels of quality lies in the number of economic and non-economic benefits resulting from quality commitment and lies in eliminating its problems and the causes of these problems.

Customer satisfaction is a measure of extent the existing bank is fulfilling the general expectations of a customer and how far and/or close does the existing bank come to the customer's ideal bank in his mind (Beerli, et. al., 2004). Customer satisfaction can be viewed as the future intentions of customers towards the service provider, which is more or less related to the attitude. Customers perceive services in terms of the quality of the service and how satisfied they are overall with their experiences (Zeithaml and Bitner, 2003). Satisfaction is the consumer's fulfillment response (Oliver, 1997). Customer satisfaction is influenced by price, product quality; service quality and brand image. Recently, there has been a keen interest, especially in banking, where banks are looking at the life time value of the customer base rather than focusing on the cost of transactions.

With the entry of new generation private banks, the banking sector has become too competitive. To deal with the emerging situations, bankers have to shed a lot of old ideas, change in practices, develop customer loyalty programmes and adopt a distinct approach to meet the challenges ahead. In a fiercely competitive market, non-price factors like customer service become more important (Kotler, 2003). Hence, it is desirable for new private banks to develop a customer-centric approach for future survival and growth. The awareness has already dawn that prompt, efficient and speedy customer service alone will tempt the existing customers to continue and induce new customers to try the services offered by a new private bank. With this background, the present research is attempted to study the service quality perspectives and customer satisfaction in private sector banks in Panipat District.

LITERATURE REVIEW

Service sector of an economy faces a continuous challenge of managing the quality of service they provide. With the expanding consumer base as well as growing competition, even banking sector is becoming customer driven. Therefore, nowadays banking institutions focus on analyzing satisfaction levels of customers and try to adopt differentiation in their services. Some researches done in this area are described below.

Aurora and Malhotra (1997) made efforts to study level of customer satisfaction and marketing strategies adopted in public and private sector banks in India. Their study explored various factors of satisfaction in these banks and concluded that customers are more satisfied with private banks mainly because of the staff factor. They suggest public sector banks to be well equipped, have trained staff, personalize the services provided, avoid long queues, and keep their environment attractive.

Varghese (2000) conducted a study to compare public and private sector banks of Kerala. He considered two banks from each category and analyzed their performance. The study revealed that there exist no major differences between services of public and private sector banks. Also, banks in both the sectors adopt similar internal marketing strategies.

Bodla (2004) examined four private sector banks and four public sector banks of Chandigarh, Delhi and Haryana in order to assess their service quality. He concluded that expectations and perceptions of customers differ significantly in the banks of these two sectors. Israel, Clement, and Selvam (2004) made similar attempt to analyse service quality of banks. Their study identified that marketing efforts and performance of banks in public sector are less efficient than in private sector, but when it comes to reliability and security public sector banks are trusted more over private sector banks.

Sudesh (2007) analysed service quality of banks in India and reported that services of public sector banks are of poor quality. These banks are rated low for tangibility, responsiveness and empathy when compared to private sector banks. The study also suggested that management should keep a close watch on potential failure points and should make efforts to solve customer problems promptly.

Singh and Arora (2010) studied the factors effecting customer satisfaction with the quality of services. The study was conducted in some selected branches of public and private sector banks of Delhi. The respondents reported that they were not satisfied with the employee behavior and infrastructure of public sector banks. While private sector services were perceived to be cost with lack of accessibility and communication.

Lohani and Shukla (2012) focused on banks in Lucknow city and concluded that customers perceive services of private sector banks to be of superior quality than banks in public sector.

Virk and Mahal (2014) presented a comparative analysis of level of customer satisfaction towards services provided by public and private sector banks in Chandigarh city. They identified that customers prefer private sector banks mainly because of two reasons, firstly these banks focus on building and maintaining good relationship with their clients and secondly as they are well equipped with the use of modern technology as compared to banks in public sector.

Simon (2012) studied customers' perception with respect to service quality of public sector and private sector banks in Coimbatore. She concluded that private sector banks give tough competition to public sector banks by providing better quality and range of services to customers.

Gill and Arora (2017) conducted a comparative analysis of level of customer satisfaction towards Services provided by public and private sector banks. Two public sector banks selected for the study include Punjab and Sind Bank and Union Bank of India and the private banks include HDFC bank and IDBI bank. Primary survey of 200 customers was conducted using convenient sampling method in three major cities of Punjab namely Amritsar, Jalandhar and Ludhiana. It was analyzed that private banks need to work on gaining faith of customers as customers still don't feel secured while dealing with terms and conditions given by private banks whereas public banks enjoy the hierarchical trust as they are older in Indian financial system. Further study revealed that public banks need to work more on technology and overall décor to survive in the market.

