CUSTOMER SATISFACTION IN INDIAN BANKING

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ABSTRACT

With the current change in the functional orientation of banks, the purpose of banking is redefined. The main driver of this change is changing customer needs and expectations. Customers in urban India no longer want to wait in long queues and spend hours in banking transactions. This change in customer attitude has gone hand in hand with the development of ATMs, phone and net banking along with availability of service right at the customer's doorstep. With the emergence of universal banking, banks aim to provide all banking product and service offering under one roof and their endeavor is to be customer centric[i]. With the emergence of economic reforms in world in general and in India in particular, private banks have come up in a big way with prime emphasis on technical and customer focused issues.

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Introduction

The banking industry in India has undergone sea change post independence. More recently, liberalization, the opening up of the economy in the 90s and the government's decision to privatize banks by reduction in state ownership culminated in the banking reforms based on the recommendations of Narasimham Committee. The prime mover for banks today is profit, with clear indications from the government to 'perform or perish'. Banks have also started realizing that business depends on client service and the satisfaction of the customer and this is compelling them to improve customer service and build relationship with customers.

With the current change in the functional orientation of banks, the purpose of banking is redefined. The main driver of this change is changing customer needs and expectations. Customers in urban India no longer want to wait in long queues and spend hours in banking transactions. This change in customer attitude has gone hand in hand with the development of ATMs, phone and net banking along with availability of service right at the customer's doorstep. With the emergence of universal banking, banks aim to provide all banking product and service offering under one roof and their endeavor is to be customer centric. With the emergence of economic reforms in world in general and in India in particular, private banks have come up in a big way with prime emphasis on technical and customer focused issues.

In this paper the main contention of the author is to highlight the customer satisfaction through service quality provided by the banks-SBI from the public sector banking & ICICI from the private sector banking. Another contention is to demonstrate the performance of the two banks SBI & ICICI in terms of customer satisfaction.

State Bank of India (SBI) is the largest bank in India. It is measured by the number of branch offices and employees as the largest bank in the world. Established in 1806 as Bank of Bengal, it remains the oldest commercial bank in the Indian Subcontinent and also the most successful one providing various domestic, international and NRI products and services, through its network of 13,908 branches, including 4,731 associate banks' branches in India and overseas. It also

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provides financial services, such as life insurance, merchant banking, mutual funds, credit card, factoring, security trading and primary dealership in the money market. With an asset base of $126 billion and its reach, it is a regional banking behemoth. The bank was nationalised in 1955 with the Reserve Bank of India having a 60% stake. It has laid emphasis on reducing the huge manpower through Golden handshake schemes and computerizing its operations.

It also has non-banking subsidiaries and joint ventures, such as SBI Capital Markets Ltd., SBI DFHI Ltd., SBI Funds Management Pvt Ltd., SBI Factors & Commercial Services Pvt Ltd. and SBI Life Insurance Company Ltd. Effective April 20, 2005, it acquired a 51% stake in Indian Ocean International Bank Ltd.

Hypothesis

The hypothesis of the study is:

H0 – There is no significant difference between the quality perceptions and customer satisfaction of public and private sector banks.

H1 – There is significant difference between the quality perceptions and customer satisfaction of public and private sector banks.

Research Design

Research design is a master plan specifying the method and procedure for collection and analyzing needed information. The research design in this project is descriptive. Descriptive research includes surveys and fact-finding inquiries of different kinds.

For this study, descriptive research design is used where the data is collected through the questionnaire. The information is gathered from the different customers of the two banks, viz., State Bank of India and ICICI Bank located in the district Yamunanagar, Haryana. Seventy five bank respondents and thirty bank officials each from both the banks were contacted personally in order to seek fair and frank responses on quality of service in banks. The service quality model developed by Zeithamal, Parsuraman and Berry (1988) has been used in the present study. The main assumption of the model is that service quality is multi-dimensional concept. These dimensions contribute to the assessment of the service quality in any setting.

