



# ENHANCING SERVICE QUALITY AND CUSTOMER SATISFACTION IN THE RURAL BANKING SECTOR: A CASE STUDY OF PALLAVAN GRAMA BANK IN DHARMAPURI DISTRICT OF TAMILNADU

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## Abstract

The banking sector plays a critical role in supporting industrial and economic growth, particularly in rural economies where institutional and structural contributions are vital. The advent of liberalization, globalization, and privatization has spurred remarkable developments and transformations in the Indian banking landscape. Amidst increasing competition and a rising demand for diverse and superior banking services, it is imperative for banks to identify and prioritize customer expectations to enhance service quality. This study focuses on understanding the impact of service quality on customer satisfaction within the context of Pallavan Grama Bank, situated in the Dharmapuri district. The research aims to uncover specific characteristics of service quality as perceived by customers, illuminating the nature and significance of service quality in rural banking settings. Through a comprehensive examination, this study offers valuable insights into optimizing service processes to elevate customer satisfaction and drive sustainable growth in the banking industry.

**Keywords: Banking, Customer's Perception Service Quality and Customer satisfaction**

## INTRODUCTION

The banking sector plays a pivotal role in driving economic growth and fostering the development of various industries. Rural economies, in particular, heavily rely on the institutional and structural contributions made by the banking sector. Serving a multitude of customers daily, banks provide a diverse range of services, emphasizing the indisputable truth that no business can thrive without its customer base. In the Indian context, the banking landscape has witnessed significant changes and progress, especially with the advent of liberalization, globalization, and privatization. These shifts have posed new challenges for banks, including heightened competition and an escalating demand for superior banking services encompassing a wide array of innovative products. The entry of private sector banks and foreign banks has propelled the growth of the banking industry, spurring a surge of interest. This development has underscored the critical role of customer orientation in the banking sector. Banks now strive to address customer needs and

requirements through a customer-centric approach, introducing new and quality-focused products and services. To thrive and succeed in this evolving landscape, providing high service quality is essential, meeting critical requirements such as customer satisfaction, loyalty, attracting new customers, and enhancing market share and profitability. Service quality is acknowledged as a distinct construct from customer satisfaction in existing literature. Customers perceive service quality by comparing their expectations with the actual performance of the service. Therefore, evaluating service quality involves assessing the disparity between a consumer's expectations and perceptions. The five variables of service quality significantly influence the overall service quality. Services, being intangible and non-duplicable, are differentiated by their quality, which emanates from customer expectations. Consequently, identifying and prioritizing customer expectations regarding service quality and integrating these expectations into the service process are crucial for enhancing quality.

This study focuses on understanding the impact of service quality on customer satisfaction within the context of Pallavan Grama Bank, located in the Dharmapuri district. It aims to identify the specific characteristics of service quality as perceived by customers, defining the nature and importance of service quality. By comprehensively examining this relationship, the study seeks to shed light on optimizing service processes, ultimately enhancing customer satisfaction and steering sustainable growth within the banking industry.

## REVIEW OF LITERATURE

**Pratap Chandra Mandal (2015)** reviews the literature with respect to finding the dimensions affecting customer satisfaction in retail banking and comes out with some suggestions which need to be followed in finding the dimensions. Structured questionnaires will focus on certain pre-determined aspects of customer satisfaction. A structured questionnaire might be based on certain dimensions which might not be necessarily true for all retail banking customers. He suggested to future researchers need to be aware of the above issues while exploring the dimensions affecting customer satisfaction in retail banking. It seems better to determine the dimensions affecting customer satisfaction in retail banking starting from the basic definitions of customer satisfaction. It might also seem reasonable for future researchers to conduct exploratory research for finding the dimensions.

**Vasanthakumari and Sheela Rani (2015)** analyzed the practicality of measuring the retail service quality perceptions and its influence on demographic factors. Findings from their study provide an initial understanding on the direction of the customer's perception about the service quality in retail banking. This provides proper guidelines to the service providers to improve their service offerings. The results of their study indicated customer perception can be influenced the effects of bank service quality on performance. Customer perception can be considered as the key contrast to bank for the overall performance. Their results also reveal from the study that irrespective of gender and occupation, customers perceive the various factors in the same manner. For better service quality, the service providers have to improve the weaknesses in order to attract new customers.

**Kannusamy and Gowri (2016)** studied the customer satisfaction on services of the Pallavan Grama Bank (PGB). They found that a significant association between the level of satisfaction and that of the marital status and occupation.

