

SERVICE QUALITY AND CUSTOMER SATISFACTION IN PUBLIC SECTOR BANKS

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Abstract: The entry of more and more foreign banks and new private sector banks, with lean and nimble footed structure, better technology, better services and cost effective measures, have intensified the competition in Indian Banking Industry. Financial institutions have also started entering into the domain of banks. So, in order to have satisfied customers banks have to put more emphasis on service quality. This paper tries to analyse the service quality of public sector banks with the help of primary data collected through questionnaire. In the conclusion, it shows that public sector banks should strive hard to change their negative image. Due to poor quality of service and indecent behaviour their customers are found dissatisfied. So banks have to put more emphasis on service quality.

Index Terms: Service Quality, Public sector banks, Banking sector

1. INTRODUCTION

At the time of independence, Indian banking system was not sound. The support of the banking system took place after the establishment of the Reserve Bank of India in 1935 as it was empowered to regulate banking by issue of directive, inspection, mergers, amalgamation etc. In 1949 two most important actions were taken from the point of view of structural reforms in banking sector. First, the Banking Regulation Act was passed. It gave extensive regulatory powers to Reserve Bank of India (RBI) over the commercial banks. On 19th July, 1969, Fourteen major Indian commercial bank were nationalized and on 15th April. In 1980, six more were nationalised and added to the public sector banks. After nationalization these banks started rendering various types of functions by assuming social responsibilities. Through these banks, the government tried to implement various welfare schemes. These banks occupy a crucial place in the Indian Banking system.

Before 1991 there was less competition in the banking sector. In terms of the size of assets the public sector banks are dominating the banking industry. The government has now recognized the need to make banking industry more competitive. It has thus made certain policy changes such as deregulation of interest rates and intensity of consortium lending requirement. Moreover, banking has been opened up to the private sector. As a result, new private sector Banks have been set up, old private sector Banks have stretched their operations and more foreign sector banks have entered the Indian banking industry. This has promoted competition and has helped in increasing competence.

The paper work is to determine customer satisfaction. In the era of cut throat competition the endurance of any banks depends upon the satisfied customers. Customer satisfaction is the state of mind that consumers have about a bank when their hope have been met or exceeded over the life time of the service different people may have different expectations based on their prior experience, personal needs and what other people told them. As perceptions are always considered relative to expectations and expectations are dynamic in nature, perceptions may also shift over time from person to person. Understanding of the customer's expectations and their perceptions about a particular bank can be the game changer.

To be able to endure the prevailing strong competition in the banking industry, what most of the bank attempt to do is to create convenient banking activities for their customers. Such activities include the Automated Teller Machine (ATM), Ready Cash Service, Money Transfers, Computer Banking, Banking via Mobile Phone, etc. Though these services are nearly duplicated by other banks, what is the focus now is the quality of the service which is provided.

For this reason, most banks are now paying more to actual and probable customers in order to sustain their business in an environment of competition.

Though it seems that the above is a means of remaining competitive, not all the banks emphasizes on customer satisfaction and again it is only a few banks that have taken the trouble to develop their Marketing Strategy with regards to how their services should be provided to satisfy customers.

2. THEORETICAL FRAMEWORK

According to K. Rama Mohana Rao, Quality means the degree of excellence in service performance. Consumers perceive the quality of a service by experiencing the consumption process and comparing the experience with their expectations. The firms providing best service quality cannot be blamed for poor quality. Service quality management is the most critical task of service companies. Quality may be perceived in many dimensions. The dimensions could be cost, profitability, customer satisfaction, customer relations or positive word of mouth, and customer assess' service quality according to their own criteria's. (Rao, 2009)

Parasuraman A, Valarie A. Zeithaml and Leonard L. Berry (1988) had developed a 22-item instrument Scale (called SERVQUAL) for assessing customer perceptions and expectations of service quality in service organizations. The procedures used in constructing and refining a multiple-item scale to measure the construct and the scale's reliability, factor structure, and validity on the basis by analyzing data from four independent samples. (Parasuraman, Zeithaml, & Berry, 1988)

Parasuraman A, Valarie A. Zeithaml and Leonard L. Berry have developed a conceptual model that shows the nature and determinants of service expectations of customers. This model specified three different types of service expectations: desired service, adequate service and predicted service. They have also discussed about seventeen propositions about service expectations and their antecedents. (Zeithaml, Berry, & Parasuraman, 1993)

