

ANTECEDENTS OF CUSTOMER SATISFACTION IN INDIAN COMMERCIAL BANKS - SERVICE AND QUALITY AS INTERVENING VARIABLE

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Abstract

A healthy banking system is essential for any economy striving to achieve good growth and yet remain stable in an increasingly global business environment. The project called “Antecedents of Customer Satisfaction In Indian Commercial Banks - Service And Quality As Intervening Variable” was conducted at Commercial banks in South India. The study is aimed to examine the level of quality of service offered in Commercial Banks in Selected cities of South India from the perspective of saving A/c holders. The objective is achieved through finding difference in expectation & perception of service quality of banking provided to saving account holders, and also finding the overall satisfaction level of the respondents. The descriptive research is used by the researcher. The sampling technique that was adopted for the study was judgement sampling a type of non probability sampling. The primary data was collected through the interview method using a well-structured questionnaire. The sample size is two hundred, to get the result of the data are analysed using statistical tools like percentage analysis, chi-square analysis(using cross tabulation), mean analysis, un-weighted SERVQUAL score calculation, and finally using weighted average method. The study reveals that majority of the respondents are overall satisfied with quality of service provided by Commercial Banks, but expect more on physical facilities, convenient operating hours, Bank insists on keeping accurate and error free records, Personal relation maintained by the Employees and finally Understanding specific needs of the respondents' This research study helps the bank to formulate strategies for improving the expectation level of the saving A/c holders. I hope this report will be extremely useful for those it is meant. Constructive and healthy suggestions have been given to enhance and promote the effectiveness of improving the services in bank and respondent relationship in future.

Keywords: *Customer Service, Service Quality, Perception, Commercial Bank, Service Gap.*

Introduction

India has a well-developed banking system. Most of the banks in India were founded by Indian entrepreneurs and visionaries in the pre-independence era to provide financial assistance to traders, agriculturists, and budding Indian industrialists. Indian banks have played a significant role in the development of Indian economy by inculcating the habit of savings in Indians and by lending finance to Indian industry.

The commercial banking structure in India consists of: Scheduled Commercial Banks and Unscheduled Banks. Scheduled commercial banks constitute those banks, which have been included in the Second Schedule of Reserve Bank of India (RBI) Act, 1934. RBI includes only those banks in this schedule, which satisfy the criteria laid down vide sec 42 (6) (a) of the Act.

Review of Literature

For the success and survival in the banking sector, provision of high service quality is necessary in meeting several requirements such as customer satisfaction and its consequent loyalty, attracting new customers and to increase the market share and profitability.

(Parasuraman, A., Zeithaml V. A., Berry L. L, *Journal of Retailing*¹) in their research perceived service quality can be defined as a global judgment or attitude related to the superiority of a service. The term perception pertains to the consumers' beliefs concerning the received or experienced service and has pointed out that there were two perspectives about customer value: the view of the customer that represented the value or perceived value received from the bankers by the customer and the value of the customer to the bankers.

(Parasuraman et al., Yang and Jun, Sloan Management Review²) in their research they developed a methodology called SERVQUAL that measured the difference between customers' perceptions of a service and their expectations of the service. They examined perceptions of service quality by sampling both internet purchasers and non-purchasers. They found six service quality dimensions were perceived by internet purchasers: reliability, access, ease of use, personalization, security, and credibility. However, seven dimensions were present for the non-users. Unique to non-Purchasers were the dimensions of responsiveness and availability, while the credibility dimension did not come up.

(Treacy and Wiersema's, Journal of Marketing³) in their research they stated the statement that, "industry leaders changed what customers valued, then boosted the level of value that customers expected" clearly indicated that they believed customer value to be the value that was gained by the customer by using the products and services of the organization.

(Parasuraman et al., Boyd et al, Journal of Retailing⁴) in their research the perceived quality of the service is therefore assessed by means of an analysis of the "gaps" between the perceptions of actual service provided and the service expectations of the consumer. They conducted a survey of households in the UK to evaluate the relative importance attached to the selection criteria used to choose a financial institution. Respondents perceived the reputation of the institution as the most important valuation criterion. An understanding of customer expectations was a prerequisite for delivering superior service. Customers compared perceptions with expectations when judging the service of an organization.

