

A COMPARATIVE STUDY OF SERVICE QUALITY AND CUSTOMER SATISFACTION IN PUBLIC AND PRIVATE BANKING SECTOR IN DHARMAPURI DISTRICT



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Abstract

Changes in economic environment have generated an increased interest on customer service in banking sector. Customer satisfaction was identified as a leading indicator of future behaviour and financial performance in this sector. An attempt has been made to relate Service Quality and Customer Satisfaction with the sample of 100. The data was collected through questionnaire from

customers of Public and Private Banks in Dharmapuri district. The analysis used for the study was a Percentage method was used. The results indicated that there was a positive relationship between the Dimensions of Service Quality and Customer Satisfaction.

Keywords: Banking Sector, Services, Quality, Customer Satisfaction.

Introduction

In world competition today's among the companies was very severe, but most of the companies present nearly the same product or service with their competitors. Service quality takes the stage, and offers more satisfied with customers and in return more profit is gained than of your competitors. To determinants of customer satisfaction and the impact of service quality in banking sector. Customer satisfaction is an important aspect for service organizations and is highly related to service quality, they are all related to each other; as service quality gets better, customer satisfaction level will also be increased and it will lead to more stable relationships between a bank and its customer leading to a higher level of profitability.

In India, the customers in the banking sector are in a strong bargaining position due to the significant growth of banks. Therefore, banks have to provide service carefully because of the availability of banks. Service quality has been a vital issue of discussion and research over the past three decades. Research on service quality has well established that the customer perception of the quality of a service depends on customer's pre-service expectations. Studies by Parasuraman *et al.* (1985), Zeithmal *et al.* (1990), noted that the key strategy for the success and survival of any business institution is the deliverance of quality services to customers.

Literature Review

Service Quality

Service quality was considered an important tool for a firm's struggle to differentiate itself from its competitors (Ladhari, 2008). Service quality has received a great deal of attention from

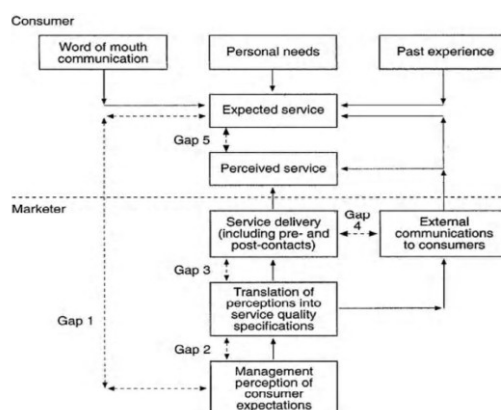


Figure .1 Service Quality Model

both academicians and practitioners (Negi, 2009) and service marketing literature defined service quality as the overall assessment of a service by the customer (Eshghi *et al.*, 2007).

Services Quality in Banking Sector

In the changing banking scenario of 21st century, the banks had to have a vital identity to provide excellent services. Banks nowadays have to be of world-class standard, committed to excellence in customer's satisfaction and to play a major role in the growing and diversifying financial sector (Guo *et al.*, 2008). Banks have recognized the need to meet customer's aspirations. Consequently, service quality is a critical motivating force to drive the bank up in the high technology ladder. The banking industry is a demand driven industry, which constitute an important part of the service industry (Newman & Cowling, 1996).

Customer Satisfaction in Banking Sector

According to Tsoukatos and Rand (2006), customer satisfaction was a key to long-term business success. To protect or gain market shares, organizations need to outperform competitors by offering high quality product or service to ensure satisfaction of customers. In proportion to Magesh (2010), satisfaction means a feeling of pleasure because one has something or has achieved something. It is an action of fulfilling a need, desire, demand or expectation. Customers compare their expectations about a specific product or services and its actual benefits. As stated by Kotler & Armstrong, (2010), satisfaction as a person's feeling of pleasure or disappointment resulting from the comparison of product's perceived performance in reference to expectations. Customer's feelings and beliefs also affect their satisfaction level.

