



IMPACT OF SERVICE QUALITY ON CUSTOMER'S SATISFACTION IN BANKING SECTOR -A STUDY IN DELHI & NCR

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ABSTRACT

As services are the intangible in nature and its quality can be measure through credibility, responsibility, reliability, clarity about the service, communication etc. Quality is a technique to measure the achievement of product or service, so the quality is known as vital factor that influence the buying behavior of the customer.

The study has been undertaken to evaluate the quality of services provided and satisfaction level of customer of retail banks in Delhi & NCR. To study the relationship between service quality rating and variables like: age, gender, employment, income, bank in which account is held and duration of account held.

The structured questionnaire was designed to collect data. The questionnaire comprises of 11 statements of bank customers. It includes age, gender, occupation, name of the bank, income of the customers, duration for which they have been availing the services, etc.

Keywords: Customer Service, Customer Satisfaction, Service Quality & Retail Banking.

Introduction

Be it private or public banks, the customers are an essential part of every type of institutions. Customers are considered as a crucial part through which any banking institution directs to the

success, because they represent its fundamental source which is 'revenue'. So, for banks, creating a sense of loyalty among customers is important part.

Regular customer is essential for the success of any business or banking institution, and losing customers is known as a reliable measure of failure, since without customers there can be no revenue or business. Keeping a customer satisfied is considered as a medium to get more customers to a bank by the quality service or verbal references, sometimes customer loyalty of banks or organizations need to be rewarded by offering discounts or free services.

Broadly, for banking sectors a customer can be defined as a user or a prospective user of bank services. So, customer in any banking institutions is a person who maintains an account with bank and on whose behalf account maintenance had done regularly.

Service Quality

The term Service Quality is a term which helps in measuring the achievements of the services which are offered by the banks. This term reflects subjective as well as objective aspects of the offered services. The predefined criteria are needed for the accurate measurement of an objective customer service. And the measurement of the subjective customer service depends upon the conformity of the expected benefits with the expected results. This in turn depends upon the customer's expectation service they might receive and the talent of service provider to present the customer their expected service.

The term quality is a concept which needs concern and focus in product as well as service. For the market of the product or any service, quality plays vital role to sell product or service. As quality is a technique to measure the achievement of product or service, so the quality is known as vital factor that influence the buying behavior of the customer. In tangible goods, quality can be estimated by its durability, usage of product, handling, packaging etc. Whereas, measuring the quality of intangibles is different from tangible. As services are the intangible in nature and its quality can be measure through credibility, responsibility, reliability, clarity about the service, communication etc.

The marketer must try to understand the target market's needs, wants, and demands. Need can be considered as basic human requirements. Every human need food, air, water, clothing, and entertainment. These needs become wants when they are directed to specific objects that might satisfy the need.

As per **Monica Bedi** in **2010** the research scrutinizes relationship between service quality, customer satisfaction and behavioral intentions. The findings also indicated the importance of service quality. The study analyzed out that banks differed in the service quality limits.

By **Fulbag Singh, Davinder Kaur** in **2011** the research conglomerates all literature review done in service quality and related parts in banking till 2010. It comprises the study works of Cronin& Taylor, Bahia and Nantel and others on this area.

Whereas, **Dr. Ravichandran et al** in **2010** the paper examines existing research and try to recognize socio demographic and rational profile of public retail banking consumers. It also finds out the significance of service quality dimensions to forecast the multidimensional model of behavioral meanings among public sector consumers in India. Loyalty was found to be subjective by operating hours, modern equipment, error free accounts etc. Service quality factors like tangibility, responsiveness and empathy dimensions were also found to be very essential.

Sachin Mittal&Rajnish Jain (2010)-This research paper is basically a literature review of banking sector and outcome of IT based services on customer satisfaction. The study underlines customer satisfaction levels amongst young customers in banking industry. A study indicates the difference between customer's expectations and perception with respect to IT based banking services. Findings specified essential to develop the IT based services for improving customer satisfaction.

H. Emari et al (2011)- The key objective of this study was to determine the dimensions of service quality in the banking sector of Iran. For this the research study empirically scrutinized the European viewpoint (i.e., Gronroos's model) signifying that service quality comprises of three dimensions, technical, functional and image. The results from a banking service sample exposed that the complete service quality is recognized more by a consumer's perception of technical quality than functional quality.

