A STUDY ON CUSTOMER SATISFACTION WITH SERVICE OF BANKS

D.V. Harsha Vardhan Reddy[1] and Dr. D.V. Ramana[2]

[1]Research Scholar, Department of Management Studies, S.V. University, Tirupati, India
Email: venkatahr@yahoo.com
[2]Professor, Department of Management Studies, S.V. University, Tirupati, India
Email: dvrdhuli@yahoo.co.in

ABSTRACT

Customer satisfaction is a significant subject for most marketers. It becomes imperative for service providers to meet or exceed the target customers' satisfaction with quality of services expected by them. The service quality has been regarded as the key factor in order to succeed and have endurance in banking industry, especially when there has been continuously growing pressure from other institutions working in the same industry and demanding customer requirements. In this paper, the authors highlighted the important key factors and made several interbank comparisons. Some important characteristics were listed out by which customer's satisfaction was observed on rating basis. Further, these were prioritized according to the factors identified. To meet the objective of the paper, multivariate statistical techniques were applied and results were explored in new dimensions. The study outlines that the private sector banks provide higher customer satisfaction when compared to the nationalized and public sector banks and in turn there are combinations where a set of nationalized and public sector banks will meet the satisfaction levels of the customers.

Keywords: Customer Satisfaction, Banks, Service and Key Factors.

INTRODUCTION

In recent years, the demand from customers for banking products and services, service quality has emerged and has taken into different dimensions. In order to satisfy the customer or to meet the customer requirements, the bank personnel's have identified important key factors and their prioritizations. In the last decade time many studies were done on observing and understanding the customer needs and their satisfaction. Each and every banking industry has identified two important versions which help in improving their performance in all respects. One is customer satisfaction and the other is service quality. In this paper, we made an attempt to highlight the key factors and prioritization was made according to the factors identified.

REVIEW OF LITERATURE

Customer satisfaction plays a vital role in gearing up the banking sectors and their performance. Here we have made a short review about the studies relating to the customer satisfaction and the service quality. Vigg Silky et. Al (2007) stated some of the factors responsible for customer satisfaction. The factors that influence the customer satisfaction are Innovative Services, Network, Access, Technicalities, Behavior, Comfort and Image. Their study revealed that public and private sector banks do not differ significantly in providing customer satisfaction. Hummayoun et. Al (2009) carried out comparative investigations to identify the impact of service quality on customer satisfaction in banking sector. Their study resulted that service quality is the strong predictor of customer satisfaction. They have stated that if any particular bank effectively manages the service quality that bank can satisfy the customers. Uma Sankar et. Al (2010), conducted a study on identifying the major reasons for dissatisfaction with public sector banks. Ushad Subadar Agathee (2010) advocated that there are increasing urgent needs for bankers to meet customer expectations for faster and better service with the number of branches. Their study revealed that the high income group customers are more likely to be dissatisfied with banks services and it is highlighted in the study that to improve the customer service and quality improvement, the bankers has to gear upon two components i.e., reliability and responsiveness.

Kajal Chaudhary and Monika Sharma (2011), made an attempt to analyze how efficiently the public and private sector banks have been managing NPA. Their study recommended that the bank staff should be trained about the proper documentation in NPA. Surabhhi Singh and Renu Arora (2011), suggested that training on stress management and public dealing should be imparted to the employees of nationalized banks. Their results indicate that the customers of nationalized banks were not satisfied with the employee behavior, ambience and infrastructure, while respondents of private and foreign banks were not satisfied with high charges, accessibility and communication. Kailash, M (2012) compared performance among two categories of banks such as public and private sectors.

Roth Aleda V et. al (1991), said that the competitive priorities of retail banks was empirically linked with operations strategy contents of structure, infrastructure and integration choices. Zaithaml et. al (1996) offered a conceptual model of the impact of service quality on particular behavior that signal whether customers remain with or defect from a company. Using the proposed model, they have examined the relationships concerning customers' behavioral intentions which have strongly influenced service quality.

