

CUSTOMER SATISFACTION IN INDIAN RETAIL BANKING – A STUDY WITH REFERENCE TO CHENNAI

H.Premraj,

M.Com.,M.Phil.,M.B.A.(Fin),M.B.A.(Mktg),
Ph.D Research Scholar, S.I.V.E.T. College,
Chennai, India.

Dr. N.Sankaralingam,

M.Com.,M.B.A.,M.Phil., Ph.D
Associate Professor, Department of Commerce,
S.I.V.E.T. College, Chennai, India.

ABSTRACT

With the banking habits percolating down to the lower strata, increasing literacy, ever growing customers' expectations, automation and competition, satisfying retail banking customers has become a daunting task. The study analysis the service quality perception of 480 retail banking customers in Chennai, chosen from SBI Group, Nationalised Banks, Private sector and Co-operative Banks, to assess their satisfaction level regarding the services rendered by banks and identify those service factors which have the maximum impact on customer satisfaction. The research reveals that the satisfaction level of customers are more with Nationalised Banks, followed by SBI and its Associates, Private sector and Co-operative Banks. It indicates that reliability and competitiveness have the maximum impact on customer satisfaction. Hence, banks need to be more innovative and endeavour to provide more value added services to boost the satisfaction level of customers.

Keywords: Retail banking customers, Customer satisfaction, Banks, Chennai.

Introduction:

The contemporary banking industry is operating amidst financial liberalization, disintermediation, internationalization and technological advancement. The ever growing competition, increase in consumer literacy level, their awareness of their rights, increase in standard of living, are forcing banks to review their service strategy, particularly with the entry of foreign players in the realm. Quality in service industry, like banking, is of paramount importance for a sustained growth in business (Powell,1995). It is an antecedent to customer satisfaction (Ruyter and Bloemer, 1995). Maximising customer satisfaction through quality customer service has been described as "the ultimate weapon" by Davidow and Vital (1989). They proclaim that when competitors are on even plain, that concern which stresses customers' service and satisfaction alone will triumph. Thus, rendering quality service to satisfy and retain customers are the key to success in banking business. But what is the present scenario?

Objectives:

The present study seeks to achieve the following objectives:

- i. To analyse the overall satisfaction level of customers regarding services rendered by banks in Chennai.

- ii. To identify service factors which have the maximum impact on customer satisfaction.

Review of Literature:

In the bygone era, quality was measured only for tangible products. But with the emerging predominance of service sector in the economy, measurement of service quality became prominent.

Crosby (1979) viewed quality as 'Conformance to requirements'. Juran (1988), defined quality as 'fitness for use'. Parasuraman et al (1988) opined quality as a gap between what customer expects to be offered and what is actually offered. Quality has been defined in different ways by different people. They all have a single focus on how users look at [Pijl (1994), Zeithaml (1988), Khader (1997)]. Ramasamy (1996) identified service performance, customer measure, and financial measure as yardstick for assessing service quality. Other researchers such as Liljander (1995), Prakash and Lounsbury (1984) and Swan (1998) evolved several possible comparison standards spanning, ideal service, excellent service, desired service, adequate service, needs and values, comparative expertise and fairness. However, SERVQUAL scale alone incorporate an approximate mixture of these.

SERVQUAL (Parasuraman et al.,1988) is designed to measure customer perception of the identified dimensions of Tangibles, Empathy, Assurance, Responsiveness and Reliability relative to consumer expectation. Subsequent

work on service quality [Parasuraman et al., 1993, Conin and Taylor (1994), Arkiran (1994), Teas (1994), Newman and Cowling (1996)] has raised many issues by providing important but somewhat conflicting insights into the conceptual, methodological, analytical and practical issues related to the service quality concept. To sight an example, Cronon and Taylor (1992, 1994) argue that it is inappropriate to use performance minus expectation (SERVQUAL) and suggests performance only (SERVPERF) measure as a better one.

However, Parasuraman, Zeithaml and Berry (1994) say that SERVQUAL scale using expectation/performance gap is a much superior approach to measuring service quality and augment their earlier view that service quality is a multi dimensional construct. SERVQUAL has been widely used [Dabholhar et al. (1996), Hursey (1999), Nielson and Host (2000), Getz et al. (2001)]. There have been a few empirical studies that dealt with the application of SERVQUAL scale in the banking industry like Kwan and Lee (1994), Natarajan et al. (1999) and Lassar et al. (2000). In the present study, SERVQUAL has been used to analyse the customer's perception on retail banking.