Franklin and Arul (2019) surveyed banks of Chennai city and compared satisfaction and expectation of consumers of public and private sector banks. They reported that service gap of private sector is better than public sector across all service dimensions except assurance. Public sector banks must concentrate on improving their performance in order to maintain their market share in Chennai.

OBJECTIVES OF THE STUDY

1. To assess the perceived service quality in the branches of private sector banks operating in Panipat District of Haryana.
2. To examine the relationship between perceived service quality and customer satisfaction in the branches of private sector banks operating in Panipat District.
3. To study the influence of perceived service quality on customer satisfaction in the branches of private sector banks operating in Panipat District.

HYPOTHESES OF THE STUDY

1. There exists no significant correlation between perceived service quality and customer satisfaction in the branches of private sector banks operating in Panipat District.
2. There exists no significant influence of perceived service quality on customer satisfaction in the branches of private sector banks operating in Panipat District.

RESEARCH METHODOLOGY

Among the different districts in Haryana, the Panipat city has been purposively selected followed by new private sector banks and customers for the present study. The 400 customers of Axis bank, HDFC bank, ICICI bank and Yes bank have been selected for the present study by adopting multi stage random sampling technique and the data and information pertain to the year 2020-2021. The service quality is assessed based on Parasuraman, *et. al.*,’s (1988) five dimensions namely, tangibility, reliability, responsiveness, assurance and empathy. All questions are measured on 5-point Likert scale where “1=strongly disagree”, “2= disagree”, “3=neutral”, “4=agree”, and “5=strongly agree”.

The overall customer satisfaction is measured by one item question: “Overall, how satisfied are you with the bank?” The responses are made on scale labeled “very satisfied” and “very dissatisfied” at both extremes. The problems associated with the use of a single response variable are moderated by the simplicity of the question and Yi’s (1990) suggestion that a single overall satisfaction measure scored as this one was is “reasonably valid”. In order to accomplish the objectives, the descriptive statistics, correlation analysis and multiple regressions have been applied.

RESULTS AND DISCUSSION

Socio-Economic Characteristics of Customer

The socio-economic characteristics of customers of new private sector banks were analyzed and the results are presented in **Table-1**. The results show that about 64.25 per cent of the customers are males and the rest of 35.75 per cent of the customers are females. The results indicate that about 46.25 per cent of the customers belong to the age group of 30-40 years followed by 20-30 years (24.50 per cent), 40-50 years (17.75 per cent) and 50-60 years (11.50 per cent). It is clear that the majority of the customers (33.50 per cent) are post graduates followed by professionals (26.50 per cent), graduates (25.50 per cent) and higher secondary (14.50 per cent).

It is apparent that about 39.50 per cent of the customers are salaried followed by self-employed (23.50 per cent), professional (21.50 per cent) and business (15.50 per cent). It is observed that about 41.00 per cent of the customers belong to the monthly income group of Rs.20000-30000 followed by Rs. 30000-40000 (27.50 per cent), Rs. 10000-20000(18.00 per cent) and Rs. 40000- 50000 (13.50 per cent).

Table-1 Socio-Economic Characteristics of Customer

| Particulars | Frequency | Percent (%) |
|----------------------------------|-----------|-------------|
| Gender | | |
| Male | 257 | 64.25 |
| Female | 143 | 35.75 |
| Age (Years) | | |
| 20-30 | 98 | 24.50 |
| 30-40 | 185 | 46.25 |
| 40-50 | 71 | 17.75 |
| 50-60 | 46 | 11.50 |
| Educational Qualification | | |
| Higher Secondary | 58 | 14.50 |
| Graduates | 102 | 25.50 |
| Post Graduates | 134 | 33.50 |
| Professionals | 106 | 26.50 |
| Occupation | | |
| Business | 62 | 15.50 |
| Self-Employed | 94 | 23.50 |
| Salaried | 158 | 39.50 |
| Professional | 86 | 21.50 |
| Monthly Income (Rs.) | | |
| 10000-20000 | 72 | 18.00 |
| 20000-30000 | 164 | 41.00 |
| 30000-40000 | 110 | 27.50 |
| 40000-50000 | 54 | 13.50 |

Service Quality Dimensions and Reliability

The descriptive statistics of mean and standard deviation of service quality dimensions and overall satisfaction of customers were worked out and the results are presented in Table-2. The customers of new private sector banks perceive responsiveness (M=3.82) is to be the most dominant service quality followed by reliability (M=3.80), tangibles (M=3.74), assurance (M=3.72) and empathy (3.68) in the order of importance based on the mean values of each service quality dimension. Meanwhile, the most of the customers are highly satisfied with the service quality of new private sector banks.

