

## **“Analysis of Customer Satisfaction Attributes in Private Banks: With Special Reference to M.P”**

Mr. Upendra Singh Panwar\*

### **Abstract**

Customer satisfaction has been one of the main concerns of banks of late. This has been necessitated by the stiff competition led by new norms of entrants in banking industry by RBI. Banks are striving hard to offer quality services in a bid to maintain existing customers and persuade new customers. Customers on the other hand, want best customer value for their money so they are always combing around to get the best services.x

This is an analytical study based mainly on the primary data collected through a scientifically developed scale. The scale has been personally administered on a sample size of 101, chosen on a convenient basis from private bank. The scale of Parasuraman, Zeithml, and berry 1986, 1988) was used here. In order to achieving higher levels of quality service in Private banks, banks should deliver higher levels of service quality and in the present context customers' perceptions are highest in the level of infrastructure facilities of the bank. Owing to the increasing competition in banking, customer service is an important part and bank managers should rethink how to improve customer satisfaction with respect to service quality.

The purpose of this paper is to evaluate the service quality, of private bank, based on different levels of customers' perception regarding service quality.

This paper will make a useful contribution given that there are only a few studies dealing with the assessment of service quality in private banking environments.

**Keywords:** Customer services quality, Customer satisfaction, User studies, Banking, Private bank, Government bank, Consumers, and Customer relations.

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\*Asst. Professor, (MBA Dept.) SGSITS, 23 Park Road, Indore, M.P, upendra.zivon@gmail.com,

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### **I. INTRODUCTION:**

Satisfaction is a crucial concern for both customers and organizations including banks. Satisfaction is a subjective concept and therefore difficult to determine, (European Institute of Public Administration, 2008). It depends on a myriad of factors and varies from person to person as well as product to product. Some of the main concepts of satisfaction in the literature include value, quality and satisfaction.

Customers generally evaluate service quality before and after their use. According to Zeithaml et al (1993) consumers evaluate services and products through three processes. These are pre-purchase or search qualities, experience qualities and credence qualities. Search qualities are features that consumers look out for before buying and are those that they can see, feel or touch. On the other hand, experience qualities are post-purchase features that customers assess whilst credence features are those that are not easy for consumers to assess during the post-purchase period. Banks services are of the experience and credence types and are therefore

difficult to assess by customers. Customers cannot evaluate these types because they do not have the required skills, expertise and knowledge to carry out the evaluation. To that effect, customers place a high premium on the image and reputation of the bank before purchasing.

### **Dimension of Service Quality**

**Theoretical definition:** Service quality is perceived by customers as “the degree and direction of discrepancy between customers’ service perceptions and expectations” (Parasuraman, Zeithaml, & Berry, 1985, Abstract section, Para 1).

**Operational definition:** In this study, service quality factors include five dimensions of the 22-item, SERVQUAL instrument (Assurance, Empathy, Reliability, Responsiveness, and Tangibles) developed by Parasuraman et al. in 1988 (p. 23). Part 2 of the survey questionnaire contains the SERVQUAL instrument (Appendix D)

**Assurance as a SERVQUAL dimension** is defined as the “knowledge and courtesy of employees and their ability to inspire trust and confidence” (Parasuraman et al., 1988, p. 23). In this study, assurance is the understanding and politeness of the specific commercial bank’s service providers and their capability to encourage trust and confidence as perceived by banking customers. Assurance is measured using 4 items of the assurance dimension of the 22-item SERVQUAL.

**Empathy as a SERVQUAL dimension** is “the ability to tune into others’ feeling[s]” (Cook, Macaulay, & Coldicott, 2004, p. 198). It is an emotional intelligence competency. Emotional intelligence is “a set of skills hypothesized to contribute the accurate appraisal and expression of emotion in oneself and in others, the effective regulation in self and others, and the use of feeling to motivate, plan, and achieve in one’s life” (Salovey & Mayer, 1990, p. 185). The emotional intelligence competence model consists of 20 emotional intelligence competencies categorized into four groups. These groups are self-awareness, self-management, social awareness, and social skills (Boyatzis, Goleman, & Rhee, 2000). Empathy is a mandatory competence of the social awareness cluster, which is one of four emotional intelligence competencies (Boyatzis et al., 2000). In this study, empathy, as one of the emotional intelligence competencies, is measured using the 5 items of the empathy dimension of the SERVQUAL.

**Reliability as a SERVQUAL dimension** is defined as the “ability to perform the promised service dependably and accurately” (Parasuraman et al., 1988, p. 23). In this study, reliability is the ability of banking service providers at a specific commercial bank headquarters to execute the promised service as perceived by the specific commercial bank headquarters’ banking customers. This is measured using 5 items of the reliability dimension of the 22-item SERVQUAL.