Michael K Brady and Joseph Cronin Jr., had through qualitative and empirical research found that the service quality construct conforms to the structure of a third-order factor model that ties service quality perceptions to distinct and actionable dimensions: out-come, interaction, and environmental quality. In turn, each has three sub dimensions that define the basis of service quality perceptions. (Brady & Cronin Jr., 2001)

Minjoon Jun and Shaohan Cai, in their research identified 17 dimensions of internet banking service quality which are classified into three categories namely customer service quality, banking service product quality and online systems quality. The result shows that reliability, responsiveness, access and accuracy were found to have an impact on customer satisfaction. (Jun & Cai, 2001)

Gani A and Mushtaq A. Bhat, had carried out a study to analyse the service quality in Indian and foreign banks. The results of the study shows that quality of service in foreign banks are relatively superior than that of Indian banks and pointed out that Indian banks are lagging behind on the front of physical facilities, up-to-date equipments, communication material, neatness of employees, employees providing prompt service to customers, willingness of employees to help customers, convenient operating hours, banks having customers' interests at heart and employees who give personal attention. (Gani & Bhat, 2003)

Mushtaq A. Bhat, in their study found that high service quality contributed considerably to profitability and productivity. The results of the study show that service quality of foreign banks is comparatively better than that of Indian banks and there are service quality variations across demographic variables. (Bhat, 2005)

Purohit H.C and Avinash D. Pathardikar, in their research paper said that the perceptions of the customers on different banks vary due to the behaviour of the individual employees or officers. The five dimensions of SERVQUAL were observed as ideal in all the banks apart from the reliability of the employees. (Purohit & Pathardikar, 2007)

Akinyele, S.T. and Akinyele, F.A. had presented a wide review of the literature, focusing on service quality. They specifically discussed on how the meaning of quality differs depending on whether it refers to a manufactured product or a service, and issues related to the measurement of service quality. The researchers have taken an in-depth study on the development and understanding of the management and service marketing over the past several decades. (Akinyele & Akinyele, 2008)

Sadiq Sohail M and Nassar M. Shaikh, in their research paper focused on measuring the quality of service from customers' perspective for internet banking and also discussed that how banks can be competitive by providing quality services. The analysis identified three factors that influence service quality of internet banking and they are "efficiency and security", "fulfilment" and "responsiveness". (Sohail & Shaikh, 2008)

Ashok Kumar and Rajesh had found in their study that both public sector banks and private sector banks lack one or the other aspect of service quality and there is no major difference between overall customer satisfactions in the banks. The paper concludes that banks should aims at satisfying the customers by providing maximum features in their banking services and products. Technological up gradation and development of techno-savvy products should be carried out for effective implementation of service quality. (Kumar & R, 2009)

Usha Lenka, Damodar Suar and Pratap Mohaparta, had examined in their paper whether service quality increases the customer satisfaction and loyalty in Indian commercial banks. The result shows that better human, technical and tangible aspects of service quality of the bank increase customer satisfaction. Human aspects of service quality also influence customer satisfaction more than the technical and tangible aspects. They concluded that customer satisfaction leads to customer loyalty. (Lenka, Suar, & Mohapatra, 2009)

Meenakshi Gandhi in her research paper compared the three groups of banks in India with respect to the service quality factors from the customers view. Large amount of variation were found with respect to the level of service quality which is presented by the three groups of banks. Customer expectations of service quality are highest in the PSU banks followed by Private and Foreign banks. The PSU banks score above the other two group of banks in reliability aspect of service quality and there is no difference amongst the private and foreign banks in this regard. They concluded that both private and foreign banks need to construct confidence amongst the consumers. (Gandhi, 2010)

Gayathri Balakrishnan.R, said that change is the only constant thing in life. In the present changed environment and life styles of customers, it can easily encashed by the banks by providing good quality services at the right time and at the right place. The bankers should give attention to customers' perceptions and the expectations. The researcher concluded that the bank requires providing high touch services rather than high tech services. (Balakrishnan, 2010)

Ramesh Chander Jindal reported that in the competitive environment all the Indian banks have to redefine their products and the strategy for fulfilling the requirements of all types of customers. The product type and pricing should be transparent and promised delivery to the customers. The researcher concluded that the technologically advanced banks have the advantage of creating new products and CRM would facilitate the banks in providing the professional customer service. (Jindal, 2010)

Most of the studies have shown that service quality aspects are the key predictors of customer satisfaction and were found to be most significant for measuring the customer satisfaction. Banks should make sincere efforts to build up positive image.