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The statements in the construct are one-dimensional and performance based, which incorporate the statements of 'SERVQUAL' model that can be used as measurement (Cronin Jr. & Taylor, 1992). The 21 statements have been grouped under five dimensions mentioned earlier. In order to ascertain the perceptions of service quality, Likert's 5-point scale has been used for its suitability to estimate the range and variations in the perceptions. The scale 1-5 represents '5' as strongly agree and '1' as strongly disagree.

Measurement of Customer Satisfaction with Service Quality And Review of Literature

Customer satisfaction is an important theoretical as well as practical issue for most marketers and consumer researchers. Customer satisfaction is increasingly becoming a corporate goal as more and more companies strive for quality in their products and services. Customer satisfaction is the feeling or attitude of a customer towards a product or service after it has been used and is generally described as the full meeting of one's expectations. Customer satisfaction is a major outcome of marketing activity whereby it serves as a link between the various stages of consumer buying behaviour. For instance, if customers are satisfied with a particular service offering after its use, then they are likely to engage in repeat purchase and try line extensions. A study conducted by Levesque and McDougall confirmed and reinforced the idea that unsatisfactory customer service leads to a drop in customer satisfaction and willingness to recommend the service to a friend. This would in turn lead to an increase in the rate of switching by customers.

To measure customer satisfaction with different aspects of service quality, *Parasuraman, Valerie Zeithaml* and *Berry* developed a survey research instrument called *SERVQUAL.* It is based on the premise that the customers can evaluate a firm's service quality by comparing their perceptions of its service with their own expectations. *SERVQUAL* is seen as a measurement tool that can be applied across broad spectrum of service industries. In its basic form, the scale contains 21 perception items and a series of expectation items, reflecting the five dimensions of service quality.

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Their findings suggest that, in reality, *SERVQUAL* scores measure only two factors: intrinsic service quality (resembling what is termed functional quality) and extrinsic service quality **(which refers to the tangible aspects of service delivery and "resembles to some extent what Gronroos refers to as technical quality").** Generic dimensions customers use to evaluate service quality are Credibility, security, access communication, understanding the customer, tangibles, reliability, responsiveness, competence, courtesy.

SERVQUAL Scale
The SERVQUAL scale includes five dimensions: tangibles, reliability, responsiveness, assurance and empathy. Within each dimension are several items measured on a seven-point scale from strongly agree to strongly disagree, for a total of 21 items.

SERVQUAL Questions
For actual survey respondents, instructions are also included, and each statement is accompanied by a seven-point scale ranging from "Strongly Agree – 5" to "Strongly Disagree – 1". Only the end points of the scale are labeled; there are no words above the number 2 through 4.

Tangibles
➢ Excellent banks (refer to cable TV companies, hospitals, or the appropriate service business throughout the questionnaire) will have modern-looking equipments.
➢ The physical facilities at excellent banks will be visually appealing.
➢ Employees at excellent banks will be neat in appearance.
➢ Materials (e.g., brochures or statements) associated with the service will be visually appealing in an excellent bank.

Reliability
➢ When excellent banks promise to do something by a certain time, they will do so.
➢ When customers have a problem, excellent banks show a sincere interest in solving it.
➢ Excellent banks will perform the service right the first time.

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- ➢ Excellent banks will provide their services at the time they promise to do so.
- ➢ Excellent banks insist on error free records.

Responsiveness

- ➢ Employees of excellent banks will tell customers exactly when service will be performed.
- ➢ Employees of excellent banks will give prompt service to customers.
- ➢ Employees of excellent banks are always willing to help customers.
- ➢ Employees of excellent banks are never too busy to respond to customer requests.

Assurance

- ➢ The behavior of employees of excellent banks will instill confidence in customers.
- ➢ Customers of excellent banks will feel safe in their transactions.
- ➢ Employees of excellent banks are consistently courteous with customers.
- ➢ Employees of excellent banks are having the knowledge to answer customer questions.

Empathy

- ➢ Excellent banks will give customers individual attention.
- ➢ Excellent banks will have operating hours convenient to all their customers.
- ➢ Excellent banks will have employees who give customers personal attention.
- ➢ Employees of excellent banks will understand the specific needs of their customers.