Relationship between Service Quality and Customer Satisfaction

The relationship between customer satisfaction and service quality, Oliver (1993) first suggested that service quality would be antecedent to customer satisfaction regardless of whether these constructs were cumulative or transaction-specific. In relating customer satisfaction and service quality, researchers have been more precise about the meaning and measurements of satisfaction and service quality. Satisfaction and service quality have certain things in common, but satisfaction generally is a broader concept, whereas service quality focuses specifically on dimensions of service (Wilson *et al.*, 2008). As said by Wilson *et al.* (2008), service quality is a focused evaluation that reflects the customer's perception of reliability, assurance, responsiveness, empathy and tangibility while satisfaction is more inclusive and it is influenced by perceptions of service quality, product price and quality, also situational factors and personal factors. The relationship between service quality and customer satisfaction is becoming crucial with the increased level of awareness among bank customers.

Statement of the Problems

In banking sector was one of the massive field of services. Now people have lot of choices for the banking services. For that reason, the main problem is the impact of service quality and service feature and complaints on consumer satisfaction and how the consumers are loyal with the product and services of organizations and by what means service quality effect the consumer satisfaction 'The banking services have grown in numbers with a lot of bank branches. Therefore, also have tough competition in the banking field.

Significance of the Study

The research ascertains the significant quality of this bank to change plans and improve the quality of service delivery. The research will help as a guide for the Bank to improve plans that will improve overall service delivery, specifically in regions where the gap between expectation and observation so widespread to expand consumer satisfaction. The bank would provide relative compensations to become the most desired bank in the banking industry and this will helpful in the future for the banking sector to become provide unlimited service benefits that every consumer want from every business organization and also helpful for the banking industry to retain the customer and remain loyal with the organization. However, delivering excellent consumers services is much more important for the service industry. The banking industry to provide the superior banking service quality to satisfied the consumer and this will beneficial for the organization to gain maximum profits returns.

Objectives of the Study

The present study focuses on the following objectives

1. To give Suggestion for improvement of service quality of the banking sectors in the competitive world.
2. To measure customer satisfaction of the Public and Private banks customers.
3. To ascertain whether there is any correlation between service quality and customer satisfaction.
4. To deduce the predictability of service quality dimensions on overall customer satisfaction.

Scope of the Study

The importance of this study lies on the fact that it will provide empirical information to the stakeholders of banks, marketing professionals, and policy makers of the banking industry in Darmapuri. The findings of this study will provide them with empirical information on what customers expect in terms of service quality from the banks as well as customers assessment of the quality of service they provide. The findings of this study will be a contribution to the existing literature, and the debates on service quality in banking. The findings of this study will extend the understanding and clarity of customers" expectations and service quality in the banking industry.

Limitation of the Study

- Due to time constrain it was not possible to cover all the branches of private and public commercial banking sector.
- The data and information related with the topic was not easily available.
- The bank confidentially keeps the data. Bank's policy of not disclosing some sensitive data and information for obvious reason posed an obstacle to the practical orientation that could be very much useful.

Methodology

Study Population

The population included all the customers of all the banks which are headquartered in Darmapuri District.

Sample

The study was based in Darmapuri District. There are a total of 16 banks. Out of a total of 16 banks 8 are private banks and 8 are public sector banks. Percentage methods were used to select the sample. Thus the sample size included 100 bank customers.

Data collection

Data was collected and by personally visiting the bank premises and getting the self-administered questionnaire filled by the respondents.

Table 1 Age wise Frequency of the Data

| S.No. | Particulars | Frequency | Percentages |
|-------|--------------|------------|-------------|
| 1 | 20-30 | 23 | 23 |
| 2 | 31-40 | 52 | 52 |
| 3 | 41-50 | 20 | 20 |
| 4 | Above 51 | 7 | 7 |
| | Total | 100 | 100 |

Table: 1 describes that 52% of respondent belonging to 31-40 age group, 23% of respondent belonging to 20-30 age group, 20% of respondent belonging to 40-41 age groups, 7% of respondent belonging to above 51 age group.

