A STUDY ON SERVICE QUALITY AND CUSTOMER SATISFACTION OF SELECTED PUBLIC SECTOR BANKS IN SALEM DISTRICT OF TAMILNADU

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Abstract
The emergence of liberalization and globalization opened a new paradigm of banking system in India. Now a days, Banks have to deal with many customers and render various types of services to its customers and if the customers are not satisfied with the services provided by the banks then they will defect which will impact economy as a whole. Customer satisfaction constructs is more important for the survival and growth of a service industry particularly banking industry. The growth of these institutions depends upon their ability to create or attract new customers and retention of satisfied customer leads to their survival in the long run. In order to be successful, banks are competing themselves to satisfy their customers so that they can attract and retain loyal customers which ultimately helps banks to earn higher profits in the future. Therefore, in the study an attempt has been made to analyze the effect of service quality on customer satisfaction in public sector banks in Salem district of Tamilnadu.

Key Words: Banking Industry, Customer Satisfaction, Service Quality.

1. Introduction

Today, banking sector has been facing stiff competition among intra and inter-banks on one side and foreign banks on other side after economic reforms. Banks have to make efforts to survive in a competitive global market. Bank merely an organization it accepts deposits and lends money to the needy persons, but banking is the process associated with the activities of banks. It includes issuance of cheque and cards, monthly statements, timely announcement of new services, helping the customers to avail online and mobile banking etc. Huge growth of customer relationship management is predicted in the banking sector over the next few years. Banks are aiming to increase customer profitability with any customer retention. It is a sound business strategy to identify the bank's most profitable customers and prospects, and devotes time and attention to expanding account relationships with those customers through individualized marketing, pricing, discretionary decision making.

Satisfaction is the sum total of customer's expressions of service quality and depends upon customer's own perceptions and expectations. Service Satisfaction of the customers is an invaluable asset for Banking Institutions providing 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. Customer satisfaction is a very important construct in today's market. An organization cannot survive in the long run if its customers are not satisfied.

Customer is a very important person in the market. Infact, he is the king of the market. Therefore, it is the utmost duty of banks to safeguard his interests and meet his expectations with the products/services offered. When a customer expects a certain level of service and he actually perceives more than what he expected then he will be satisfied and if he perceives less than his expectation then he will be dissatisfied. Customer satisfaction construct is more important for the survival and growth of a service industry like banks as offerings are intangible. The growth of these institutions depends upon their ability to create or attract new customers and retention of satisfied customers leading to their survival in the long run. In order to be successful, Public Sectors are competing with private and foreign banks to satisfy their customers and thus to attract and retain loyal customers which ultimately helps Public Sector Banks to earn higher profits in future. Service quality satisfaction is the outcome of resources and activities expanded to offer services against the expectations of the users from the same. Unsatisfactory customer service will lead to increase in the rate of switching by customers.

2. The Distinction Between Service Quality And Customer Satisfaction

Customer Satisfaction	Service Quality
Customer satisfaction can result from any dimension, related.	The dimensions underlying quality judgments are rather specific.
Customer satisfaction judgments can be formed by a large number of non-quality issues, such as needs, equity, perceptions of fairness	Expectations for quality are based on ideas or perceptions of excellence.
Customer satisfaction is believed to have more conceptual antecedents	Service quality has less conceptual antecedents
Satisfied judgments do require experience with the service or provider	Quality perceptions do not require experience with the service or provider

Source:Service Quality and Customer SatRe-Patronage Intentions, Fen Sheau Yap et al. (2007), Sunway Academic journal-4.

