Impact of Service Quality Delivery on Customer Satisfaction in Public and Private Sector Banks

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Abstract

In any business organization satisfying a customer is the ultimate objective. Sometimes organizations do not understand of what really goes on in a customer's mind. Many researches and studies have been conducted on the reality of customers mind, till today and still remains a mystery. Therefore this study focused on the impact of service quality delivery on customer's satisfaction with reference to public and private sector banks in Thanjavur district. A quantitative research was used to study the relationship between service quality dimensions and customer satisfaction. The findings revealed that Reliability and responsiveness had significant effect on customer satisfaction. The study highlights the importance of service quality dimensions in banking sectors.

Key words – Tangibility, Reliability, Responsiveness, Assurance, Empathy and Customer Satisfaction

Introduction

Today, banking sector is recognized as a catalyst in economic development of a nation and, lot is expected from the banking fraternity. The recognition of banking, as a tool for all inclusive growth by economists, financial planners, reformist and sustainable development etc., has made it a central sector in the Government planning of economic growth. The banking sector in India is therefore witnessing marvelous changes because of political, social and economic changes that are taking place domestically and internationally. These changes have made the customers focal point for banks. Today banks are wooing existing customers and prospective customers by offering new facilities, products, and services in order to retain and increase their base in the market. The way the banking has changed, so has the customer changed. The customer of today is not what he was yesterday. Today the customer is more smart, knowledge, demanding, analytical and aware of his rights.

It is therefore a challenging task before the banking sector, they have to consistently improve on their working models, upgrade their skills, technology and policies so that they are proficient to withstand the international competitive environment in future. In service industries, an increase in customer satisfaction will result in retained markets, increased use of the system, attracting new customers and helps to build a more positive public image. To accomplish these ends, Indian banks need a more reliable and efficient methods for identifying the determinants of service quality from the customer's perspective. Customer has expectations for service experiences and they use them to measure against the perceived service performance in their judgment of service quality. Service quality includes providing the right service to the right people, at the right time, at the

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right place and right price for attaining ultimate customer satisfaction in the banking sector.

Review of Literature

A. Customer Satisfaction

In a competitive market place where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy. There is a substantial body of empirical literature that establishes the benefits of customer satisfaction for firms. It is well established that satisfied customers are key to long term business successes (Kristensen et al.,1992; Zeithamal et al.,1996; McColl – Kennedy and Scheider,2000)

"Satisfaction is the customers evaluation of a product or service in terms of whether that product or service has met the customer's needs and expectations" (Wilson et al.2008,p.80). If the product or services do not accomplish what customers expect, they become dissatisfied and in turn search for better offerings from competitors. If customers perceptions match or go beyond expectations, customer will feel contended or delighted respectively (Kotler et al,2005,P.10). It happens that customers who only are satisfied can switch easily to competitors when they are offered a better product or service and competitive price. It is not easy for those customers who are highly satisfied to easily switch, while customers who are delighted about the offering become loyal (Kotler et al,2005,P.466). When customers are highly satisfied they discuss in favour of their company and its products and services to others and they are not much influenced by competitors (Hansemark, Albinsson, 2004,P.41).

Customer satisfaction is an outcome of customer expectations and perceived service quality. According to Karten (2009), the level of customer's satisfaction is determined by what customers expect and based on company performance. Even thought satisfaction is influenced by many interrelated factors, the author illustrates it though a simple formula which shows that customers level of satisfaction can be affected by changes in either their expectations or company 's performance (Karten,2009), Which is actually what customers perceive in terms of products and services delivered.

$$\text{Customer Satisfaction} = \frac{\text{Company performance (Customer Perceptions)}}{\text{Customer Expectations}}$$

B. Service Quality

Service quality is a very important component in any business related activity. This is especially so, to marketer a customer's evaluation of service quality and resulting level of satisfaction are perceived to affect bottom line measures of business success (lacobucci et,al.,1994). Service quality is an important factor for success in the banking sector. Thus, some bank managers emphasize the various dimensions of service quality (Glaveli el, al., 2006).

Parasuraman and his supporters introduced 5 general dimensions of service quality of any service provider. These dimensions include:

1. Tangibility: Physical facilities, tools, materials, and communication channels.
2. Trust worthiness: the ability to provide promised services in a proper and reliable way.

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3. Accountability: to have the interest in providing appropriate service and generally helping Customers.

4. Reliability: knowledgeable and polite personnel and their ability to win customers trust and confidence.
5. Empathy: taking care and paying attention to individuals.

The researchers intend to evaluate five dimensions of service quality according Parasuraman model. A closely related concept to customer satisfaction is service quality (Zeithaml et al, 2006, p.106). According to parasuraman (1985, 1988; Lassar et al, 2000, p. 183) service quality is a "partial determinant of satisfaction", despite these arguments, research shows that the perceived service quality is an essential component which leads to customer satisfaction (Lasser et al, 2000, p. 244). Service quality and customer satisfaction has a positive relation in the banking sector context (Leverin, Liljander, 2006, p. 234), which is important for the study.

Objective

The objective of this study is to find out the impact of service quality delivery on customer satisfaction in public and private sector banks.

Methodology

The study is based on primary data collected from the bank customers of Thanjavur district in Tamilnadu during May-June 2013, with the help of pre-tested and structured questionnaire .The study consisted of 392 respondents who have various accounts maintained in the selected banks like, City Union Bank, ICICI, and State bank of India and Indian Overseas Bank. The respondents were selected based on multi-stage sampling technique. Multiple regression models has been used in to analyze the data.