3. OBJECTIVES

The objectives of the research work were undertaken specifically to:

- ❖ Evaluate the level of service quality and customer satisfaction in Public Sector Banks
- ❖ Evaluate the ways of improving service quality to management.

4. RESEARCH METHODOLOGY

This study is based on a survey conducted in Jaipur City. Primary as well as secondary data were collected. The theoretical foundation of the study is based on various secondary sources such as texts book on service quality, articles, quality magazines, and published papers. The target population for the study was a broad cross-section of bank customers. We intended to recruit a heterogeneous sample of respondents while maintain the gender balance in the sample. The respondents were asked about their expectation on various service dimensions (SERVQUAL) about retail banking. The other section survey customer level of perception towards various banking dimensions. Satisfaction towards tangibles, employee empathy, system assurance, responsiveness and reliability were measures in Likert scale.

4.1 Sampling method: The data collection was conducted by convenience and judgmental sampling method.

4.2 Data and Sources of Data: For this study data has been collected from primary as well as secondary sources. A total of 100 respondents were surveyed via questionnaires. Each respondent was requested to complete and return the questionnaire within two weeks. In secondary sources data was collected from various journals, websites and books.

5. RESULTS AND DISCUSSIONS

This section shows the presentations and analysis of data collect from questionnaire administered to get opinions of bank customers who have account in the bank.

5.1 Customer Expectation and Perception

Excellent customer service and high customer satisfaction must start with understanding customer expectations. We need to know who your customers are and what they want. When measuring customer satisfaction, companies generally ask customers whether their product or service has met or exceeded

expectations. This is an important question to ask and is a key factor behind satisfaction. The present research captured bank customer expectation/perception on SERVQUAL dimensions using following scale items, measured in a Likert scale (1=Strongly Disagree to 5=Strongly Agree).

5.2 Customer Service Expectation

Customer satisfaction reflects the expectations and experiences that the customer has with a product or service. Expectations reflect both past and current product evaluation and use experiences. Some researcher defines customer expectation as explicit expectations that are mental targets for product performance, such as well-identified performance standards. Implicit expectations reflect established norms of performance. Implicit expectations are established by business in general, other companies, industries, and even cultures. Static performance expectations address how performance and quality are defined for a specific application. Service quality is an important area to academicians because of its relevancy to service companies and therefore many researchers have tried to develop various models to measure it, even though some claim it is hard to measure because of its intangibility which is hard to quantify This is why as services are intangible in nature, evaluating the customer's expectation of quality can be done through the interaction with the personnel offering services. Interaction between consumer and service provider is very important when measuring service quality because through that interaction, the service provider could easily understand the consumer better.

Table 5.1: Descriptive Statistics for Customer Expectation

Service Dimension	Variable Name	N	Mean	Std. Dev	Std. Error
Tangibles	E_Equip	100	5.890	.909	.09089
	E_PhyFacy	100	6.220	.883	.08828
	E_Appear	100	5.920	.895	.08953
	E_Material	100	6.010	1.133	.11326
Reliability	E_Promise	100	6.290	.913	.09134
	E_Interest	100	6.290	.868	.08680
	E_Right	100	6.010	.937	.09374
	E_TimPrmise	100	6.000	.804	.08040
	E_ErrorFree	100	6.140	.853	.08530
Responsiveness	E_Service	100	6.150	1.234	.12340
	E_PrmtSrv	100	5.990	.810	.08102
	E_Help	100	6.030	.926	.09261
	E_Respond	100	5.970	.658	.06584
Assurance	E_Confidennce	100	6.260	.747	.07470
	E_Safe	100	6.010	1.059	.10588
	E_Courteous	100	6.160	1.012	.10122
	E_Knowldg	100	5.920	1.022	.10218
Empathy	E_Attention	100	5.780	1.276	.12759
	E_OptHrs	100	6.270	1.162	.11622
	E_PrslServ	100	6.180	1.149	.11493
	E_Best	100	5.950	1.258	.12583
	E_Needs	100	5.040	2.000	.19996