Core Strategies to Address Service Quality Gaps

There are seven service quality gaps as depicted in figure 1.

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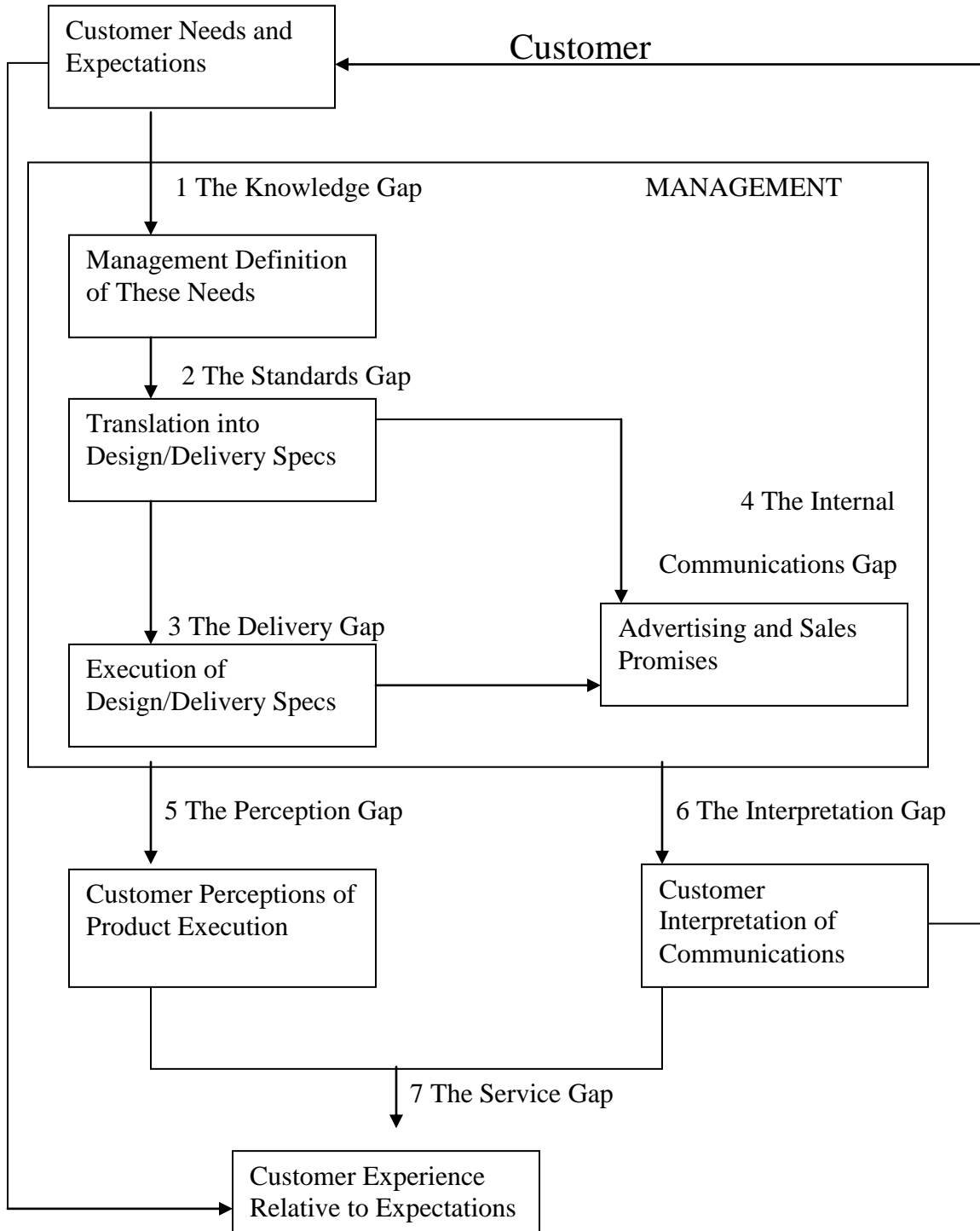Email id: - editoraarf@gmail.com, editor@aarf.asia

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Figure 1 Service Quality Gaps

In line with the objective of the study, the main areas of questioning and analysis concerned perceptions of service quality and its dimensions: tangibility, reliability, responsiveness, assurance and empathy. As stated, perceptions were measured on a seven point strongly agree to strongly disagree scale. Mean differences between service quality perceptions of banks and respective customers were calculated separately for SBI and ICICI. The results obtained from this computation are presented below in Tables 1 to 6.