Methodology:

Construct Development:

As there is sufficient evidence to suggest that customer satisfaction can and should be viewed as an attitude, an attitudinal scale with 35 statements is developed to measure the attitudes of customers towards the services rendered by banks. To be pragmatic, a quality construct should be both context relevant and operational (Lapierres 1996). The quality construct has been evolved from the reviews. Following 35 dimensions are administered to measure the quality of services provided by banks:

Tangibles:

1. Fully computerized and modern equipments.
2. Aesthetic ambient.
3. Proper sitting arrangements.
4. Proper lighting.
5. Enough space for uncluttered movement.

Reliability:

1. Keeping up time schedules specified for different tasks.
2. Serving correct the first time.
3. Accuracy in maintaining records.
4. Providing correct and comprehensive procedural formalities.
5. Maintaining strict confidentiality.

Responsiveness:

1. Prompt service.
2. Quick response.
3. Employees are attentive and helpful.

4. Keep customers informed about when services will be performed.
5. Need based services to customers.

Assurance:

1. Feel safe in transacting through banks.
2. Knowledgeable employees to answer customer queries.
3. Availability of employees at all counters.
4. Assured service.
5. Employees instill confidence in customers.

Empathy:

1. Providing personal care.
2. Employees understand individual customer's banking needs.
3. Providing convenient banking hours to customers.
4. Approachable managers.
5. Understand the preciousness of customers time and his emotions.

Competitiveness:

1. Simplified formalities and less paper work.
2. Competent and experienced employees.
3. Efficient credit, debit, ATM facilities, internet banking, instant mobile alerts.
4. Speed and efficiency in grievances redressal.
5. Cost competitiveness – charges levied.

Courtesy:

1. Employees are polite and kind.
2. Patient employees.
3. Employees render courteous service.
4. Quick and courteous on telephone queries.
5. Maintaining courtesy in corresponding with customers.

A 5 point Likert scale with parameters of highly satisfied, satisfied, moderate, dissatisfied, highly dissatisfied with ratings of 5,4,3,2 and 1 respectively is administered to elicit responses from customers.

Sample Size:

The study has been conducted in Chennai. For this purpose, banks were divided into SBI Group, Nationalised Banks, Private Sector Banks and Co-operative Banks. The study covers three banks from each of SBI Group, Nationalised Banks, Private Sector Banks and Co-operative Banks. From each bank, forty individual customers are purposively selected for the present study. The sample size comes to 480 customers. Our convenient sample yielded a total of 389 usable questionnaires. The respondent rate is 81%.

Statistical Tools:

Following statistical tools have been applied to analyse the collected data – Mean, One way analysis of Variance, Step wise regression analysis.

Table 1: Reliability Coefficient And Mean Score of Satisfaction

S.N	Service Aspects	Cronbach Alpha	Mean score on various parameters				
			SBI and its Associates	Private Banks	Nationalized Banks	Cooperative Banks	F statistics
1.	Courteous	0.7803	2.7031	3.3038	3.1696	2.4412	5.3251*
2.	Competitiveness	0.7781	3.4181	2.8992	3.1042	2.8133	1.0442
3.	Tangibles	0.8037	3.7801	3.8124	3.0524	2.0943	4.4827*
4.	Empathy	0.7927	2.0932	2.1817	2.8792	3.0924	4.7102*
5.	Assurance	0.7894	3.2137	2.8132	3.7611	1.9586	9.2819*
6.	Responsiveness	0.8252	2.0583	2.9501	3.8502	2.3214	7.1192*
7.	Reliability	0.8341	3.5173	2.9714	3.3282	2.4617	5.0351*
Overall satisfaction		--	3.0214	2.9594	3.2564	2.2713	3.9657*

*Significant at 5 per cent level.

Hypothesis:

The following hypothesis have been framed for this study:

H_0 : There is no significant difference in customer satisfaction with regard to service dimensions across various banks.

H_1 : There is a significant difference in customer satisfaction with regard to service dimensions across various banks.

Results And Discussions:

Initially the validity of the statements included in the seven aspects of service quality in banking was tested. Cronbach alpha with the mean score of satisfaction against the seven parameters are shown in Table 1.