Kumbhar, Vijay (2011)- It scrutinized the relationship between the demographics and customers' satisfaction in net banking, it also originates out relationship between service quality and customers' satisfaction as well as satisfaction in internet banking service delivered by the public-sector bank and private sector banks. The study found out that complete satisfaction of employees, businessmen and professionals are greater in internet banking service. Also, it was found that there is important gap in the customers' perception in internet banking services delivered by the public and privates sector banks.

Objectives of the study

- The study has been undertaken to evaluate the quality of services provided to customers of retail banks in Delhi & NCR.
- To evaluate satisfaction level of customers in public, private and foreign banks of Delhi & NCR
- To study the relationship between service quality rating and variables like: age, gender, employment, income, bank in which account is held and duration of account held.

Sampling method

- Random sampling method has been used for the study. The sample comprises of 449 respondents of public, private & foreign banks of Delhi & NCR.

Sources of data

- The structured questionnaire was designed to collect data. The questionnaire comprises of 11 statements of bank customers. It includes age, gender, occupation, name of the bank, income of the customers, duration for which they have been availing the services, etc.
- The descriptive statistics like mean, standard deviations are used to analyze the data.
- ANOVA has been used to test the hypothesis to establish the relationship between the customer quality rating and the categorical variables.

Limitations of the study

- The study is limited to the information provided, as per the knowledge of the customers of public, private & foreign banks of Delhi & NCR.
- The study is limited to 13 retails banks of Delhi & NCR (naming State Bank of India, Oriental Bank of Commerce, HDFC Bank, ICICI Bank, Karnataka Bank, AXIS Bank, Bank of Baroda, Canara Bank, CITI Bank, Allahabad Bank, Corporation Bank, Punjab National Bank, YES Bank.)

Hypothesis

H₀: Service quality rating is independent of variables such as age, gender, employment, income, bank in which account is held and duration of account held

H1: Service quality rating is not independent of variables such as age, gender, employment, income, bank in which account is held and duration of account held

Research Methodology

The following analysis explains the customer service quality rating across categorical variables such as age, gender, occupation, income, type of bank in which the account is held

The tables given below gives the descriptive statistics like mean, number of respondents and the standard deviations.

ANOVA has been used to test the hypothesis to establish the relationship between the customer quality rating and the categorical variables.

Data Analysis& Interpretation

| Gender | Mean | N | Standard Deviation |
|--------|---------|-----|--------------------|
| Male | 1.8145 | 221 | .8712 |
| Female | 1.7654 | 228 | .7643 |
| Total | 1.78995 | 449 | .500 |

➤ Customer Service Quality Rating Distributed Across Gender

Table – 1: table showing customer service quality rating distributed across gender

The satisfaction level of customers in respect to service quality was rated higher by male customers as compared to female customers. Data dispersion is also more for male customers as compared to female customers.

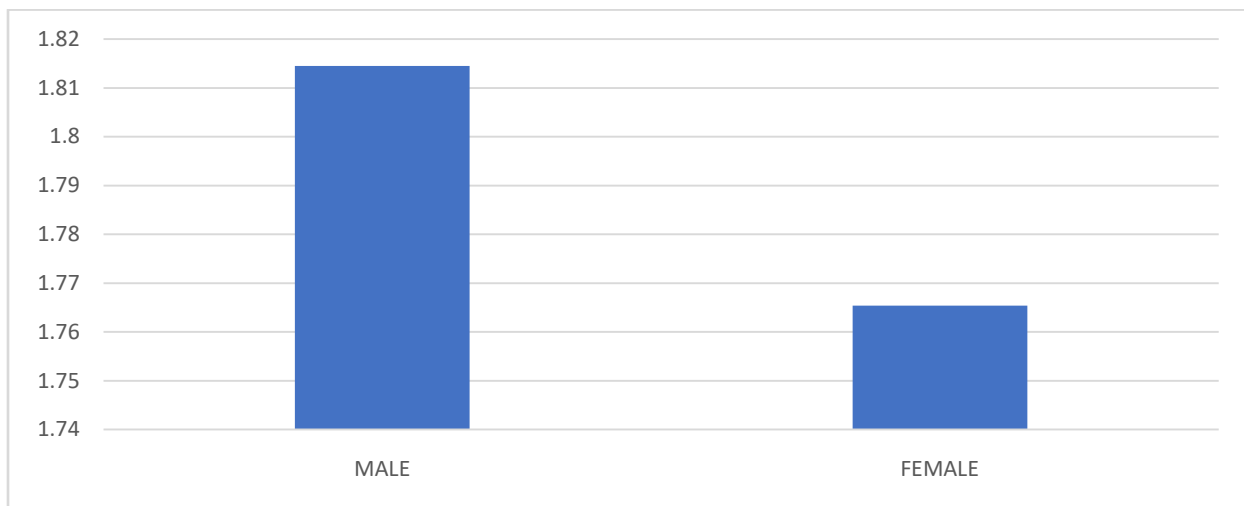


Figure -1: figure showing customer service quality rating distributed across gender