From the descriptive statistics and mean value analysis from above tables, it can be concluded that customers have higher expectation. Customers of public sector bank showed a higher degree of expectation in majority of dimension of each service dimensions. Further one sample test is applied to test this result of descriptive analysis. We assume that the customer have higher expectation from modern banking sector in every dimension of service quality. To test this assumption one sample „t“ test is applied. The one-sample t-test is used to determine whether a sample comes from a population with a specific mean. This population mean is not always known, but is sometimes hypothesized. For the present analysis, we test the data with hypotheses mean of „4“ = No Idea. By default, SPSS uses 95% confidence intervals (labelled as the

Confidence Interval Percentage in SPSS). This equates to declaring statistical significance at the $p < .05$ level. For this research, keep the default 95% confidence intervals.

Table 5.2: One sample test

Bank	Test Value 4					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
E_Equip	20.794	99	.000	1.89000	1.7096	2.0704
E_PhyFacy	25.146	99	.000	2.22000	2.0448	2.3952
E_Appear	21.445	99	.000	1.92000	1.7423	2.0977
E_Material	17.747	99	.000	2.01000	1.7853	2.2347
E_Promise	25.072	99	.000	2.29000	2.1088	2.4712
E_Interest	26.382	99	.000	2.29000	2.1178	2.4622
E_Right	21.443	99	.000	2.01000	1.8240	2.1960
E_TimPrmise	24.875	99	.000	2.00000	1.8405	2.1595
E_ErrorFree	25.087	99	.000	2.14000	1.9707	2.3093
E_service	17.423	99	.000	2.15000	1.9051	2.3949
E_PrmtSrcv	24.561	99	.000	1.99000	1.8292	2.1508
E_Help	21.920	99	.000	2.03000	1.8462	2.2138
E_Repond	29.923	99	.000	1.97000	1.8394	2.1006
E_confidence	30.255	99	.000	2.26000	2.1118	2.4082
E_safe	18.983	99	.000	2.01000	1.7999	2.2201
E_courteous	21.339	99	.000	2.16000	1.9591	2.3609
E_Knowldg	18.791	99	.000	1.92000	1.7173	2.1227
E_attention	13.951	99	.000	1.78000	1.5268	2.0332
E_OptHrs	19.533	99	.000	2.27000	2.0394	2.5006
E_PrslServ	18.969	99	.000	2.18000	1.9520	2.4080
E_Best	15.497	99	.000	1.95000	1.7003	2.1997
E_Needs	5.201	99	.000	1.04000	.6432	1.4368

Table presented with the observed t -value ("t" column), the degrees of freedom ("df"), and the statistical significance (p-value) ("Sig. (2-tailed)") of the one-sample t-test. The p value for majority of service dimension are $< .05$, therefore, it can be concluded that the population means and sample means are significantly different. From the mean value analysis reveals that customer show a positive or higher expectation towards all service dimensions for public sector banks.

5.3 Customer Service Perception

Critical component of service quality identified are; consumer's expectation which is seen as what they feel service provider should offer and this is influenced by his/her personal needs, past experience, word-of-mouth and service provider's communications. (Parasuraman, Zeithaml, & Berry, 1985) However, this meaning of expectation is that of service quality literature which is different from expectation in the customer satisfaction literature which defines expectation as predictions made by consumer about what is likely to happen during an impending transaction. Consumers' perception of performance is what he/she experiences. (Parasuraman, Zeithaml, & Berry, 1988). Generally, it is interesting to study expectations and experiences of consumers in many different contexts. It is of particular interest to study these concepts in the context of retail banking because retail banks play an instrumental role in the lives of people and it is primordial for firms to know what consumers expect and perceive about their services. Therefore, in this study, we will define consumer's expectation as what consumers think should be offered by the ideal for banks while consumer's perception will be defined as what they experienced in the retail banks and this is assessed after the performance. In addition, service quality is mainly focused on meeting the customer's needs and also how good the service offered meets the customer's expectation of it. It is however difficult according to previous studies to measure service quality because of its intangible nature and also because it

deals with expectations and perceptions of consumers which is difficult as well to determine due to the complexity of human behaviour.