(Parasuraman, A., Hossain & Leo., Cowling & Newman., Journal of Marketing⁵) Research has indicated that service quality has been increasingly recognized as a critical factor in the success of any business and the banking industry in this case is not exceptional. Service quality has been widely used to evaluate the performance of banking services. The banks understand that customers will be loyal if they provide greater value (quality services) than their competitors, and on other hand, banks can only earn high profits if they are able to position themselves better than competitor within specific market.

(Rangriz Vahid, Research Scholar, Dr. Raja M. G. Basava, Professor of Economics & Course Coordinator, Research journal of social science and management⁶) in their research Quality in servicing customer is a significant marketing build for banks, but idiosyncrasies in the description of service quality and customer satisfaction, as well as in adapting current instruments to assess them in the global banking industry, include main constraints to reinvestigate and practice. This paper conceptualizes the quality of banking services based on the perception of 11,936 customers of a main Indian bank.

Five drivers of banking service quality are expanded and argued to be a proxy for customer satisfaction: (1) business and financial dealings, (2) customer alliance, (3) information technology, (4) branch, and (5) image. The resultant structure is expected to serve bank executives when making strategic decisions on how to address their customer.

Objectives of the Study

Primary Objective

- To examine the level of quality of service offered in Commercial Banks operating in South India from the perspective of saving A/c holders.

Secondary Objectives

- To determine the basic requirements expected by the customers towards saving A/C and to study the customers perception and preferences about banking facilities
- To identify whether there is difference in expectation & perception of service quality of banking provided to Saving account holders

- To determine the factors influencing the customers to choose their bank and to study the constraints encountered by the customers while using banking facilities
- To know the promptness of services and friendliness of bank towards customers and to suggest the Bank to improve the service quality based on the service gap to retain the customers.

Scope of the Study

Currently, the banking industry is facing increasingly demanding customers and quickly eroding competitive edges. The project was done for Commercial Banks in selected cities of South India. The study would enable the bank to know about the expectation and perception level of the customers in banks. The result of the study would help to improve the services provided by the Commercial Banks.

Limitations of the Study

The main limitation of this study is that it was conducted for selected cities only. Further research may be conducted on a wider sample. This would provide more generalized conclusions for the commercial banks. Additionally, since India aspires to become globally competent financial centre, it would be appropriate and relevant to replicate the study using global samples. The implication is that when banks in this country provide services to global customers such as business travellers, tourists, students, they would have to provide quality services to foreign customers. Therefore, the quality and customer satisfaction issues attached to services are subject to international domains.

Research Methodology

Research Design

Descriptive Research

This study uses the Descriptive research for studying the customer perception towards quality of service offered by Commercial Banks.

Sampling Design

Primary data

In order to achieve the objective of the study, a well-structured questionnaire has been prepared and it is used for the collection of primary data from the respondents. This questionnaire aims to gather information related to customer's expectations and observations (satisfaction) based on certain parameters related to commercial customers.

Secondary data

It has been collected from the company profile, organisation websites, various magazines, journals and other related library books. Secondary data have been collected through:

Sample Size

A finite subset of a population is called a Sample and the process of selection of samples is called Sampling. This refers to the number of items to be selected from the population to constitute a sample. The sample size of this study consists of 200 respondents. A sample size of 200 customers was interviewed. Sample size was determined using the following method. **Customer segment:** Savings A/c holders

Sampling Technique

The sampling technique adopted for the study is judgement sampling (Non probability sampling) method, because the bank wanted to obtain feedback from customers is considered very important.

Questionnaire Design

A questionnaire consisting of 22 items based on SERVQUAL model was administered on the sample. The questionnaire was divided into 3 sections.

1. Demographic profile of the respondents.
2. Measuring the customer expectations (E) of service quality in banks,
3. Measuring the customer perception (P) of service quality offered in the Commercial Banks and finally some general questions.