**Responsiveness as a SERVQUAL dimension** is defined as the “willingness to help customers and provide prompt service” (Parasuraman et al., 1988, p. 23). In this study, responsiveness is the readiness of banking service providers at a specific commercial bank headquarters to provide punctual services as perceived by a specific commercial bank headquarters’ banking customers. This is measured using 4 items of the responsiveness dimension of the 22-item SERVQUAL.

**Tangibles as a SERVQUAL dimension** is defined as the “physical facilities, equipment, and appearance of personnel” (Parasuraman et al., 1988, p. 23). In this study, tangibles are

facilities of the specific bank headquarters and the appearance of banking service providers at the specific commercial bank headquarters as perceived by the specific commercial banking customers. This is measured using 4 items of the tangible dimension of the 22-item SERVQUAL.

## **II. REVIEW OF LITERATURE:**

**Ayyanar G. (2012)** in his case study on “Customer’s Satisfaction in Public and Private Sector Banks and their Comparison” concluded that public sector banks provide better services to their customers when compared to the private sector banks. The customers of public sector banks are more satisfied with traditional banking services such as ATM; Demand Draft and Cheque Book Facilities and Bank Accounts as compared to private sector banks whereas customers of private sector banks are more satisfied with counter services such as cash deposit, cash payment, issue a draft, cheque payment and cheque deposit provided by the bank.

**Bolton and Drew (1994)** in their research on “Linking Customer Satisfaction to Service Operations and Outcomes,” in Service Quality, found that there is a difference between a single encounter and the total service experience and in that regard stated: “In a dynamic framework, customer satisfaction with a specific service encounter depends on pre-existing or contemporaneous attitudes about service quality and customer post-usage attitudes depend on satisfaction.”

**Carme Saurina and Germà Coenders (2002)** in their empirical study “Predicting Overall Service Quality. A Structural Equation Modelling Approach” suggest that satisfaction and quality are the same construct in the context of banking services in the county of Girona. Customers seem not to perceive the minor differences between the conceptual definitions of both concepts as given by marketing theoreticians.

**Dhillon et al. (2003)** studied the “Impact of relationship marketing and trends of customer relationship in selected Public Sector Banks (SBI) and private sector banks (ICICI) in Chandigarh” and concludes that ICICI bank is doing well in credibility, access, communication, understanding the customers, tangibles, reliability, responsiveness, competence and courtesy as their mean value is greater than that of SBI but from security point of view, SBI is better.

**Gupta Pallavi et al. (2013)** in their research on “A comparative study on customer satisfaction in Indian public sector and private sector banks (with special reference to Delhi & NCR region)” concluded that: When the private sector banks are compared with public sector banks, Private Banks scored more in all the 22 parameters. Private Banks seems to have satisfied its customers with good services and they have been successful in implementing tangible factors like; infrastructural facilities, modern equipment, quality of materials used etc. Private sector Banks have been successful in achieving a satisfying relationship with customers however public sector banks have to improve a lot in this area.

**Hossain Mohammed and Shirley Leo (2009)** found in there study on “Customer perception on service quality in retail banking in Middle East: the case of Qatar” that the highest customers perceptions are demonstrated in the tangibles area such as infrastructure facilities of the bank, followed by the empathy area such as timing of the bank and returns on

deposit. On the other hand, the lowest perceptions are in the competence area, such as the method of imposing service charges followed by reliability, such as customers' guidance. Therefore, to be successful, retail banks must provide service to their customers that meets or exceeds their expectations.

**Joji Rajan et al. (2013)** in their research on "Bank assurance: A Comparative Study on Customer Satisfaction towards Public and Private Sector Banks in Pathanamthitta District-Kerala" concluded that the public & private sector banks are contending with each other which in turn influence the economy and majority of the general public does not pay much importance to public or private sector banks instead they pay priority to the convenience.

**Kaura Puja (2011)** in her research on "Enormity of Emotional Intelligence (EI) in Indian Banking Sector" concludes that: There is a strong relationship between the EI and quality of service. It is found to be weak in case of government banks as compared to the private sector banks. Also the five (5) explanatory variables - interpersonal, intrapersonal, stress management, adaptability and general temperament are found to be significant factors affecting EI of employees of both Nationalized and Private sector banks. Lastly these five above said explanatory variables are strongly related to dimensions of service quality - courtesy, reliability, responsiveness, assurance and customer satisfaction. Therefore she recommended that nationalized banks should change their HRD policies and institutionalize the concept QEI (Quality Emotional Intelligence), PRISM to improve their quality of service which will further increase their profits and customer satisfaction.

**Lasser et al. (2000)** in their research on "Service Quality Perspectives and Satisfaction in Private Banking" studied the service quality perspective and satisfaction in private banking by comparing the USA and countries in South America and found that Technical/Functional Quality was better in predicting customer satisfaction than the SERVQUAL based model.