Table 1. Comparative Perceptions of Banks and their Respective Customers about Tangibility

Sr. No.	SERVQUAL Dimension	State Bank of India		ICICI Bank	
		Group	Mean	Group	Mean
1	Up to date equipment	BO	5.63	BO	6.24
		BC	4.10	BC	6.53
2	Physical facilities	BO	5.35	BO	6.28
		BO	3.47	BC	6.58
3	Neatness of employees	BO	6.16	BO	6.97
		BC	5.18	BC	6.95
4	Communication material	BO	5.99	BO	6.31
		BC	5.11	BC	6.89
	Tangibility(1+2+3+4)	BO	23.13	BO	25.79
		BC	17.84	BC	26.93

Note: BO and BC denotes Bank officials and Bank customers respectively.

Bank		SBI	ICICI
Numbers	BC	75	75
	BO	30	30

Table 2. Comparative Perceptions of Banks and their Respective Customers about Reliability

Sr. No	SERVQUAL Dimension	State Bank of India		ICICI Bank	
		Group	Mean	Group	Mean

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5	Promise to do something by a certain time	BO	6.06	BO	6.14
		BC	5.60	BC	6.42
6	Being sincere in solving problem	BO	6.32	BO	6.97
		BC	5.63	BC	6.46
7	Performing the service right the first time.	BO	6.13	BO	6.21
		BC	5.35	BC	6.57
8	Providing the service at the promised time.	BO	6.02	BO	6.03
		BC	5.7	BC	6.13
9	Keeping records correctly.	BO	6.85	BO	6.97
		BC	6.46	BC	6.99
	Reliability(5+6+7+8+9)	BO	31.37	BO	32.31
		BC	28.94	BC	32.57

Note: BO and BC denotes Bank officials and Bank customers respectively.

Bank		SBI	ICICI
Numbers	BC	75	75
	BO	30	30

Table 3. Comparative Perceptions of Banks and their Respective Customers about Responsiveness

Sr. No.	SERVQUAL Dimension	State Bank of India		ICICI Bank	
		Group	Mean	Group	Mean
10	10.Telling customers exactly when the services will be performed.	BO	6.11	BO	6.21
		BC	5.39	BC	6.33
11	11. Employees providing prompt service to customers.	BO	5.86	BO	6.21
		BC	4.65	BC	6.11
12	12. Employees who are always willing to help.	BO	6.10	BO	6.79
		BC	5.18	BC	6.33
13	13. Employees who are never	BO	5.31	BO	6.28

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	too busy to respond to customers requests.	BC	4.52	BC	6.04
	Responsiveness(10+11+12+13)	BO BC	23.38 19.73	BO BC	25.48 24.81

Note: BO and BC denotes Bank officials and Bank customers respectively.

Bank		SBI	ICICI
Numbers	BC	75	75
	BO	30	30

Table 4. Comparative Perceptions of Banks and their Respective Customers about Assurance

Sr. No.	SERVQUAL Dimension	State Bank of India		ICICI Bank	
		Group	Mean	Group	Mean
14	Employees who are trustworthy.	BO BC	6.04 5.31	BO BC	6.24 6.15
15	Feeling safe in transacting with banks.	BO BC	6.88 6.62	BO BC	6.21 6.11
16	Employees who are consistently courteous.	BO BC	6.12 5.03	BO BC	6.48 5.78
17	Employees who have the knowledge to answer customers' questions.	BO BC	6.05 5.24	BO BC	6.24 5.49
	Assurance (14+15+16+17)	BO BC	25.09 22.19	BO BC	25.93 24.41

Note: BO and BC denotes Bank officials and Bank customers respectively.