Research Paper
Impact Factor: 3.029
Peer Reviewed & Indexed Journal

IJMSRR
E- ISSN - 2349-6746
ISSN -2349-6738

3. Review of Literature

Serial No.	Year	Author/Authors	Contribution to the Body of Knowledge
1	2008	**Huam Hon Tat and Khalil Md Nor**	their study investigates predictors of intention among current users to continue using the services. Questionnaires were distributed to 210 residents in Klang Valley, Malaysia, of whom 204 (97.1%) responded to the survey. The findings demonstrated that, among the predictors tested, trust was found to be the strongest predictor of intention to continue using Internet banking, followed by compatibility and ease of use.
2	2009	**Michel Rod, et al**	examined the relationships among three dimensions of service quality that influence overall internet banking service quality and its subsequent effect on customer satisfaction in a New Zealand banking context. Internet banking service customers of a national bank in New Zealand completed a self-administered questionnaire. Data obtained from the customers were analyzed using the SEM-based partial least squares (PLS) methodology. The results show significant relationships between online customer service quality, online information system quality, banking service product quality, overall internet banking service quality and customer satisfaction.
3	2010	**Figen Ye_ilada et al**	The aim of their study is threefold: to test the dimensionality of the SERVQUAL instrument in the Northern Cyprus health care industry, to assess the service quality provided in public and private hospitals in Northern Cyprus and to identify the service quality dimensions that play important role in patient satisfaction. Data were collected in two phases from the same sample, which consisted of 806 systematically selected people above the age of eighteen. This result does not support the five factor model of the original SERVQUAL.
4	2012	**Sam Stembo**	In his article titled Strategic role of CRM in corporate Renaissance' suggested that, The Task of the organization is to understand its customers because of whom it exists, the organization and its people service providers and suppliers and manage an effective and efficient relationship.
5	2012	**M. Kailash**	analyzed the performance among two categories of banks – public and private sector banks (only domestic) in Vijayawada cityusing the list of service attributes based on different service dimensions such as tangibles, reliability, responsiveness, assurance and empathy during December 2011. The simple random sampling technique is adopted and 175 respondents, 111 customers of Public Sector Banks and 64 customers of Private Sector Banks constitute the sample for the survey. The findings show that Private sector banks performed significantly by satisfying its customers with good services and they have been successful in retaining its customers by providing better facilities than Public sector banks

4. Rational of The Study

This study have important implications for bankers and academicians alike, as it will provide important insight into the dynamics of customer satisfaction with service quality of public sector banks, in Salem district of Tamilnadu.

5. Objectives of the Study

- To study about the customer satisfaction towards the banking services which provided by selected public sector banks in Salem district.
- To determine and evaluate the Customer Service Quality Maintenance of Selected Public Sector Banks in Salem district.
- To determine the gap between customer expectation and perception.

6. Research Methodology

The study explores the level of customer satisfaction with service quality of the public sector banks in Salem district of Tamilnadu. The descriptive research design has been followed to fulfill the objectives of the research.

6.1 Selection Of Bank Branches

There are 26 public sector banks functioning in the Salem district. Among the public sector banks functioning in Salem district, Indian Overseas bank, Indian bank and State bank of India have a large number of branches. Therefore, these banks are selected for the study. They have established 20, 19 and 18 branches respectively in the district. Ten branches of each bank were selected by random sampling technique (drawing lots). Thus 30 bank branches were selected for the study.

6.2 Selection of Bank Customers

Since the number of customers in each of the bank branches was large, the customers could not be selected on a proportional basis. Ten customers having a savings bank account or fixed deposit account or current account were selected from each of the selected branches, thus the total number of respondents from the 30 branches came to 300 respondents. Therefore, 300 customers were selected on the basis of non-probability purposive sampling method.

6.3 Data Source

The study was essentially based on primary data collected from 300 bank customers who actually experienced the services provided by banks. The data were collected from the sample respondents through interview schedule.

Secondary data used by researcher includes published articles, research papers, published books, different research works done previously, relevant papers or journals, magazine etc. Researcher also used other different types of reports from Internet sites.

7. Data Analysis

Overall Perception on Service Quality

The summary of customer' perception, expectations and service quality scores for all the service quality dimensions such as tangibles, reliability, assurance, responsiveness, and empathy is analyzed in Table No 1,

Table No 1, Overall Perceptions on Service Quality

Dimension	Perception			Expectation	
	Mean Score	Mean Score (%)	Mean Score	Mean Score (%)	Service Quality Score
Tangibles	16.97	60.61	24.18	86.34	-7.21
Reliability	18.33	52.37	32.01	91.46	-13.68
Assurance	13.25	47.32	24.82	88.64	-11.57
Responsiveness	12.24	43.71	25.25	90.18	-13.01
Empathy	16.48	47.09	29.34	83.83	-12.86
Average (N=300)	77.27	50.18	135.60	88.06	-58.33
Source: Primary data					