SR.NO		N	Expectation Mean	Perception Mean	(P - E) Mean Difference
1	Modern looking equipment and fixtures	200	5.0	4.800	-0.20
2	Visually appealing physical facilities	200	5.0	3.100	-1.90
3	Neat appearance of employees'	200	5.0	4.535	-0.47
4	Quality and visually appealing materials	200	5.0	4.660	-0.34
5	Bank promises to do something by a certain time, it does so	200	5.0	4.540	-0.46
6	Sincere interest in solving customer's problems	200	5.0	4.525	-0.48
7	Performs the service right the first time	200	5.0	4.720	-0.28
8	Bank provides its service at the time it promises to do so	200	5.0	4.540	-0.46
9	Bank keeping accurate and error free records	200	5.0	4.060	-0.94
10	Bank informs you exactly when a service will be performed	200	5.0	4.310	-0.69
11	Prompt service from employees'	200	5.0	4.665	-0.34
12	Employees' willingness to help	200	5.0	4.665	-0.34
13	Employees' response to your requests	200	5.0	4.595	-0.41
14	Customers confidence on employees'	200	5.0	4.395	-0.61
15	Feel safe in your transactions with Bank	200	5.0	4.665	-0.34
16	Friendliness and courtesy of bank staff	200	5.0	4.665	-0.34
17	Bank staff having knowledge to answer your questions'	200	5.0	4.460	-0.54
18	Individual attention given by Bank staff	200	5.0	4.450	-0.55
19	Convenient bank operating hours	200	5.0	4.065	-0.94
20	Personal relation by Employees'	200	5.0	4.130	-0.87
21	Bank staff giving customers best interest at heart	200	5.0	4.530	-0.47
22	Understanding specific needs of the customers'	200	5.0	4.260	-0.74

A five-point Likert Scale ranging from strongly disagree = 1 to strongly agree = 5, was used to measure the 22 attributes relating to five dimensions.

Tools for Analysais

The collected data was edited and then consolidated by using simple statistical tools. Then, it was presented in the form of tables and figures.

The simplest statistical tools are employed for the analysis of data. The statistical tools employed are,

Mean analysis (To findout the service gap)

1 Un-weighted SERVQUAL score calculation method

2 Weighted average method

1.1 Mean Analysis (To find out the Service Gap)

1.2 SHOWING MEAN ANALYSIS (TO FINDOUT THE SERVICE GAP)

SR.NO	FACTORS	N	Expectation Mean	Perception Mean	(P - E) Mean Difference	Service Gap Rank
2	Visually appealing physical facilities	200	5.0	3.100	-1.90	1
9	Bank keeping accurate and error free records	200	5.0	4.060	-0.94	2
19	Convenient bank operating hours	200	5.0	4.065	-0.94	3
20	Personal relation by Employees'	200	5.0	4.130	-0.87	4
22	Understanding specific needs of the customers'	200	5.0	4.260	-0.74	5
10	Bank informs you exactly when a service will be performed	200	5.0	4.310	-0.69	6
14	Customers confidence on employees'	200	5.0	4.395	-0.61	7
18	Individual attention given by Bank staff	200	5.0	4.450	-0.55	8
17	Bank staff having knowledge to answer your questions'	200	5.0	4.460	-0.54	9
6	Sincere interest in solving customer's problems	200	5.0	4.525	-0.48	10
21	Bank staff giving customers best interest at heart	200	5.0	4.530	-0.47	11
3	Neat appearance of employees'	200	5.0	4.535	-0.47	12
5	Bank promises to do something by a certain time, it does so	200	5.0	4.540	-0.46	13
8	Bank provides its service at the time it promises to do so	200	5.0	4.540	-0.46	14
13	Employees' response to your requests	200	5.0	4.595	-0.41	15
4	Quality and visually appealing materials	200	5.0	4.660	-0.34	16
11	Prompt service from employees'	200	5.0	4.665	-0.34	17
12	Employees' willingness to help	200	5.0	4.665	-0.34	18
15	Feel safe in your transactions with Bank	200	5.0	4.665	-0.34	19
16	Friendliness and courtesy of bank staff	200	5.0	4.665	-0.34	20
17	Performs the service right the first time	200	5.0	4.720	-0.28	21
18	Modern looking equipment and fixtures	200	5.0	4.800	-0.20	22