Abratt and Russell (1999), have suggested the key factors influencing customers' selection of a bank that includes the range of services, rates, fees and prices charged. There have been several studies emphasizing the significance of customer retention in banking industry (Dawkins and Reichheld, 1990; Zimmerman, 1999; Page, Pitt and Berthon, 1996; Reichheld and Kenny, 1990; Fisher, 2001). Fornell (1992) noted that although customer satisfaction and quality appear to be important for all firms, satisfaction is more important for loyalty in industries such as banks, insurance mail order and automobiles. Armistead, Pritchard and Machin (1999) suggested and predicted two critical challenges which prevail on customer satisfaction. Several studies (Schleringer and Heskett, 1991; Norman and Ramirez, 1993; Liedtka et al, 1997) focused on the specific relationship between employee satisfaction, service quality and customer satisfaction. In these studies, the relationship is often described

as the ' Satisfaction Mirror' reinforcing the idea that business success results from employee satisfaction being 'reflected' in terms of customer satisfaction.

Whilst Silvestro and Cross (2000) cast some doubts on the strength of the relationship, the balance of evidence suggests that employee satisfaction is a key driver of service quality and customer satisfaction. Voss et. al (2004) found that employee satisfaction directly affects both service quality and customer satisfaction. Vilares and Coehlo (2003) have convinced about the recommended changes to the existing customer satisfaction indexes (ECSI) which recognized that there exists a 'cause and effect' relationship between employee behavior and customer satisfaction. Kano et. al (1984) identified three types of customer requirements; they are "must be", " one dimensional" and "attractive". "Must be" requirements are simply taken for granted by the customer. "One dimensional" requirements, customer satisfaction is proportional to the level of fulfillment. "Attractive" requirements provide the greatest opportunity to 'delight' the customer. Lewis (1995) adopted the terminology of 'hygiene factors', 'enhancing factors' and 'dual threshold factors'.

OBJECTIVES

1. To assess the performance of the banks based on customer satisfaction, service quality, and other related factors

2. To identify the key factors which influence the performance other than customer satisfaction and service quality

METHODOLOGY

The information from the meta- analysis about the customer satisfaction, service quality and other related factors, the performance of the banks will be assessed. Considering this as a key point, we have focused on key factors which influence the performance other than the satisfaction and service quality. The study was carried out by collecting responses from respondents (N = 838). The questionnaire includes few demographic variables and some questions which focus on the customer satisfaction and quality provided by the bank industries on a likert scale. A brief profile of the respondents is reported in table 1. Using the visual binning technique in PASW SPSS 18.0, we have categorized the variable age into five groups and it shows that majority of the respondents were observed to be in the age group of 25-35 (65.04%) and then in the age group of 35-45 (18.50%). In a similar way, the data characteristics are reported for the remaining variables like, occupation, education, gender and monthly income.

Table 1. Profile of Respondents

N = 838			
Variable	**Categories**	**Frequency**	**Percentages**
Age (Years)	< 25	5	0.60
	25 – 35	545	65.04
	35 – 45	155	18.50
	45 – 55	110	13.13
	> 55	23	2.74

Table 1. Profile of Respondents (Contd….)

N = 838			
Variable	**Categories**	**Frequency**	**Percentages**
Occupation	None	45	5.37
	Business	84	10.02
	Employee	308	36.75
	Others	401	47.85
Education	None	51	6.09
	Under graduation	94	11.22
	Graduation	397	47.37
	Post graduation	296	35.32
Gender	Male	485	57.88
	Female	353	42.12
Monthly gross income (Rs.)	None	81	9.67
	< 15,000	367	43.79
	15,001 - 30,000	274	32.70
	30,001 - 45,000	75	8.95
	> 45,000	41	4.89

Univariate and Multivariate Statistical Techniques such as One way Analysis of Variance, Factor Analysis were also applied to the data to know the satisfaction levels of the customers as well as these techniques help to observe and identify the performance of public, private sector banks respectively. For the questions on Likert scale, the Factor analysis was applied to identify the factors and its components. Further, the same technique has been run for the services provided by the banks using Principal component analysis as an extraction method considering Varimax rotation. In table 2, the mean responses for each feature were reported along with respective standard deviation. Ranks were given to each and every feature based on their highest and lowest mean ratings.