Table NO 1 shows the difference between customer's perceptions of the service quality provided by the public sector banks in the study area. Out of a maximum score of 154, the average expectation and perception score obtained by the respondents for overall service quality was 135.60 and 77.27. The difference between expectation and perception score was -58.33, which indicates a wide service quality gap perceived by the respondents. The highly perceived Service Quality Factors among the customers is Reliability since its mean score is 18.33. The second Service Quality Factor perceived by the customer's is Tangibles since their mean score is 16.97. The next three Service Quality Factors perceived by the customers is Empathy, Assurance and responsiveness since their mean scores are 16.48, 13.25 and 12.24 respectively. However, the highest negative gap score was found in reliability (mean score of - -13.68) followed by Responsiveness (mean score of - 13.01). Empathy, Assurance and Tangibles was -12.86, -11.57 and -7.21 respectively. Table further revels that the respondents have secured negative mean gap score for all five service quality dimensions such as Tangibles, Reliability, Responsiveness, Assurance and Empathy. The banking services provided by the public sector banks is not upto the expectations of customers in the study area. The The bank-wise overall perception of the respondents about the service

Research Paper
Impact Factor: 3.029
Peer Reviewed & Indexed Journal

IJMSRR
E- ISSN - 2349-6746
ISSN -2349-6738

quality of the public sector banks is shown in table 2.

Table 2, Bank-Wise Overall perception about Overall Service Quality

Public Sector Banks	No of Respondents		
	Low	Medium	High
Indian overseas Bank (N=100)	54(33.13)	26(27.37)	20(47.62)
Indian bank (N=100)	44(26.99)	42(44.21)	14(33.33)
State bank of India (N=100)	65(39.88)	27 (28.42)	08 (19.05)
Total	163 (100.00)	95 (100.00)	42 (100.00)

Source: Primary data

Table 2 exhibits that out of 163 respondents who perceived low level about overall service quality , 39 per cent, 33 per cent and 27 per cent of the respondents are customers of State Bank of India, Indian overseas bank and Indian bank respectively . Out of 95 respondents who perceived moderate level 44 per cent, 28 per cent and 27 per cent of the respondents belong to Indian bank, State Bank of India and Indian overseas bank. Among the respondents who perceived high level, 48 per cent, 33 per cent and 19 per cent of the respondents are the customers of the Indian overseas bank, Indian bank and State bank of India respectively . Therefore, it can be inferred from the table that irrespective of the bank, the majority of the customer perceives low level and among the bank customers of the State Bank of India perceives poor service quality when compared to Indian bank and Indian overseas bank. In order to find out whether there is a significant difference between the level of perception of the customers about service quality in selected public sector banks, a null hypothesis are framed and tested with the help of the chi - square test. The result is shown in table 3.

Null Hypothesis
Irrespective of the banks, all the customers perceive the same level of perception about service quality

Table 3, Chi-Square Test Result

Variables	Chi Square Test – Value	Table value5% level	Table value 1% level	Ho Accepted / Rejected	Significance
Tangibles	6.63	9.49	13.28	Accepted	Not significant
Reli ability	6.68	9.49	13.28	Accepted	Not significant
Assurance	30.3	9.49	13.28	Rejected	Significant
Responsiveness	41.3	9.49	13.28	Rejected	Significant
Empathy	37.4	9.49	13.28	Rejected	Significant
Overall service quality	14.3	9.49	13.28	Rejected	Significant

**Significant at 5% level and 1% level

Table 3 reveals that the calculated chi-square test value is less than the tabulated value at 5 per cent and 1 per cent level of significance for tangibles and reliability . Therefore, the null hypothesis is accepted, hence, it can be concluded that there is no significant difference between the level of perception about tangibles and reliability of selected public sector banks. In case of assurance, responsiveness, empathy and overall service quality , the calculated value chi-square is greater than table value. Hence, the null hypothesis is rejected, therefore it can be concluded that there is a significant difference level of perception about assurance, responsiveness empathy and overall service quality among the selected public sector banks in the study area.