Table-2 Mean and Standard Deviation of Service Quality and Overall Satisfaction of Customers

| Particulars | Mean | S.D. | Reliability-Cronbach's Alpha |
|--------------------------------------|------|------|------------------------------|
| Tangibles | 3.74 | 0.85 | 0.86 |
| Responsiveness | 3.82 | 0.84 | 0.83 |
| Reliability | 3.80 | 0.78 | 0.85 |
| Assurance | 3.72 | 0.82 | 0.81 |
| Empathy | 3.68 | 0.72 | 0.84 |
| Overall Customer Satisfaction | 4.78 | 0.74 | 0.78 |

Using Cronbach's coefficient, internal consistency for service quality dimensions and overall customer satisfaction was estimated as 0.86 for tangibles dimension, 0.83 for responsiveness dimension, 0.85 for reliability dimension, 0.81 for assurance dimension, 0.84 for empathy dimensions and 0.78 for overall customer satisfaction. Usually a reliability coefficient above 0.70 is considered sufficient for exploratory studies (Nunnally, 1967). The reliability values are all above 0.80. Thus, it can be concluded that the measures used in the present study are valid and reliable.

Relationship between Service Quality Dimensions and Customer Satisfaction

The relationship between service quality dimensions and customer satisfaction was analyzed by computing correlation coefficient and the results are presented in **Table-3**. The correlation analysis shows that the service quality dimensions are positively and moderately associated with overall customer satisfaction.

Table-3 Relationship between Service Quality Dimensions and Customer Satisfaction

| | Tangibles | Responsiveness | Reliability | Assurance | Empathy | Customer Satisfaction |
|-----------------------|-------------|----------------|-------------|-------------|-------------|-----------------------|
| Tangibles | 1.00 | | | | | |
| Responsiveness | 0.52** | 1.00 | | | | |
| Reliability | 0.68** | 0.53** | 1.00 | | | |
| Assurance | 0.59** | 0.47** | 0.43** | 1.00 | | |
| Empathy | 0.62** | 0.42** | 0.57** | 0.55** | 1.00 | |
| Customer Satisfaction | 0.58** | 0.66** | 0.63** | 0.61** | 0.42** | 1.00 |

*Note: ** indicate significant at one percent level.*

The results further reveal that there is a significant and positive relationship between five dimensions of service quality and customer satisfaction, the highest correlation is between responsiveness and customer satisfaction ($r= 0.66$; $p<0.01$) followed by between reliability and customer satisfaction ($r= 0.63$; $p<0.01$) between assurance and customer satisfaction ($r= 0.61$; $p<0.01$) and between tangibles and customer satisfaction ($r= 0.58$; $p<0.01$). The weakest association is between empathy and customer satisfaction ($r= 0.42$; $p<0.01$). The results indicate that the most important service quality practice on customer satisfaction is responsiveness (i.e.. with the highest value of correlation co-efficient) which proves that responsiveness is perceived as a dominant service quality. Thus, the null hypotheses of this study are supported.

Influence of Service Quality Dimensions on Overall Customer Satisfaction

The influence of service quality dimensions on overall customer satisfaction was analyzed by employing multiple regression and the results are presented in **Table-4**. The results indicate that the coefficient of multiple determinations (R^2) is 0.66 and adjusted R^2 is 0.63 indicating the regression model is reasonably fit. It is inferred that about 63.00 per cent of the variation in dependent variable (Overall Customer Satisfaction) is explained by the independent variables (Service Quality Dimensions).

Table-4 Influence of Service Quality Dimensions on Overall Customer Satisfaction

| Variable | Regression Co-efficient (Beta) | t-value | Sig |
|-------------------------|--------------------------------|---------|------|
| Constant | -0.219 ^{**} | 4.428 | 0.00 |
| Tangibles | 0.106 ^{**} | 3.224 | 0.01 |
| Responsiveness | 0.164 ^{**} | 3.862 | 0.00 |
| Reliability | 0.145 ^{**} | 3.546 | 0.00 |
| Assurance | 0.132 ^{**} | 3.310 | 0.01 |
| Empathy | -0.098 ^{**} | 2.982 | 0.01 |
| R ² | 0.658 | | |
| Adjusted R ² | 0.634 | | |
| F | 27.621 | | 0.00 |
| N | 400 | | |

*Note: ** indicate significant at one percent level.*

The proposed model is adequate as the F-statistic = 27.621 and it is significant at one per cent level ($p < 0.01$). This indicates that there is a statistically significant association between service quality dimensions and overall customer satisfaction. The results show that the service quality dimensions of tangibles, responsiveness, reliability and assurance are positively and significantly influencing the customers overall satisfaction, while the empathy is negatively and significantly influencing the customers overall satisfaction at one per cent level in new private sector banks. Thus, it indicates that there is a statistically significant link between service quality dimensions and overall customer satisfaction.