**Ragavan and Kalaivanan (2016)** stated that their article, commercial banks both public and private sector render various services to the customers that ensure safety of funds, secured transfer of funds, easy remittances, convenient banking operations and Any time and Any where banking. The ever-increasing demands for banking service and the competition between public and private sector banks add pressure to the bankers to satisfy their customers. However, many research studies reveal that the commercial banks are not serving upto the expectations of their customers. So it becomes imperative on the part of every banker to take stock of the situation and initiate constant efforts to satisfy their customers.

**Hennayake (2017)** revealed that the human related factors of perceived service quality have a greater impact on customer satisfaction whereas reliability and responsiveness are the most influential factors on customer satisfaction.<sup>29</sup>

**Afroz Pasha and Razashah (2018)** discovered that assurance has the most critical effect on customer satisfaction towards banking services and responsiveness has the slightest noteworthy effect on banking services, empathy isn't altogether impact on customer satisfaction.

## RESEARCH GAP

A review of the various studies on service quality and customer satisfaction towards service industries revealed that the empirical research on service quality and customer satisfaction in Pallavan Grama Bank (PGB) in Dharmapuri district of Tamilnadu is not yet attempted. The present study the effect of service quality on customer satisfaction in Pallavan Grama Bank (PGB) in Dharmapuri district of Tamilnadu attempts to fill this research gap. The results of the study are expected to provide a practical contribution in the area of banking services and the expectation and perception of the customers in the financial services industry in the global competitive scenario.

## STATEMENT OF THE PROBLEM

After financial sector reforms in 1990 the entire banking sector got revamped and reshaped in its functional and operational aspects in tune with liberalization, privatization and globalization. It is to be noted that banking industry is unique and distinct in one respect that the products offered by the banks are identified with little difference from one to another. Thus, the product attraction receives less importance, as the products of other banks are identical in nature. The only factor that differentiates a bank from others is the way in which it functions and renders services to the customers. It is evident that there is a changing phenomenon regarding how the customers are being served by the banks. During 1950s to 1960s, the perception towards the customers was to serve the customers rather than to satisfy the customers. Service to customer to their satisfaction was absent during the period. After nationalization of banks in 1969, the banks give more importance to customer orientation rather than profit orientation. After the financial sector reforms in 1990, the banks are bound to gratify the customers and thereby the customers are retained as the customers of the banks concerned. Despite so many measures initiated at various levels to improve the standard of customer service, the level of satisfaction perceived by various segments of customers has been low. The effectiveness, efficiency, growth and success of a bank amongst its competitors depend upon the level of satisfaction of its customers towards services rendered to them.

## NEED AND IMPORTANCE OF THE STUDY

Banking industry has experienced many changes in the recent past. Technological development and competition among banks have made commercial banks to contemplate of innovative strategies and approaches to attract more customers and retain the existing customers. With the increased competition among banks, quality of service rendered and customer satisfaction plays a crucial role in sustainability and profitability of banks. Measuring service quality and level of satisfaction of bank customers becomes inevitable in the present scenario. Thus delivering high quality service to clients is just as important as delivering performance that meets or exceeds their expectations. Hence a study relating to the customer satisfaction in banks is considered necessary.

## OBJECTIVES OF THE STUDY

The present study is designed to analyze the effect of service quality on customer satisfaction. The specific objectives of the study are;

1. To study the various services provided by the Pallavan Grama Bank in the study area to enhance customer satisfaction.
2. To identify the impact of service quality factors towards the customer satisfaction in Pallavan Grama Bank.
3. To examine the level of customer satisfaction with quality of services provided by the Pallavan Grama Bank.
4. To evaluate the effect of service quality on customer satisfaction in Pallavan Grama Bank among different groups of customers based on their demographics.
5. To offer valuable suggestions to Pallavan Grama Bank so that they can improve their service quality as per the need of the hour.

## HYPOTHESIS

The following hypothesis are framed and tested in the study:

- There is no significant difference between demographic variables and level of Satisfaction regarding service quality of Pallavan Grama Bank.

## SCOPE OF THE STUDY

This study throws light on the service quality and its impact on customer satisfaction. An attempt has been made in this research to analyze how Pallavan Grama Bank are attracting various customers and how the customers are satisfied with the service quality provided by the Pallavan Grama Bank. This study will be helpful to draw up a further policy for improving customer satisfaction and will act as a secondary data for further research.

## METHODOLOGY OF THE STUDY

This study is based on both primary and secondary data. The primary data was collected by distributing a detailed questionnaire for 130 respondents who are the customers of Pallavan Grama Bank in Dharmapuri district. Personal interviews were used to fill the questionnaires. The questionnaire comprised of 15 close ended questions. All close ended constructs used in this study were measured by various items on five-point Likert-type scales to measure the relationship between service quality and customer satisfaction. Secondary data was collected from secondary sources such as previous researches, journal articles and websites which are related to service quality and customer satisfaction.