➤ **Customer Service Quality Rating Distributed Across Professionals**

| Occupation | Mean | N | Standard Deviation |
|----------------|------|-----|--------------------|
| Businessman | 2.56 | 77 | .987 |
| Private Sector | 2.89 | 159 | .976 |
| Public Sector | 2.34 | 153 | .913 |
| Professional | 2.45 | 60 | .918 |
| Total | 2.56 | 449 | .926 |

Table – 2: table showing customer service quality rating distributed across professionals

There is not much variation observed in the ratings given by customers belonging to various occupational groups. Public sector who were in least number who responded expressed least satisfaction of the customer service quality of the banks. Private sector has given a high rating to the quality of banking services. This is shown below in the form of a bar diagram.

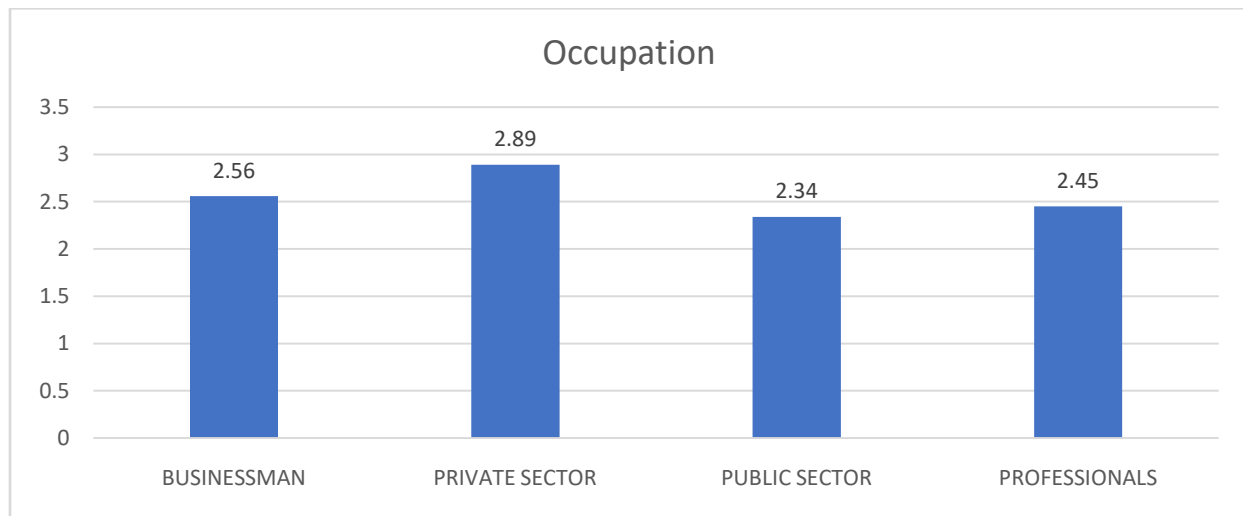


Figure -2: figure showing customer service quality rating distributed across professionals

➤ **Customer Service Quality Rating Distributed Across Banks**

| Name of the bank | Mean | N | Standard Deviation |
|------------------|--------|----|--------------------|
| SBI | 3.2341 | 41 | .2234 |
| OBC | 2.8776 | 50 | .3212 |
| HDFC | 2.1254 | 71 | .3212 |
| ICICI | 3.0098 | 64 | .1245 |
| Karnataka | 2.1123 | 19 | .2234 |
| Axis | 2.9854 | 48 | .2145 |
| Bank of Baroda | 2.8989 | 6 | .1134 |
| Canara | 2.1256 | 26 | .2245 |
| CITI | 2.4376 | 26 | .4322 |
| Allahabad | 2.1145 | 36 | .5423 |

| | | | |
|-------------|--------|----|-------|
| Corporation | 2.9912 | 17 | .2456 |
| PNB | 2.3412 | 35 | .6523 |
| Yes | 2.1111 | 10 | .4423 |

Table -3: table showing customer service quality rating distributed across banks

The above table shows the standardization of most of the services by Banks in India. All the banks have gained the satisfaction score of above 2 from its customers. However, the average score is 2.9712 and there are more than 5 banks falling below the average. SBI have rated the highest among all other banks.