CONCLUSION

It is often said that retaining existing customers in any business is not very expensive than attracting a new one and banking sector is no exception to this principle. In a competitive market, the cost of acquiring new customer is high as compared to that of retaining the existing ones. A bank, be it in private sector or in public sector, cannot continue to exist in the long run if its customers are dissatisfied for a reasonable period of time. Private sector banks operating in India, that are relatively new entrants in any market and particularly in small towns, are expected not only to invent new products and services on a continuous basis after understanding the requirements of their existing and potential customers but to provide better quality of services as well in order to effectively satisfy their customers in a competitive environment. Although the present study reveals significant and positive correlation between all the selected dimensions of service quality on satisfaction of customers of private sector banks operating in Panipat District of Haryana, bank management at branch level are expected to consider sincerely about tangibility dimension of service quality for ensuring higher degree of satisfaction of customers since the scope for improving tangibility dimension of service quality is yet to be explored to a large extent.

The research model proposed in the study postulates that service quality dimensions influence on overall customer satisfaction directly. The model also postulates that service quality has a positive relationship with overall customer satisfaction and tested them through Correlation Analysis and Multiple Regression to find their significance in the hypotheses.

The results shows that the most important service quality practice on customer satisfaction is responsiveness as it is perceived as a dominant service quality. The results reveal that the service quality dimensions of tangibles, responsiveness, reliability and assurance are positively and

significantly influencing the customers overall satisfaction, while the empathy is negatively and significantly influencing the customers overall satisfaction. Thus, this present research concluded that service quality is the basic and also most important factor that influences the overall customer satisfaction. This finding reinforces the need for banks managers to place an emphasis on the underlying dimensions of service quality especially on responsiveness and should start with improving service quality in order to raise overall customer satisfaction.

Further, this study is consistent with those of prior research in concluding that: service quality is a significant influence of overall customer satisfaction, and service quality dimensions are the basic factors that affect overall customer satisfaction. It is apparent that focusing on delivering high quality services and improve service quality effectively is critical for customer satisfaction. In addition, the satisfaction of customers was significantly influenced by the (Tangibles, Responsiveness, Reliability and assurance). It is thus apparent that managers of new private sector banks could make assessing and monitoring service quality in banks periodically, to enable the banks to identify where improvements are needed from the customers' viewpoint and to place an emphasis on the underlying dimensions of service quality, especially on responsiveness and should start with improving service quality in order to raise overall customer satisfaction.

REFERENCES

1. Adhikari, K. and Das, D. (2016). Service Quality of Private Sector Banks: An Empirical Study. EPRA International Journal of Economic and Business Review, 4(10), 128-134.
2. Adhikari, K. and Paul, B. (2015). Perceived Service Quality and Customer Satisfaction in Public Sector banks: An Empirical Study. Vidyasagar University - Journal of Commerce, 20, 151-159.
3. Adhikari, K. and Paul, B. (2016). Impact of Perceived Service Quality on Customer Satisfaction in United Bank of India: A Perceptual Study. International Journal of Innovative Research in Management Studies (IJIRMS), 1 (2), 13-22.
4. Al-Hawary, S. I. S., Alhamali, R. M., Alghanim, S. A. (2011). Banking Service Quality Provided by Commercial Banks and Customer Satisfaction. American Journal of Scientific Research, 223X (27), 68-83.
5. Cronin, J. J., Taylor Jr. S. (1992). Measuring Service Quality: A Reexamination and Extension, Journal of Marketing, 56, 55-68.
6. Nautiyal, G. (2014). Impact of Service Quality on Customer Satisfaction in the Retail Banking Sector, Global Journal of Commerce and Management Perspective. 3(3), 77-80.
7. Negi, R. (2009). Determining Customer Satisfaction through Perceived Service Quality: A study of Ethiopian Mobile Users, International Journal of Mobile Marketing.4 (1), 31-38.
8. Parasuraman, A., Zeithaml, V. A. and Berry, L. L. (1988). SERVQUAL: A Multiple- Item Scale for Measuring Consumer Perceptions of Service Quality, Journal of Retailing. 64(1), 12-40.
9. Shanka, M. S. (2012). Bank Service Quality, Customer Satisfaction and Loyalty in Ethiopian Banking Sector, Journal of Business Administration and Management Sciences Research, 1(1), 001-009.
10. Sivesan, S. (2012). Service Quality and Customer Satisfaction: A Case Study - Banking Sectors in Jaffna District, Sri Lanka, International Journal of Marketing, Financial Services & Management Research, 1(10), 1-9.
11. Ushantha, R.A.C., Wijeratne, A.W., and Samantha, P.A.P. (2014). Customers' Perception on Service Quality towards Satisfaction: An Application of SERVPERF in State Sector Banks in Sri Lanka. European Journal of Business and Management, 6(4), 72-81.