## SCALE MEASUREMENTS

In creating measures to represent to the ideas of service quality and customer satisfaction, combined scales from the previous review of literature with those got in the field work. The underlying measures were refined and pre-tried to improve the legitimacy and exactness of the questionnaire. Service Quality was measure under the 5 measurements (Tangibility, Reliability, Responsiveness, Acceptance and Empathy). Five-point Likert scale were utilized (1= Strongly Disagree to 5= Strongly Agree). Customer satisfaction is the dependent variable of this examination. By referring past research discoveries created which are applicable to gauge customer satisfaction. Five-point Likert scale were utilized. (1= Highly satisfied to 5= Highly Dissatisfied)

## RELIABILITY OF THE INSTRUMENT

In this study, the coefficient alpha investigation is performed on each scale estimating service quality and customer satisfaction. The coefficient alpha esteems are appeared in the table no 1.1. The coefficient alpha for service quality dimensions of Tangible is .604, Reliability is .677, Responsiveness is .721, Acceptance is .534, Empathy is .645 and for customer Satisfaction is .842.

**Table 1.1: Cronbach's Alpha Coefficient for Constructs**

S. No	Measurement Scale	No. of Items	Cronbach's Alpha
1	Tangibility	4	.604
2	Reliability	5	.677
3	Responsiveness	4	.721
4	Acceptance	4	.534
5	Empathy	6	.645
6	Customer satisfaction	23	.842

## TOOLS FOR ANALYSIS:

The study employed both descriptive and inferential tools in analyzing the data. The data collected was edited and coded. The coded data was then processed using Statistical Package for Social Sciences (SPSS).

### Percentage Analysis:

Percentage analysis were performed for each question contained under each category. Diagrams and charts are mainly used for clear understanding of the data collected in pictorial form. Pie-charts and bar charts were used for this purpose.

**Factor Analysis:**

Factor analysis were used for data reduction. The key applications of factor analysis are:

- a. To classify the variables and
- b. To reduce the large variables.

**Chi-Square Test:**

In order to identify the relationship between socio-economic status and level of satisfaction, Chi-square test was used and the formula is given below:

$$\chi^2 = \sum \left[ \frac{(O-E)^2}{E} \right]$$

Where,

O = Observed frequency,

E = Expected frequency

**SUMMARY OF FINDINGS**

The major findings of the study have been summarized below:

- ❖ Majority of 73.80 percent of the customers were female.
- ❖ Maximum of 52.30 percent of the customers were married.
- ❖ Maximum of 30.80 percent of the customers are having the age group of 26 to 35 years.
- ❖ Majority of 30.0 percent of the customers were IT/Diploma holders.
- ❖ Most of 33.80 percent of the customers are agriculturalists.
- ❖ Majority of 33.80 percent of the customers are having a monthly income between 10,000-19,999.
- ❖ Majority of 35.40 percent of the customers are having a account for 3 to 5 years.
- ❖ Majority of 24.60 percent of the customers visited the bank for twice a week.
- ❖ Majority of 51.50 percent of the customers are satisfied with Pallavan Grama Bank.
- ❖ According to Factor Analysis, component 1 consists of five factors like, 'bank provides the service at the time it promises to do so', 'employees will tell when the service will be performed', 'employees give me prompt service', bank delivers error free records' and 'materials associated with the services are visually appealing'. The component 2 comprises three factors like, 'employees are never too busy to respond to my request', 'the behaviour of employees instills confidence' and 'feel safe in my transactions with my bank'. There are five factors included in component 3, namely, 'employees are consistently courteous', 'employees have knowledge to answer my questions', 'bank gives me individual attention', 'bank has operating hours convenient to all' and 'employees are always willing to help me'. The component 4 comprises four factors like, 'bank promises to do something by a certain time, it does so', 'bank shows sincere interest in solving my problem', 'bank performs the service right at the first time' and the employees deal with customers in a caring fashion'. There are three factors included in component 5, namely, 'bank has employees who give me personal attention', 'bank has shown me best interest at heart' and 'the employees understand my specific needs'. The component 6 comprises two factors like, 'physical facilities are visually appealing' and 'bank's frontline employees are neat in appearance', whereas component 7 consists of one factor i.e. 'bank has modern equipment'.
- ❖ According to Chi-Square Analysis, 'P value' is greater than 0.05, therefore the null hypothesis is accepted at 5 percent level of significance with regard to level of satisfaction regarding service quality of Pallavan Grama Bank. Hence, we conclude that there is no association between gender and the level of satisfaction regarding service quality of Pallavan Grama Bank.
- ❖ According to Chi-Square Analysis, 'P value' is greater than 0.05, therefore the null hypothesis is accepted at 5 percent level of significance with regard to level of satisfaction regarding service quality of Pallavan Grama Bank. Hence, we conclude that there is no association between marital status and the level of satisfaction regarding service quality of Pallavan Grama Bank.
- ❖ According to Chi-Square Analysis, 'P value' is greater than 0.05, therefore the null hypothesis is accepted at 5 percent level of significance with regard to level of satisfaction regarding service