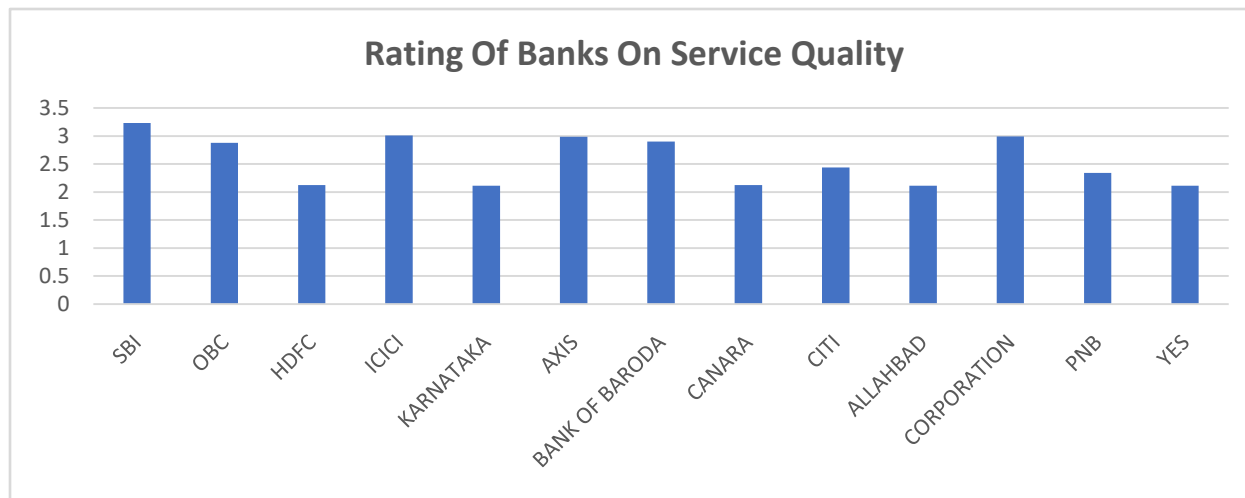


Figure -3: figure showing customer service quality rating distributed across banks

➤ **Service Quality Rating By The Type Of Bank In Which Account Is Held**

| Type of abank | Mean | N | Standard Deviation |
|----------------------|--------|-----|--------------------|
| Public Sector Banks | 1.9976 | 154 | .9856 |
| Foreign Banks | 2.3342 | 69 | .9312 |
| Private Sector Banks | 2.7634 | 226 | .8834 |
| Total | 2.3650 | 449 | .9923 |

Table- 4: table showing service quality rating by the type of bank in which account is held

The customer service quality rating is extremely higher in case of private bank as compared to public and foreign banks.

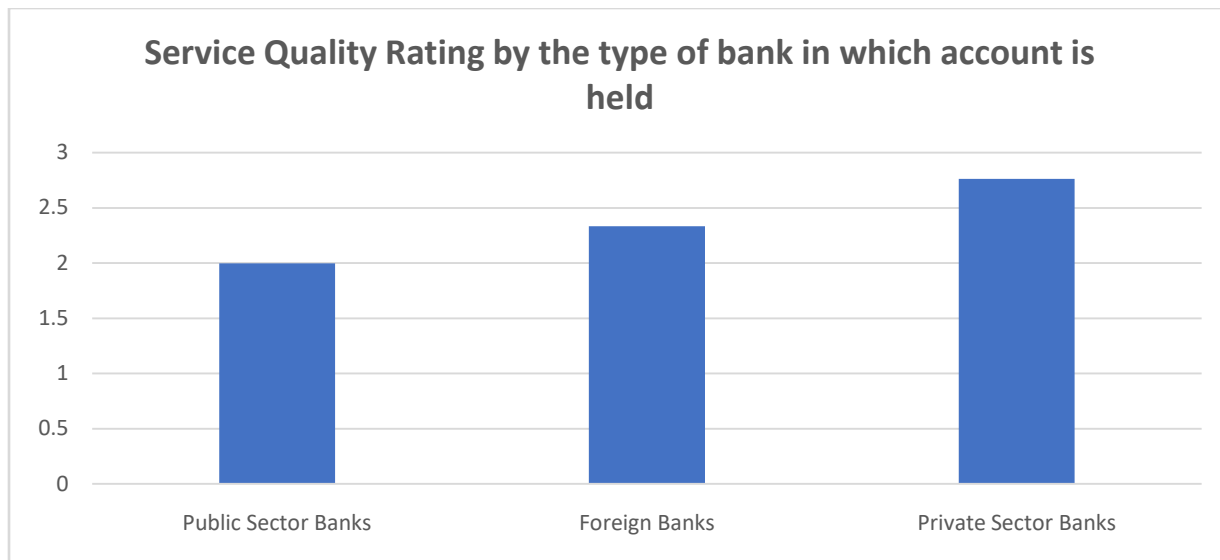


Figure-4: figure showing service quality rating by the type of bank in which account is held