Sources: Primary Data

Table 2 Gender wise, frequency of data

| S.No. | Particulars | Frequency | Percentage |
|-------|--------------|------------|------------|
| 1 | Male | 45 | 45 |
| 2 | Female | 55 | 55 |
| | Total | 100 | 100 |

Table: 2 reveals that 55% respondents are female and 45% respondents are male.

Sources: Primary Data

Table 3 Education wise, frequency of data

| S.No. | Particulars | Frequency | % |
|-------|--------------------------|------------|------------|
| 1 | Illiterate | 1 | 1 |
| 2 | School Education | 5 | 5 |
| 3 | Graduate & post Graduate | 81 | 81 |
| 4 | Tech & Education | 13 | 13 |
| | Total | 100 | 100 |

Table:3 Represents that from a total of 100 respondents, 81% of respondent belonging to graduate and post graduate, 13% of respondent belonging to Technical education, 5% of respondent belonging to school education, 1% of respondent belonging to Illiterate.

Source: Primary Data

Table 4 Occupation wise, frequency of data

| S.No. | Particular | frequency | Percentages |
|-------|--------------|------------|-------------|
| 1 | Government | 29 | 29 |
| 2 | Private | 18 | 18 |
| 3 | Business | 27 | 27 |
| 4 | Daily wages | 26 | 26 |
| | Total | 100 | 100 |

Table:4 represents that from a total of 100 respondents, 29% of respondents are government employees, 27 % of respondents are business men, 26% of respondents are daily wages, 18% of respondents are private employed.

Source: Primary Data

Table 5 Salary wise, frequency of data

| S.No. | Particular | Frequency | % |
|-------|---------------|------------|------------|
| 1 | 5,000-10,000 | 28 | 28 |
| 2 | 10,000-20,000 | 24 | 24 |
| 3 | 20,000-40,000 | 30 | 30 |
| 4 | Above 41,000 | 18 | 18 |
| | Total | 100 | 100 |

Source: Primary Data

Table:5 describes that 30% of respondent belonging to 20,000 to 40,000 monthly salaries, 28% of respondent belonging to 5,000 to 10,000 monthly salaries, 24% of respondent belonging to 10,000 to 20,000 monthly salaries,, 18% of respondent belonging to above 41,000.

Table 6 Area wise frequency of data

| S.No. | Particular | Frequency | Percentage |
|-------|--------------|------------|------------|
| 1 | Rural | 64 | 64 |
| 2 | Urban | 36 | 36 |
| | Total | 100 | 100 |

Source: Primary Data

Table:6 reveals that 64% respondents are rural areas and 36% respondents are urban areas.

Table: 7 Bank wise, frequency of data

| S.No | Particulars | Frequency | Percentage |
|------|---------------|------------|------------|
| 1 | Public Banks | 34 | 34 |
| 2 | Private Banks | 66 | 66 |
| | Total | 100 | 100 |

Source: Primary Data

Table:7 reveals that 66% respondents are Private Banks and 36% respondents are Public Banks.

Table: 8 Employee behavior wise, frequency of the date

| S.No. | Particulars | Frequency | Percentage |
|-------|----------------|------------|------------|
| 1 | High Level | 25 | 25 |
| 2 | Middle Level | 56 | 56 |
| 3 | Low Level | 16 | 16 |
| 4 | High Low Level | 3 | 3 |
| | Total | 100 | 100 |

Source: Primary Data

Table: 8 describes that 56% of respondent to middle level, 25% of respondent to High level, 16% of respondent to low level, 3% of respondent were highly low level.

Table: 9 Account related service wise, frequency of the data

| S.No. | Particulars | Frequency | Percentage |
|-------|----------------|------------|------------|
| 1 | High Level | 35 | 35 |
| 2 | Middle Level | 15 | 15 |
| 3 | Low Level | 49 | 49 |
| 4 | High Low Level | 4 | 4 |
| | Total | 100 | 100 |

Source: Primary Data

Table: 9 describes that 49% of respondent to low level, 35% of respondent to High level, 15% of respondent to middle level, 4% of respondent were highly low level.