Overall Level of Satisfaction
The overall level of satisfaction of the respondents taken together on location and timeliness, basic amenities, product accessibility and friendliness, efficiency and security are shown in table 4

Table No 4, Overall Level of Satisfaction

Level of satisfaction	No of respondents		
	Low	Medium	High
Indian overseas Bank (N=100)	53(30.64)	35 (42.68)	12(26.67)
Indian bank (N=100)	58 (33.53)	26 (31.71)	16 (35.56)
State bank of India (N=100)	62 (35.84)	21(25.61)	17(37.78)
Total	173 (100.00)	82 (100.00)	45(100.00)

Source: Primary data

Table 4 reveals that out of 300 respondents the majority of the respondents expressed low satisfaction, 27 per cent and 15 per cent of the respondents experienced moderate and high level of satisfaction with banking services. Out of 173 respondents who revealed low level of satisfaction, nearly 36 per cent, 34 per cent and 31 per cent of the respondents are the customers of State bank of India, Indian bank and Indian overseas bank. Therefore, it can be inferred from the table that the State bank of India customers are highly dissatisfied followed by Indian bank and Indian overseas bank in the study area. The overall satisfaction level of respondents is also depicted in figure 5

Service Quality and its Impact on Customer Satisfaction

Table No 5, Service Quality and its Impact on Customer Satisfaction

Service Quality	Regression Co-efficient among customer								
	Indian overseas bank			Indian bank			State bank of India		
	R	R^2	F Statistic	R	R^2	F Statistic	R	R^2	F Statistic
Tangibles	0.99**	0.98	1568	0.87**	0.76	101.33	0.89**	0.80	128
Reliability	0.92**	0.84	168	0.99**	0.98	1568	0.99**	0.99	3168
Assurance	0.99**	0.98	3168	0.74**	0.55	39.11	0.99**	0.99	3168
Responsiveness	0.98**	.97	1034.67	0.99**	0.99	3168	0.99**	0.98	424.67
Empathy	0.99**	0.99	3168	0.71**	0.51	33.31	0.99**	0.99	3168

  **Significant at five per cent and one per cent level

Table 5 revealed that the coefficient values attached to each service quality dimension in multiple regression analysis on customer satisfaction. The above table indicates a strong relationship between the service quality and customer satisfaction in all the banks. R^2 value is indicating that service quality is a strong predictor of customer satisfaction. The analysis reveals the importance of Service quality is customer satisfaction. The 'F' statistics reveal the validity of fitted regression models. The results of the empirical analysis indicate that if service quality is monitored carefully, this can improve customer satisfaction. To conclude, the study reveals that customers have low levels of satisfaction with the location and timeliness, basic amenities, the efficiency of the banks. The study further reveals that the overall satisfaction of the customer is poor in select public sector banks in the study area. The study indicates that there is a strong relationship between the service quality and customer satisfaction in all the banks and service quality is a strong predictor of customer satisfaction.

8. Findings
Customer's expectations of service quality in banks are high and perceived quality of service is quite lower across public sector banks. Foe public sector bank the prominent gab is in reliability, empathy, responsiveness dimension of the service quality. Banks have to understand the shifting needs of customers their objectives and opportunities to create value bank should have the strong customer relationship management system and would specify the importance of customer and able to aware of their needs.

9. Conclusion
The result of the study indicates that customers perceived service quality as poor in all service quality dimensions of tangibles, reliability, responsiveness, assurance and empathy. In this regard, all the dimensions show a gap between perceived service and expected service. The study further reveals that customers have low levels of satisfaction with the location and timeliness, basic amenities, the efficiency of the banks. The study also reveals that the overall satisfaction of the customer is poor in select public sector banks in the study area. The study indicates that there is a strong relationship between the service quality and customer satisfaction in all the banks and service quality is a strong predictor of customer satisfaction. Understanding how customers perceive the service quality is vital for managerial purposes of the service companies. It is of paramount importance to banks particularly because they deliver undifferentiated products and the way they deliver their services ultimately affects their success and growth. Hence, the bank managers are advised to formulate appropriate marketing strategy to satisfy their customers.

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