Bank		SBI	ICICI
Numbers	BC	75	75
	BO	30	30

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Table 5. Comparative Perceptions of Banks and their Respective Customers about Empathy.

Sr. No.	SERVQUAL Dimension	State Bank of India		ICICI Bank	
		Group	Mean	Group	Mean
18	Bank that gives individual attention.	BO BC	6.02 5.28	BO BC	6.28 6.29
19	Convenient operating hours.	BO BC	6.23 4.85	BO BC	7.00 6.88
20	Employees who give personal attention.	BO BC	6.16 5.17	BO BC	6.21 6.06
21	Bank which has your best interests at least.	BO BC	6.24 4.99	BO BC	6.62 5.15
22	Employees who understand specific needs of the customer.	BO BC	5.98 4.84	BO BC	6.62 5.15
	Empathy(18+19+20+21+22)	BO BC	30.63 25.13	BO BC	33.10 29.02

Note: BO and BC denotes Bank officials and Bank customers respectively.

Bank		SBI	ICICI
Numbers	BC	75	75
	BO	30	30

Table 6. Comparative perceptions of banks and their Respective customers about Overall service quality in Banks.

SERVQUAL Dimension	State Bank of India		ICICI Bank	
	Group	Mean	Group	Mean
Overall Service Quality	BO BC	133.52 113.86	BO BC	142.62 137.36

Overall Service Quality

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The analysis of Table 6 clearly shows that there exists wide perceptual difference among Indian (public sector) banks regarding overall service quality with their respective customers whereas the said perceptual difference in private banks is narrows.

The high mean difference of SBI (20.68) shows that there is a significant difference in the quality of service being delivered by SBI with the quality of service as perceived by their respective customers. In other words, service quality delivered by banks such as SBI does not match the expectations of their respective customers. Though ICICI Bank is also below its assessment of delivering quality service to its customers but the perceptual difference is narrow (4.91) when compared with SBI.

Conclusion

The banking sector in India is undergoing major changes due to competition and the advent of technology. The customer is looking for better quality services which enhance his/her satisfaction. This study derives its basis from various research findings and is also in like with empirical findings with respect to customer satisfaction by other researchers. To sum up, the results of the study lead us to the following conclusion and policy implication:

- The customer satisfaction in terms of service quality is a relational marketing paradigm. The relationships are mostly viewed from the perspective of the firm providing services. *For service firm in our case the banks, building strong relationship is important for improving customer satisfaction through service quality.*

- Public sector banks like SBI fall much below the perceptions of their customers on all dimensions of service quality. Private Banks such as ICICI bank are exceeding the perceptions of their customers on tangibility and reliability dimensions of service quality.

- Banks like ICICI are closer as regards expectations of their customers. They are also not far away from the perceptions of their customers as far as other dimensions of service quality are concerned. This observation undoubtedly reveals the bleak reality that SBI does not meet the expectations of their customers. *In delivery of quality service in banks, what matter are speed, accuracy, promptness, reliability, individualized attention, etc. Better results can be achieved through proper use of relevant banking technology. These are the areas where our banks are still lagging behind.*

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- The above findings suggest the need and relevance of heavy investment on tangibles particularly computer based banking, internet and intranet services, tele–banking, 'anywhere and anytime banking', etc., besides physical facilities and communication material. This will help in delivering quick and accurate services to customers as well as reducing the workload of frontline staff and thereby providing ways to employees to respond to customer requests. *This investment will also ensure convenient banking hours on which the services of our banks are perceived by the customers to be very low.*

- Banks should continually assess and reassess how customers perceive bank services so as to know whether the bank meets or exceeds or is below the expectations of their customers. Such an appraisal, however, is a tedious task because customer service is complex in nature and dynamic in action. Moreover, it can vary greatly from one branch to another. Also, what is 'good service' today may become 'indifferent service' tomorrow and 'bad service' the next day. *Frequent customer surveys, therefore, throw light on ratification and refinement which will go a long way to improve the service quality in banks.*

Banks must pay attention to potential failure points and service recovery procedures, which become integral to employees training. In other words, it amounts to empowering employees to exercise responsibility, judgment and creativity in responding to customers' problems.

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