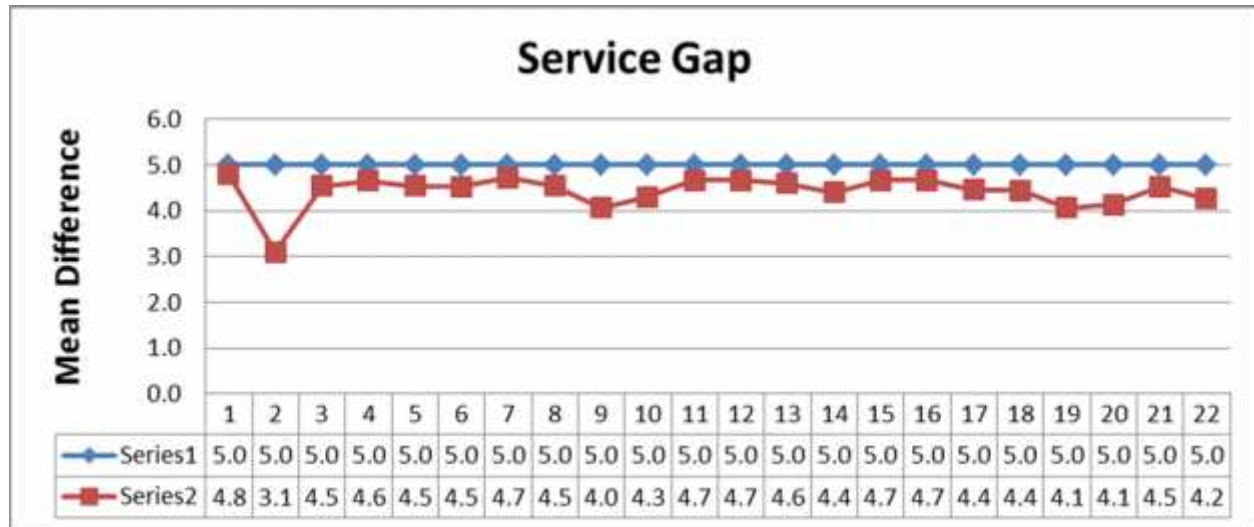


Exhibit 1.2 Showing Service Gap

1.3 Unweighted Servqual Score Calculation

Dimensions	S.NO	Factors	N	E	P	(P-E)	SUM	AVG SERVQUAL	RANK
Tangibles	1	Modern looking equipment and fixtures	200	5.0	4.800	-0.20	-2.91	-0.73	1
	2	Visually appealing physical facilities	200	5.0	3.100	-1.90			
	3	Neat appearance of employees'	200	5.0	4.535	-0.47			
	4	Quality and visually appealing materials	200	5.0	4.660	-0.34			
Reliability	5	Bank promises to do something by a certain time, it does so	200	5.0	4.540	-0.46	-2.62	-0.52	3
	6	Sincere interest in solving customer's problems	200	5.0	4.525	-0.48			
	7	Performs the service right the first time	200	5.0	4.720	-0.28			
	8	Bank provides its service at the time it promises to do so	200	5.0	4.540	-0.46			
	9	Bank keeping accurate and error free records	200	5.0	4.060	-0.94			
Responsiveness	10	Bank informs you exactly when a service will be performed	200	5.0	4.310	-0.69	-1.77	-0.44	5
	11	Prompt service from employees'	200	5.0	4.665	-0.34			
	12	Employees' willingness to help	200	5.0	4.665	-0.34			
	13	Employees' response to your requests	200	5.0	4.595	-0.41			

Assurance	14	Customers confidence on employees'	200	5.0	4.395	-0.61	-1.82	-0.45	4
	15	Feel safe in your transactions with Bank	200	5.0	4.665	-0.34			
	16	Friendliness and courtesy of bank staff	200	5.0	4.665	-0.34			
	17	Bank staff having knowledge to answer your questions'	200	5.0	4.460	-0.54			
Empathy	18	Individual attention given by Bank staff	200	5.0	4.450	-0.55	-3.57	-0.71	2
	19	Convenient bank operating hours	200	5.0	4.065	-0.94			
	20	Personal relation by Employees'	200	5.0	4.130	-0.87			
	21	Bank staff giving customers best interest at heart	200	5.0	4.530	-0.47			
	22	Understanding specific needs of the customers'	200	5.0	4.260	-0.74			