Table: 10 E- banking, core banking wise frequency of data

| S.No. | Particulars | Frequency | Percentage |
|-------|----------------|------------|------------|
| 1 | High Level | 41 | 41 |
| 2 | Middle Level | 36 | 36 |
| 3 | Low Level | 19 | 19 |
| 4 | High low Level | 4 | 4 |
| | Total | 100 | 100 |

Table:10 describes that 41% of respondent to high level, 36% of respondent to middle level, 19% of respondent to low level, 4% of respondent were highly low level.

Source: Primary Data

Table: 11 Reasonableness of fees towards, locker, DD, loan process wise, frequency of the data

| S.No. | Particulars | Frequency | Percentage |
|-------|----------------|------------|------------|
| 1 | High Level | 33 | 33 |
| 2 | Middle Level | 40 | 40 |
| 3 | Low Level | 25 | 25 |
| 4 | High low Level | 2 | 2 |
| | Total | 100 | 100 |

Table:11 describes that 40% of respondent to middle level, 33% of respondent to high level, 25% of respondent to low level, 2% of respondent were highly low level.

Source: Primary Data

Table: 12 The service attitude of banker at the time of opening A/c, customer satisfaction

| S.No. | Particulars | Frequency | Percentage |
|-------|---------------------|------------|------------|
| 1 | Highly Satisfied | 17 | 17 |
| 2 | Satisfied | 57 | 57 |
| 3 | Neutral | 22 | 22 |
| 4 | Dissatisfied | 3 | 3 |
| 5 | Highly Dissatisfied | 1 | 1 |
| | Total | 100 | 100 |

Table:12 describes that 57% of respondent to Satisfied, 22% of respondent to Neutral, 17% of respondent to Highly Satisfied, 3% of respondent were dissatisfied, 1% of respondent were Highly Dissatisfied.

Source: Primary Data

Table: 13 Account information and balance enquiry wise frequency of data through customer satisfaction

| S.No. | Particulars | Frequency | Percentage |
|-------|---------------------|------------|------------|
| 1 | Highly Satisfied | 37 | 37 |
| 2 | Satisfied | 37 | 37 |
| 3 | Neutral | 20 | 20 |
| 4 | Dissatisfied | 1 | 1 |
| 5 | Highly Dissatisfied | 5 | 5 |
| | Total | 100 | 100 |

Table:13 describes that 37% of Both respondent to Highly Satisfied and Satisfied, 20% of respondent to Neutral, 5% of respondent to Highly Dissatisfied, 1% of respondent Dissatisfied.

Source: Primary Data

Table: 14 Funds transfer E-banking service wise, frequency of data through Customer satisfaction

| S.No. | Particulars | Frequency | Percentage |
|-------|---------------------|------------|------------|
| 1 | Highly Satisfied | 35 | 35 |
| 2 | Satisfied | 37 | 37 |
| 3 | Neutral | 14 | 14 |
| 4 | Dissatisfied | 3 | 3 |
| 5 | Highly Dissatisfied | 11 | 11 |
| | Total | 100 | 100 |

Table:14 describes that 37% of respondent Satisfied, 35% of respondent highly satisfied, 14% of respondent belonging neutral, 11% of respondent highly dissatisfied, 3% of respondent dissatisfied in fund transfer and E-banking services.

Source: Primary data

Table: 15 Network of branches and ATM canter wise frequency of data Costumer Satisfaction

| S.No. | Particulars | frequency | Percentage |
|-------|---------------------|------------|------------|
| 1 | Highly Satisfied | 27 | 27 |
| 2 | Satisfied | 39 | 39 |
| 3 | Neutral | 17 | 17 |
| 4 | Dissatisfied | 9 | 9 |
| 5 | Highly Dissatisfied | 8 | 8 |
| | Total | 100 | 100 |

Table:15 describes that 39% of respondent Satisfied, 27% of respondent highly satisfied, 17% of respondent belonging neutral, 9% of respondent dissatisfied, 8% of respondent highly dissatisfied in the network of branches.