**Mishra J. K. and Jain M. (2006-07)** in their research on "Constituent Dimensions of Customer Satisfaction: A Study of Nationalized and Private Banks" studied various dimensions of customer satisfaction in nationalized and private sector banks. Two stage factor analysis was computed to arrive at the dimensions of customer satisfaction. The study analyzed 10 factors and 5 dimensions of customer satisfaction for nationalized and private sector banks respectively. They concluded that satisfaction of the customers is an precious asset for the modern organizations which provides unmatched competitive edge; it helps in building long term relationship as well as brand equity, the best approach to customer retention is to deliver high level of customer satisfaction that result in strong customer loyalty.

**Panwar U.S. and Hyde A.M. (2012)** in their study on "Measuring Service Quality in Government Banks with special reference to Indore District" found that there is no significant differences in the service quality levels of respondents when analyzed with respect to age, gender, and education level, So it is evident that no separate promotional schemes to be designed for the whole set of customers of the banks.

**Singh S. (2004)** in his research on "An Appraisal of Customer Service of Public Sector Banks" empirically studied the appraisal of customer services of Public Sector Banks (PSBs) in terms of level of customer service and satisfaction determined by brand, design, location, variety of services, rates and changes, systems and procedures etc. The study concludes that

staff behavior is very polite and services are provided even in the late hours. The research concluded that services of private sector banks are better than the services of public sector banks.

**Vergheese and Ganesh (2003)** in their research on “Customer Services in Bank: An Empirical Study” analyzed customer services in Public Sector Banks and old private sector banks based on the responses of 776 customers from Kerala. They found that there is no difference between the two types of the bank branches.

**Zeithaml et.al. (1985)** in their study “A Conceptual Model of Service Quality in its Implications for Future Research,” fostered a direct relationship between customer satisfaction and service quality and broadened the unique characteristics of service products. They explained that service in its production sense and consumption occurs simultaneously. Production and consumption of service products cannot exist in isolation, requiring them to be simultaneously produced and consumed. Additionally, they suggest that service production and consumption is by its own nature heterogeneous. Their research was significant in that it highlighted the differences between manufactured products and service products, and it introduced the interrelationships between customer service and customer satisfaction through the measurement of gaps.

### **III. RATIONALE:**

As the service sector of the global economy grows, the study of services and innovation are becoming increasingly important. Service products distributed regionally, nationally, and globally have become larger portions of company revenue streams; knowledge-intensive business services aimed at enhancing performance require reliable methods of measurement, assessment, and improvement (Spohrer & Maglio, 2008). As a result, accurate and reliable instruments that assess service quality are of great interest to companies whose revenues come from service delivery. Perhaps the most popular and widely used service quality instrument is SERVQUAL. Business operations are incomplete without talking about banks; hence it is essential to know the service quality of banks. Study here is to measure the service quality of Private Banks through the customers of the provider who will be helping the banking sector in knowing services provided by them to their customer.

### **IV. OBJECTIVE:**

1. To measure and analyze the perception of customers towards Tangibles of Private Banks.
2. To value the perception of customers towards Reliability of Private Banks.
3. To assess the perception of customers towards Responsiveness of Private Banks.
4. To study and analyze the perception of customers towards Assurance of Private Banks.
5. To quantify and analyze the perception of customers towards Empathy in Private Banks.

### **V. METHODOLOGY:** **The Study**



The study is exploratory in nature and aims to understand the difference in service quality of private bank.

#### **The Sample**

The sample for the study was collected from customers of Private Banks. The total sample consisted of 101 respondents.

#### **Tools for Data Collection**

Service Quality scale SERVQUAL of (Parasuraman, Zeithml, and berry 1986, 1988).

#### **Tools for Data Analysis**

The data for the present study was analyzed by using Normality test and t- test.

## **VI. RESULT AND ANALYSIS**

According to Parasuraman et al. (1988), service quality consists of five dimensions: tangibles, reliability, responsiveness, assurance, and empathy. Tangibles are physical facilities, equipment, and the individual appearance of service providers. Assurance is the knowledge and politeness of service providers and their ability to motivate trust and confidence. Reliability is the capability to execute the promised service consistently and correctly. Responsiveness is an ability to assist customers and provide quick service. Empathy is a concern and personal awareness that a service provider gives to customers.

The factor analysis has been applied to know the factors which are contributing in perception of customer's satisfaction in private banks.

Rotated Component Matrix has been used to identify the factors; the factors here are named as Empathy, Assurance, Tangibles, Responsiveness and Reliability (Table 1.1).

In this study, each item of the scales was rated on a 7-point scale. i.e. "seven-point semantic differential scale with two bi-polar adjectives: "Strongly Agree" (7) on one pole, and "Strongly Disagree" (1) on the opposite pole. In addition, the total rating for each dimension was also reported based on the 7-point scale: Tangibles (3.77), Empathy (3.68), Responsiveness (2.98), Assurance (2.76), and Reliability (2.01) (Table 1.1).