Sample Descriptions

The demographic characteristics of the respondents are that majority of the respondents (30%) belong to age group of 31- 40. This reveals young persons have more accounts in banks. The data further reveled that most of the respondents are male (64%). More than one-third (41%) of the respondents are post – graduates, followed by graduates (28%). This signifies the educational level also plays a significant role in operating an account in banks. Most of the respondents (51%) are Government, private and retired persons have equally been distributed. As far as the income level is concerned, most of the respondents (70%) belong to the income group of rupees 1.5 lakhs to 3 lakhs.

Discussions and Implications

The implementation of multiple regressions is to learn more about the relationship between several independent or predictor variables and a dependent or criterion variable. According to survey data whether tangibles, reliability, responsiveness, assurance and empathy act as a subjective rating of appeal in retail banking sector. Once this information has been compiled it would be

interesting to see whether and how these measures relate to customer satisfaction in the retail banking sector.

Reliability Analysis

Dimensions	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Tangibility	15.30	7.492	.413	.722
Reliability	15.46	6.891	.580	.677
Responsiveness	15.48	7.022	.516	.694
Assurance	15.23	6.640	.578	.675
Empathy	15.15	7.392	.473	.707
Satisfaction	16.28	7.125	.347	.750

Multiple regression Model

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Independent variables	Unstandardized Coefficients		Standardized Coefficients		Statistical inference	
	B	Std. Error	Beta	t		F value
(Constant)	.468	.274		1.709	R = 0.710	31.64*
Tangibility	.068	.065	.054	1.046	R^2 = 0.688	
Reliability	.283	.071	.226	3.961*		
Responsiveness	.246	.066	.203	3.734*		
Assurance	.095	.071	.083	1.343		
Empathy	-.104	.077	-.079	-1.340		

* sig at 0.01

The tables show that the combination of tangibles, reliability, responsiveness, assurance and empathy together contributed to 71% effect on customer satisfaction. The R^2 for the overall study on the above five dimensions suggests that there is a strong effect of this five independent variables on customer satisfaction. The F value 31.64 changes are significant which implies that the model is fit and robust.

From the above table it is concluded that the tangibles, assurance and empathy have no significant effect on customer satisfaction. Reliability and responsiveness have significant effect on customer satisfaction. (P-value <0.01). The standardized coefficients Beta column, gives us the coefficients of independent variables in the regression equation including all the predictor variables.
Customer satisfaction = 0.054 (tangibility) + 0.226 (reliability) + 0.203(responsive) + 0.083(assurance) - 0.079 (empathy)

1. Tangibility

Tangibles consist of physical facilities, equipment, personnel and communication materials. This study results shows that it has positive correlation but has no significant effect on customer satisfaction. It is concluded that tangibility is a need in providing better quality service. The mean scale shows that private sector banks performed better than the public sector banks. This suggests that private bank have modern looking equipment, visually appealing materials and facilities for the fulfilling the expectation of the customer as a result public sector banks have to improve their physical evidence.

2. Reliability

Reliability consists of performing the promised service dependably and accurately. The results of the research suggest that reliability has a positive Correlation and is highly significant with customer satisfaction. This indicates both public private sector banks have fulfilled their promised services to their customers and are more concerned in solving their customer problems. Hence the result indicates both public and private sector banks are more transparent in their transactions.

3. Responsiveness

Responsiveness consists of knowledge and courtesy and their ability to convey. The research result states that responsiveness has a positive correlation and is highly significant with customer satisfaction. Both private and public sector banks are more responsive in fulfilling the customer needs. This results shows customers prefer to deal with bank employees rather than the technology.

4. Assurance

Assurance consists of Bank officials help to customers in provide prompt service. Based on the findings his inferred that assurance has positive relationship but without significant effect on customer satisfaction. The response shows though customer prefers to deal with bank employees personally still they lack confidence in their transactions.

5. Empathy

Empathy consists of Bank employees Caring and individualized attention to customers the analysis shows that empathy has positive relationship but no significant effect on customer satisfaction. This suggests that most of the customers in this research area still prefer to go to their bank to have a face to face transaction rather than depending on technical services.

The research Implication of this study indicates that both private and public sector banks should not only focus on profit motive, but also give equal importance to Tangibility, Reliability, Responsiveness, Assurance and Empathy to enhance customer satisfaction. As far as tangibility factor is concerned public sector bank needs to improve their physical facilities using SERVQUAL model in order to maintain the competition in the banking sector.

Conclusion

The main aim of the study was to assess the service quality delivery of public and private banks and its impact on customer satisfaction. The mean score values for service quality dimensions was between 3.10 and 3.43. This indicates that improvements of service quality dimensions, especially the dimensions of responsiveness and reliability. Thie study also found a positive relationship between all service quality dimensions and customers satisfaction. Accordingly, the research result of this research paper confirmed the theory of literatures regarding the relationship between service quality dimensions and customer satisfaction. A lot of changes are observed from the past decade. Banks have improved their quality of customer service delivery as compared to before, and are striving hard to increase and retain their existing customers by providing quality services. In the competitive market, every individual is in need of better services. If a bank fails to provide the required service, they will switch over to another bank which provides better quality services.

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