Source: Primary data

Analysis and Discussion

Age: It is evident from the above table shows that, the majority of the respondent under the age group of 31-40 (52%) percent, followed both banks come under 30-39 age group.

Gender: The Statistical data shows that majority of them come under Female category respondents.

Educational Qualification: From the table indicate that the Educational qualification of the respondents under Public bank having lower level (13 percent) level education (UG/PG Degree). Besides, Private bank (81percent) was used. The study inferred that majority of them did Degree level.

Area of living: Majority (64 per cent) of them comes under rural areas.

Occupation: It is evident from the table in, majority (29 percent) comes under employed followed Public bank 29 percent and Public Bank also under employed categories of respondents which implies that among them are under employed categories of the respondents.

Income: The table shows that Public and Private bank respondents have earned income category of 20,000-40,000 (30 per cent).

Table: 6 Area wise frequency of data: reveals that 64% respondents are rural areas and 36% respondents are urban areas.

Table: 7 Bank wise, frequency of data: reveals that 66% respondents are Private Banks and 36% respondents are Public Banks.

Table: 8 Employee behavior wise, frequency of the date: describes that 56% of respondent to middle level, 25% of respondent to High level, 16% of respondent to low level, 3% of respondent were highly low level.

Table: 9 Account related service wise, frequency of the data: describes that 49% of respondent to low level, 35% of respondent to High level, 15% of respondent to middle level, 4% of respondent were highly low level.

Table: 10 E- banking , core banking wise, frequency of data:describes that 41% of respondent to high level, 36% of respondent to middle level, 19% of respondent to low level, 4% of respondent were highly low level.

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Table: 14 Funds transfer E-banking service wise, frequency of data through Customer satisfaction: describes that 37% of respondent Satisfied, 35% of respondent highly satisfied, 14% of respondent belonging neutral, 11% of respondent highly dissatisfied, 3% of respondent dissatisfied in fund transfer and E- banking services.

Table: 15 Network of branches and ATM center wise, frequency of data Customer Satisfaction: describes that 39% of respondent Satisfied, 27% of respondent highly satisfied, 17% of respondent belonging neutral, 9% of respondent dissatisfied, 8% of respondent highly dissatisfied in the network of branches

Conclusion

Findings revealed that improved people, process and physical evidence aspect of service quality help in increasing customer satisfaction. These results confirmed the past research results. Improved human, technical and tangible aspects of service quality increase customer satisfaction. Out of the three aspects of service quality people aspect of service quality contributed maximum in influencing customer satisfaction. The Efficient interpersonal interactions between customers and employees can improve customer satisfaction. Physical evidence aspect of service quality includes parking, furniture, brochure, ATM card, etc. Due to intangibility of services, customer evaluates services on the basis of physical evidence. Good quality physical evidence helps in increasing customer satisfaction. This study was restricted to Darmapuri District only and sample size was also small. Therefore, results should be generalized with caution. It is advisable to increase the sample size and include more Districts of Tamil Nadu to have a better insight of customer of bank.

Recommendations for the organizations

1. The bank should hire self-motivated, enthusiastic employees who will like to deal with customer and will try to solve customer complaints and other issues in an effective manner. Only then the bank can render superior customer services and enjoy the benefit in the long run

2. In order to retain the existing customers and to improve service quality, the bank should continuously maintain error-free transactions, since bank accounts and figures are very sensitive for each and every customer.
3. The management of the bank should regularly run research activities in order to keep a regular track of customer satisfaction level. Regular research should also be conducted to find out customer expectations about various service aspects. As customer expectations and satisfaction are not static figures, regular research at sufficient intervals should be conducted.

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