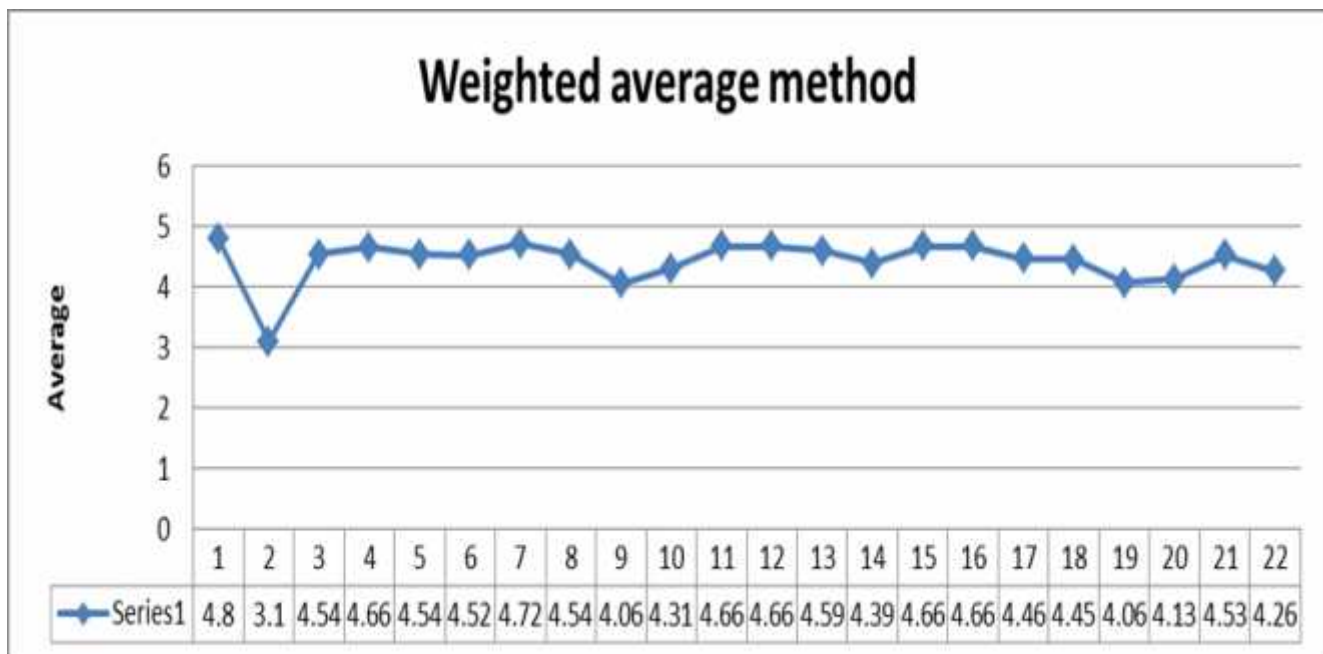
Total Sum	-2.86
AVERAGE (= Total sum /5) UNWEIGHTED SERVQUAL SCORE)	-0.57

1.4 Weighted Average Method

FACTORS	(5)	(4)	(3)	(2)	(1)	N	AVG	RANK
Modern looking equipment and fixtures	160	40	0	0	0	200	4.8	22
Visually appealing physical facilities	39	65	0	69	27	200	3.1	1
Neat appearance of employees'	107	93	0	0	0	200	4.535	12
Quality and visually appealing materials	132	68	0	0	0	200	4.66	16
Bank promises to do something by a certain time, it does so	108	92	0	0	0	200	4.54	13
Sincere interest in solving customer's problems	105	95	0	0	0	200	4.525	10
Performs the service right the first time	144	56	0	0	0	200	4.72	21
Bank provides its service at the time it promises to do so	108	92	0	0	0	200	4.54	14
Bank keeping accurate and error free records	52	108	40	0	0	200	4.06	2
Bank informs you exactly when a service will be performed	104	68	14	14	0	200	4.31	6
Prompt service from employees'	133	67	0	0	0	200	4.665	17
Employees' willingness to help	133	67	0	0	0	200	4.665	18
Employees' response to your requests	119	81	0	0	0	200	4.595	15
Customers confidence on employees'	79	121	0	0	0	200	4.395	7
Feel safe in your transactions with Bank	133	67	0	0	0	200	4.665	19
Friendliness and courtesy of bank staff	133	67	0	0	0	200	4.665	20