Table 2. Standard Deviation of Features to attain customer satisfaction

Features (N = 838)	Mean	Std. Deviation	Rank
Attitude of the bank employee to serve the customers	4.07	0.881	1
Care and concern for the customers	3.95	0.986	2
Services are as per my requirements	3.79	1.039	3
Physical facilities	3.79	0.968	4
Promptness in attending to customer needs	3.72	1.01	5
Fairness in service charges	3.7	1.044	6
Use of technology in banks	3.69	0.873	7
Availability of information	3.68	1.012	8
Courteous behavior of staff	3.67	1.036	9
Responsiveness to complaints	3.66	1.055	10
Advice to customers	3.66	1.094	11

Table 2. Standard Deviation of Features to attain customer satisfaction (Contd….)

Features (N = 838)	Mean	Std. Deviation	Rank
Variety of services	3.62	1.028	12
Appearance, cleanliness and hygiene	3.59	1.012	13
Interest rates on loans	3.58	0.962	14
Interest rates on deposits	3.58	0.979	15
Speed of transactions	3.58	1.025	16
Introduction of new service	3.55	1.018	17
Knowledge level of staff	3.51	1.052	18
Communication of staff	3.47	1.04	19
Efficiency of staff	3.44	1.062	20

KMO and Bartlett's Test[a]		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.879
Bartlett's Test of Sphericity	Approx. Chi-Square	2612.285
	Df	190
	Sig.	.000

Table 3. Total Variance table

Total Variance Explained								
Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sum of Square Loadings		
Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
4.548	22.740	22.740	4.548	22.740	22.740	2.322	11.609	11.609
1.432	7.158	29.898	1.432	7.158	29.898	2.064	10.321	21.930
1.274	6.372	36.270	1.274	6.372	36.270	2.035	10.175	32.106
1.080	5.401	41.671	1.080	5.401	41.671	1.913	9.566	41.671
.976	4.881	46.552						
.925	4.624	51.177						
.911	4.554	55.731						
.841	4.206	59.936						
.816	4.079	64.015						
.792	3.959	67.975						
.767	3.836	71.810						
.729	3.647	75.458						
.710	3.551	79.009						
.670	3.351	82.360						
.652	3.261	85.621						
.631	3.157	88.778						

Total Variance Explained								
Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sum of Square Loadings		
Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
17	.606	3.028	91.806					
18	.593	2.966	94.772					
19	.563	2.814	97.586					
20	.483	2.414	100.000					

The above table titled Total Variance Explained summarizes the total variance explained by the Factor Analysis solution and gives an indication about the number of useful factors. Initial Eigen Values gives the variance explained by all possible factors. There are four main components and 41.67% is explained by all the four extracted factors.

Table 4. Component Matrix Table

Rotated Component Matrix[a,b]				
Features	Component			
	1	2	3	4
Attitude of the bank employee to serve the customers	**0.751**	-0.011	0.022	-0.022
Care and concern for the customers	**0.687**	0.140	0.076	0.119
Services are as per my requirements	**0.515**	0.407	0.119	-0.078
Physical facilities	0.130	0.400	0.089	**0.492**
Promptness in attending to customer needs	0.274	**0.343**	0.171	0.328
Fairness in service charges	0.119	**0.614**	0.003	0.061
Use of technology in banks	0.010	0.184	0.010	**0.708**
Availability of information	**0.397**	0.338	0.027	0.323
Courteous behaviour of staff	**0.516**	-0.202	0.191	0.402
Responsiveness to complaints	**0.485**	0.151	0.177	0.142
Advice to customers	0.242	**0.266**	0.266	0.191
Variety of services	0.350	**0.441**	0.140	0.019
Appearance, cleanliness and hygiene	0.018	**0.559**	0.161	0.200
Interest rates on loans	-0.007	**0.610**	0.129	0.112
Interest rates on deposits	0.173	0.057	0.231	**0.343**
Speed of transactions	0.031	0.063	0.213	**0.652**
Introduction of new service	0.163	0.022	**0.552**	0.232
Knowledge level of staff	0.051	0.160	**0.533**	0.255
Communication of staff	0.062	0.111	**0.744**	0.041
Efficiency of staff	0.105	0.132	**0.731**	0.000

From the above table we observe that, factor 1 comprises of Attitude of the bank employee to serve the customers, care and concern for the customers, services are as per my

requirements, availability of information, courteous behavior of staff and responsiveness to complaints. Factor 2 consists of promptness in attending customer needs, fairness in service charges, advice to customers, variety of services, Appearance, cleanliness and hygiene and interest rates on loans. Factor 3 consists of introduction of new service, knowledge level of staff, communication of staff and efficiency of staff. Factor 4 comprises of physical facilities, use of technology in banks, interest rates on deposits and speed of transactions.