The present research captured bank customer perception on SERVQUAL using following scale items, measured in a Likert scale (1=Strongly Disagree to 5=Strongly Agree).

Table 5.3: Customer perception scale items

Service Dimension	Variable Name	N	Mean	Std. Dev	Std. Error
Tangibles	P_Equip	100	5.070	1.565	.15651
	P_PhyFacy	100	4.980	1.428	.14283
	P_Appear	100	4.840	1.568	.15681
	P_Material	100	5.180	1.592	.15915
Reliability	P_Promise	100	5.280	1.436	.14360
	P_Interest	100	5.590	1.334	.13341
	P_Right	100	5.090	1.694	.16943
	P_TimPrmise	100	4.850	1.806	.18056
	P_ErrorFree	100	5.500	1.275	.12753
Responsiveness	P_Service	100	5.540	1.314	.13136
	P_PrmtSrv	100	5.570	1.373	.13726
	P_Help	100	5.460	1.210	.12096
	P_Respond	100	5.740	1.375	.13753
Assurance	P_Confidennce	100	5.480	1.410	.14105
	P_Safe	100	5.880	1.183	.11830
	P_Courteous	100	5.420	1.810	.18101
	P_Knowldg	100	5.000	1.912	.19122
Empathy	P_Attention	100	4.430	1.365	.13652
	P_OptHrs	100	4.790	1.458	.14585
	P_PrslServ	100	4.710	1.472	.14723
	P_Best	100	5.770	1.563	.15625
	P_Needs	100	4.790	1.458	.14585

Table 5.4: One sample test

Bank	Test Value 4					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
P_Equip	6.837	99	.000	1.07000	.7594	1.3806
P_PhyFacy	6.861	99	.000	.98000	.6966	1.2634
P_Appear	5.357	99	.000	.84000	.5289	1.1511
P_Material	7.414	99	.000	1.18000	.8642	1.4958
P_Promise	8.913	99	.000	1.28000	.9951	1.5649
P_Interest	11.919	99	.000	1.59000	1.3253	1.8547
P_Right	6.433	99	.000	1.09000	.7538	1.4262
P_TimPrmise	4.708	99	.000	.85000	.4917	1.2083
P_ErrorFree	11.762	99	.000	1.50000	1.2470	1.7530
P_service	11.723	99	.000	1.54000	1.2793	1.8007
P_PrmtSrv	24.561	99	.000	1.57000	1.2977	1.8423
P_Help	21.920	99	.000	1.46000	1.2200	1.7000
P_Repond	29.923	99	.000	1.74000	1.4671	2.0129
P_confidence	30.255	99	.000	1.48000	1.2001	1.7599
P_safe	18.983	99	.000	1.88000	1.6453	2.1147
P_courteous	21.339	99	.000	1.42000	1.0608	1.7792
P_Knowldg	18.791	99	.000	1.00000	.6206	1.3794
P_attention	13.951	99	.000	.43000	.1591	.7009
P_OptHrs	19.533	99	.000	.79000	.5006	1.0794

P_PrslServ	18.969	99	.000	.71000	.4179	1.0021
P_Best	15.497	99	.000	1.77000	1.4600	2.0800
P_Needs	5.201	99	.000	.79000	.5006	1.0794

Table presented with the observed t -value ("t" column), the degrees of freedom ("df"), and the statistical significance (p-value) ("Sig. (2-tailed)") of the one-sample t-test. The p value for majority of service dimension are $< .05$, therefore, it can be concluded that the population means and sample means are significantly different. From the mean value analysis reveals that customer show a lower perception towards all service dimensions for public sector banks. Customer seems to be not satisfied with service quality of public sector banks.

6. SUMMARY

The research work was an explanatory study, which examined service quality and customer satisfaction in banking industries.

Basically, its purpose were to evaluate the level of service quality and customer satisfaction at the public sector banks and recommend ways to improve service quality to management. The finding shows that there is a relationship between the quality of service and customer satisfaction. Customer shifts their customer ship to other banks if the bank does not improve their service and provide good services to the customers. The result shows that, public sector banks have to improve their services in order to have satisfied customers.

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