The values of Cronbach alpha revolve around 0.80. It reveals the internal consistency reliability and validity of the statements included in the seven service aspects.

Among the four groups of banks, Private sector banks score high in rendering courteous service. Regarding competitiveness, SBI and its Associates fare better than

banks. Co-operative banks scores the least here, implying poor service delivery.

Variation In The Level Of Customer Satisfaction:

The degree of customer satisfaction depends upon several aspects of services offered by banks like, courteousness, competitiveness, tangibles, reliability, responsiveness, assurance and empathy. Thus, $y = f[X_1, X_2, X_3, X_4, X_5, X_6, X_7]$, where the overall satisfaction of customers is taken as dependent variable (Y), while customers attitude towards courteousness, competitiveness, tangibles, reliability, responsiveness, assurance and empathy are treated as independent variables $X_1, X_2, X_3, X_4, X_5, X_6$ and X_7 respectively. Stepwise regression is administered to zero in on the best combination out of the seven service aspects for predicting the variables in the customer's satisfaction. The results are depicted in the following tables:

Table 2 illustrates that step one with only one component X_7 (i.e. Empathy) could explain only 31.97% of the variation in consumer satisfaction level. With additional components at

Table 2 – Variation level of customer satisfaction

Step No.	Service aspects	'F' Value	% of variation explained by R^2
1.	X_7	23.96*	31.97
2.	$X_7 + X_5$	20.37*	40.68
3.	$X_7 + X_5 + X_2$	16.49*	46.75
4.	$X_7 + X_5 + X_2 + X_4$	12.67*	55.17
5.	$X_7 + X_5 + X_2 + X_4 + X_6$	9.77*	60.55
6.	$X_7 + X_5 + X_2 + X_4 + X_6 + X_3$	6.67*	71.27

others. As far as Tangibles are concerned, Private sector banks take the lead, followed by SBI and its Associates. Co-operative banks score high in 'Empathy' with a mean of 3.0924 followed by Nationalised banks. For 'Assurance' and 'Responsiveness', Nationalised banks take the lead. For 'Reliability' aspect, SBI and its Associates are far better than others.

The significant differences among the customers of the above banks are identified regarding the satisfaction on all aspects of services, except competitiveness, since their 'F' statistics are significant at 5% level.

At the overall satisfaction level, customers seem to be more satisfied with services rendered by Nationalised

each step, R^2 value keeps on increasing and reaches the maximum at step number six, beyond which R^2 value decreases. Hence, further processing was not undertaken. The six constituents of empathy, responsiveness, competitiveness, reliability, assurance and tangibles in the sixth step explains 71.27% of variation in consumer satisfaction level, with F value being 6.67 and the values are significant at 5% level.

Table 3 depicts the result of stepwise regression analysis. Service dimensions were added one by one which ultimately yielded the highest R^2 value of 0.7121 in the sixth step, with F statistic as 6.67, significant at 5% level. If reliability and competitiveness is increased by one unit, consumer satisfaction zooms up by 1.2057 and 0.9612 respectively. Similarly, one

Table 3 – Stepwise Regression Analysis

Sl. No.	Service aspects	Regression Co-efficient	Standard Error of Co-efficient	'T' Value
1.	Empathy	0.7412	0.1638	4.5952*
2.	Responsiveness	0.6573	0.1541	4.3675*
3.	Non-traditional services	0.9612	0.2279	4.1912*
4.	Reliability	1.2057	0.3177	3.7998*
5.	Assurance	0.7567	0.2369	3.2413*
6.	Tangibles	0.2678	0.1015	2.5898*
Constant		0.7116		
R ²		0.7127		
F Statistics		6.6741*		

unit increase in assurance and empathy, would increase consumer satisfaction by 0.7567 and 0.7412 respectively.

Conclusion:

The overall satisfaction level of customer seems high with Nationalised banks, followed by SBI and its Associates, and Private sector banks. Customers are least satisfied with the services rendered by Co-operative banks. This research explicitly indicates that reliability and competitiveness have the maximum impact on consumer satisfaction.

Banks have to overhaul their services and fine tune their service quality in order to satisfy the growing customers expectations. They have to be innovative and provide more value added services. This alone will enable banks to sustain and grow in this contemporary highly automated, dynamic and competitive environment.

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