Bank staff having knowledge to answer your questions'	106	80	14	0	0	200	4.46	9
Individual attention given by Bank staff	132	40	14	14	0	200	4.45	8
Convenient bank operating hours	67	92	28	13	0	200	4.065	3
Personal relation by Employees'	39	148	13	0	0	200	4.13	4
Bank staff giving customers best interest at heart	106	94	0	0	0	200	4.53	11
Understanding specific needs of the customers'	92	68	40	0	0	200	4.26	5

*Most Satisfied (5) Satisfied (4) Neutral (3) Dissatisfied (2) Most Dissatisfied (1)



In X axis = 1 cm = 1 sample
Y axis = 1 cm = 1 factor

Exhibit 1.4 Showing Weighted Average Method

Findings and Discussions

Mean analysis (To find out the service gap)

From the mean analysis it reveals that, in the below listed factors the service gap is found to be very high. Factors are listed below:

1. Visually appealing physical facilities (-1.90),
2. Bank keeping accurate and error free records (-0.94),
3. Convenient bank operating hours (-0.94),
4. Personal relation by employees'(-0.87),
5. Understanding specific needs of the customers'(-0.74),
6. Bank informs you exactly when a service will be performed (-0.69),

Un-weighted SERVQUAL Score Calculation

From the Un-weighted SERVQUAL score calculation, the difference between the perceptions and expectations (P-E) for all questions in these dimensions was negative, revealing that there are considerable faults in the service, which are jeopardizing the quality of service being offered. The overall average for the five dimensions was (-0.57). The following five dimensions are listed to show the gap between what is expected and perceived.

1. Tangibles (-0.73)
2. Reliability (-0.52)
3. Responsiveness (-0.44)
4. Assurance (-0.45)
5. Empathy (-0.71)

The analysis from the above five dimensions reveals that, Tangibles, Empathy & Reliability shows the highest un-weighted SERVQUAL service gap between the customers' expectation and perception towards the quality service being offered.

Weighted Average Method

From the analysis of weighted average method it reveals that, the following listed factors show low weighted average value and the factor are as below:

1. Visually appealing physical facilities (3.1)
2. Bank keeping accurate and error free records (4.06)
3. Convenient bank operating hours (4.065)
4. Personal relation by Employees' (4.13)
5. Understanding specific needs of the customers' (4.26)
6. Bank informs you exactly when a service will be performed (4.31)

From the Mean analysis, Un-weighted analysis and weighted average method it is observed that the following service gap factors such as:

1. Visually appealing physical facilities
2. Bank keeping accurate and error free records
3. Convenient bank operating hours
4. Personal relation by employees
5. Understanding specific needs of the customers
6. Bank informs you exactly when a service will be performed

These are the factors where the service gap is found to be very high, so Commercial Banks may give more attention towards these factors in order to improve the service quality of banking.

Conclusion

The success of the bank mainly depends on its customers. Being a service industry, all banks should aim at satisfying the customers' needs by providing maximum features in their services. Saving account is the essential needs of people at present days as people not only expecting more service, but also expecting more features in their account. The banking business is getting changed day by day. The customer's education, exposure, advancement and the competitors are the main reasons for this drastic change. Therefore the banks have to shape their marketing strategy in order to retain their customers and for attracting new customers. The mantra for retaining the customers is by making them satisfied by providing excellent service quality such that their expectation is over ruled by the performance. The study helps in analyzing and understanding the service quality offered by Commercial Banks in South India and also has suggested improving the avenues where the banks have to improve and to conduct Gap analysis of customers' expectations and actual services should be carried out regularly to measure the current level of customer satisfaction. Service quality has been considered to be most important factor by the consumers. This study provides proper guidelines to the service providers to improve their service offerings.

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