quality of Pallavan Grama Bank. Hence, we conclude that there is no association between age and the level of satisfaction regarding service quality of Pallavan Grama Bank.

- ❖ According to Chi-Square Analysis, 'P value' is greater than 0.05, therefore the null hypothesis is accepted at 5 percent level of significance with regard to level of satisfaction regarding service quality of Pallavan Grama Bank. Hence, we conclude that there is no association between education and the level of satisfaction regarding service quality of Pallavan Grama Bank.
- ❖ According to Chi-Square Analysis, 'P value' is greater than 0.05, therefore the null hypothesis is accepted at 5 percent level of significance with regard to level of satisfaction regarding service quality of Pallavan Grama Bank. Hence, we conclude that there is no association between occupation and the level of satisfaction regarding service quality of Pallavan Grama Bank.
- ❖ According to Chi-Square Analysis, 'P value' is greater than 0.05, therefore the null hypothesis is accepted at 5 percent level of significance with regard to level of satisfaction regarding service quality of Pallavan Grama Bank. Hence, we conclude that there is no association between monthly income and the level of satisfaction regarding service quality of Pallavan Grama Bank.

## SUGGESTIONS

Based on the major findings of this study, the researcher has made several recommendations to the Pallavan Grama Bank to increase service quality and enhance customer satisfaction. The recommendations are highlighted as below:

- ❖ Bank may follow customer intimate strategy.
- ❖ PGB should give training to employees.
- ❖ The bank should provide high quality customer service.
- ❖ The bank may open separate customer compliant monitoring cell.
- ❖ The bank should maintain adequate range of products.
- ❖ The bank should open adequate ATM facilities.
- ❖ PGB should maintain customer communication.
- ❖ Bank should understand the customers needs.
- ❖ Bank should ensure the provisions of prompt Service.
- ❖ Bank may try to improving the reliability of customers.
- ❖ Bank at always think about creativity and innovativeness of their services.
- ❖ Bank may conduct customer contact programmes.
- ❖ Bank should ensure the staff involvement.
- ❖ Bank may follow customer segment specific strategies.
- ❖ Bank should provide update information to their customers.

Hence, if these suggestions are implemented by the authorities concerned (Central Government and State Government) to increase the level of satisfaction. It would enable more number of customers to come forward to have an account with Pallavan Grama Bank.

## CONCLUSION

The Indian banks have been rivaling same sort of products to the consumers and subsequently service quality is considered as the key differentiator among the banks giving better support of the customers. Consistency in giving the required service quality is the way to separate each other. Since the opposition in this industry is extreme, the opposition wins among banks as well as with other financial institutions working either locally or all inclusive. In any case, the worldview of understanding the essential factors that impact of consumer satisfaction in the banking sector in India which will prone to help the banks' management and the financial institutions to improve the nature of service to the clients.

The term service quality has two center components, customer expectation and customer perception. Customers will consider the service quality as low when the coveted execution of service gave by their banks neglects to get together their desire and then again, will consider the service quality as high when the service quality as high when the bank's desired performance matches or exceeds their expectations.

This study examined the effect of customer satisfaction of service quality of Pallavan Grama Bank in Dharmapuri District and the relative contrasts connected with the different determinants of service quality utilizing the service quality dimensions. It is discovered that Reliability has the most critical effect on customer satisfaction towards banking services and Responsiveness has the slightest noteworthy effect on banking services, Tangibility isn't altogether impact on customer satisfaction. Therefore, offering good and adequate banking facilities in the rural areas is the need of the hour and Pallvan Grama Bank should enhance the customers' satisfaction in order to be successful. The concerned authorities of Pallavan Grama Bank meticulously consider the suggestions, it would certainly enable PGB to enjoy the competitive edge and even become a lead bank in India.

### SCOPE FOR FUTURE RESEARCH

The present study is finding out the customer's perception towards retail loan offered by Pallavan Grama Bank in Dharmapuri district. The researcher has suggested to study the perception, awareness and satisfaction towards retail banking services rendered by Pallavan Grama Bank in Tamil Nadu.

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