1. Customers perceive Tangibles as the highest rated dimension in this present study (3.77).
2. Customer's of Private Banks perceived Empathy (understand their feelings) as the second highest rated dimension experienced with service providers (3.68).
3. The customers of Banks and insurance perceived Responsiveness (2.98) third in the scale.
4. Furthermore, customers rated Assurance (provide trust, confidence to customers and provided courtesy to them) as the second highest (2.76).
5. Ratings for reliability (2.01) by the customers in this study are rated last and most unfavorable. Reliability is the capability to execute the promised service consistently and correctly. In this study, banking and insurance customers viewed reliability of service providers as the fifth and lowest rated dimension. This means service providers are not reliable to the customers (item mean below 4.0).

This study's finding of reliability is consistent with Mesay Sata Shanka (2012) who found weakest correlation is between reliability and customer satisfaction (0.642).

Ahmad & Sungip (2008) in a study of service quality in Malaysian insurance industry found reliability and responsiveness were the main driving forces of service quality problems since their study showed that the gap between customers expectation and perception was widest for reliability, followed by responsiveness. Their study shed some light on the service quality dimensions that are critical to the insurance industry in Malaysian insurance industry and provided managerial implications for managing service quality with country-specific strategies.

According to Parasuraman et al. (1988), a lower score (below 4) of service quality indicated inferior service quality, thus in the present study all the dimensions of service providers of bank are below the rated scale of dimensions, even the highest rated empathy scores 3.77.

## **VII. CONCLUSION**

This research explores the perception of bank's customers on Tangibles, Reliability, Responsiveness, Assurance and Empathy towards the private banks. It is observed that all the factors are rated below the scale of dimensions. The result indicated that the all the dimensions Tangibles, Reliability, Responsiveness, Assurance or Empathy need to be improved by private banks.

The study has an important implication that the private banks should provide improved services to all the customers and also there is need to improve on the above mentioned factors. It is observed that Tangibles were the highest rated. Reliability was rated lowest which need to be improved a lot by the managers. This information will lead to reduction of expenses on account of the factors where no expenditure is required like for tangibles but for the factor of reliability there exists a lot of scope in training or any other mode, so that the perception of customers towards employee as a reliable can be improved.

## **VIII. SUGGESTIONS**

It is found out from the study that, since all the dimensions Tangibles, Reliability, Responsiveness, Assurance or Empathy needs to be improved by the managers of private banks, so these factors are to be worked out in priority. This information will lead to reduction of expenses on account of separate strategies for development.

## **IX. LIMITATION**

Limitation of the study is that the present study analyses the dimensions of service quality of private banks in a small region. Furthermore, a small sample may not be the representative of the whole population and hence, in future, the research can be conducted by taking a large sample to facilitate a robust examination of the service quality of the banking. Future study can also be conducted to identify demographic wise dimensions. The extension of this study can also include the providers (bankers) perspective to have a better understanding of the problem domain. Validation of model and extension of the results to other industries and also to

different cultures are some of the future directions in which the academics and the practitioners can work to enrich the service quality literature in banking.

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#### XI. **APPENDIX:**

Rotated Component Matrix <sup>a</sup>					
	Component				
	1	2	3	4	5
VAR00021 <b>Empathy</b>	.844	-.033	.171	.152	.196
VAR00020	.784	-.149	.323	.136	.208
VAR00019	.726	.300	.106	.316	.005
VAR00022	.683	.219	-.106	.286	.161
VAR00018	.643	.215	.019	.341	-.118
VAR00005 <b>Tangibles</b>	.401	.307	.353	.087	.384
VAR00003	.056	.853	.118	.081	-.160
VAR00004	.017	.741	.288	-.085	.253
VAR00002	.170	.643	.110	-.122	.393
VAR00016	.126	.618	.438	.242	-.046
VAR00001	.219	.608	.139	-.020	.422
VAR00015 <b>Assurance</b>	.001	.178	.783	.068	.087
VAR00014	.199	.033	.757	.124	.207
VAR00017	.176	.220	.693	.016	.004
VAR00009	-.082	.363	.532	-.079	.203
VAR00012 <b>Responsiveness</b>	.163	.025	.097	.851	.134
VAR00011	.229	-.031	.101	.844	.091
VAR00010	.180	-.006	-.058	.703	-.026
VAR00013	.417	.014	.143	.587	.057
VAR00007 <b>Reliability</b>	-.040	.164	.019	.238	.769
VAR00006	.239	.017	.286	-.057	.700
VAR00008	.252	.176	.533	.127	.544
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.					
a. Rotation converged in 7 iterations.					

(Table 1.1)