Table 5. Ranks of the characteristics

S.No	Site Characteristics	Mean	S D	Rank of item
Factor -1				
1	Attitude of the bank employee to serve the customers	4.07	0.881	1
2	Care and concern for the customers	3.95	0.986	2
3	Services are as per my requirements	3.79	1.039	3
8	Availability of information	3.68	1.012	8
9	Courteous behaviour of staff	3.67	1.036	9
10	Responsiveness to complaints	3.66	1.055	10
Factor -2				
5	Promptness in attending to customer needs	3.72	1.01	5
6	Fairness in service charges	3.7	1.044	6
11	Advice to customers	3.66	1.094	11
12	Variety of services	3.62	1.028	12
13	Appearance, cleanliness and hygiene	3.59	1.012	13
14	Interest rates on loans	3.58	0.962	14
Factor -3				
17	Introduction of new service	3.55	1.018	17
18	Knowledge level of staff	3.51	1.052	18
19	Communication of staff	3.47	1.04	19
20	Efficiency of staff	3.44	1.062	20
Factor -4				
4	Physical facilities	3.79	0.968	4
7	Use of technology in banks	3.69	0.873	7
15	Interest rates on deposits	3.58	0.979	15
16	Speed of transactions	3.58	1.025	16

Note: Scale: 5-point scale. 5-Great extent 1-Never

DATA ANALYSIS AND INTERPRETATION

The one way ANOVA test has been performed for the total score and the banks. The test statistic value is found to be 7.034 and there is a high significance between the banks. On performing Duncan's Multiple Range Test, we observe that the banks are categorized into 6 groups depending on their mean values. There exists a significant difference between the

groups and no significant difference exists within them. The first group comprises of Bank of India, Axis Bank and SBH. The second group comprises of Indian Bank, Karur Vysya Bank and Bank of Baroda. The third group consists of SBI and Andhra Bank. ING Vysya Bank falls in the fourth group. HDFC and ICICI fall in the fifth group and Dhanalakshmi Bank stands alone in the sixth group.

Table 6. One way ANOVA for studied Banks

Bank name	Mean	Std. Deviation
ICICI	75.94^e	10.375
SBI	72.30^c	10.486
Bank of Baroda	71.59^c	9.667
HDFC	75.55^e	6.659
Indian Bank	70.53^b	8.158
Karur Vysya Bank	71.44^c	7.801
SBH	70.05^b	8.894
Axis Bank	67.00^a	17.577
ING Vysya Bank	75.20^d	7.971
Andhra Bank	73.52^c	9.908
Bank of India	65.71^a	9.754
Dhanalakshmi Bank	77.43^f	6.395
F = 7.034; p-value = 0.000*		

CONCLUSION

Regarding the descriptive phenomenon of the demographic factors, a symmetric distribution of the respondents was observed in the different categories of age, occupation, education and monthly gross income. As we have stated that the concentration is made on the key factors which influence the performance of banks, we have identified those factors and are reported. The results give a detailed picture about the performance with respect to each factor, which means that along with customer satisfaction and service quality, attitude of the bank employee in serving the customers, care and concern, physical facilities available in the bank and promptness in attending the customer needs are the most important key factors to be considered. These factors were identified on the basis of the ordered ranks. Further, the comparisons between the nationalized, public and private sector banks was made to observe that which sector of banks have high mean customer satisfaction. Results show that the nationalized banks have received almost equal satisfactory response when compared with the private and public sector banks. If we notice that the banks which superscript 'a' are Axis bank, Bank of India and State Bank of Hyderabad, of these the later two banks are competing equally with axis bank to provide a high end customer satisfaction in all the aspects which we have considered in the study.

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ANNEXURE 1

Profiles of Respondents