➤ **Service quality rating by the duration of the account held by customers**

| Duration | Mean | N | Standard Deviation |
|-------------------|--------|-----|--------------------|
| Less than 1 year | 2.1245 | 78 | .8655 |
| 1-3 years | 2.1543 | 164 | .9834 |
| 3-5 years | 2.5413 | 148 | .9912 |
| More than 5 years | 2.8745 | 59 | .9321 |
| Total | 2.4236 | 449 | .9965 |

Table-5: table showing service quality rating by the duration of the account held by customers

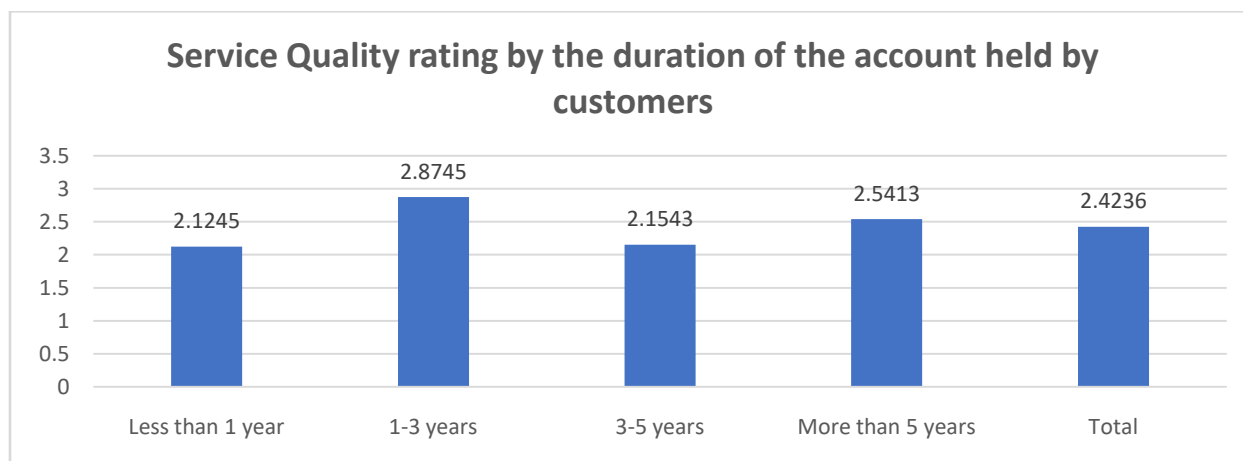


Figure-5: figure showing service quality rating by the duration of the account held by customers

Hypothesis to test Independence of service quality rating from the categorical variables

| Independent Variable | F statistic | P value | Significance at 5% | Acceptance of Hypothesis |
|----------------------|-------------|---------|--------------------|--------------------------|
| Age | 4.8735 | 0.495 | Insignificant | Yes |
| Gender | 2.8752 | 0.224 | Insignificant | Yes |
| Employment | 3.5524 | 0.018 | Significant | No |
| Income | 9.3412 | 0.000 | Significant | No |
| Bank | 3.7634 | 0.001 | Significant | No |
| Duration | 2.8976 | 0.342 | Insignificant | Yes |

Table – 6: table showing hypothesis to test independence of service quality rating from the categorical variables

Interpretation

- a) **Age-** Since p value is greater than 0.01, we do not reject the null hypothesis, thus service quality rating and age are independent of each other.
- b) **Gender-** Since p value is greater than 0.01, we do not reject the null hypothesis, thus service quality rating and Gender are independent of each other.
- c) **Employment-** Since p value is less than 0.05, we reject the null hypothesis. It means that there is dependence between employment and service quality rating.
- d) **Bank-** Since p value is less than 0.01, we reject the null hypothesis. It means that there is dependence between type of bank and service quality rating.
- e) **Income-** Since p value is less than 0.01, we reject the null hypothesis. It means that there is dependence between income and service quality rating.
- f) **Duration-** Since p value is greater than 0.05, we do not reject the null hypothesis, thus service quality rating and duration are independent of each other.

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