

RELATIONSHIPS AMONG SERVICE QUALITY, CUSTOMER SATISFACTION AND CUSTOMER RETENTION IN LAKSHMI VILAS BANK AT TIRUCHENGODE TOWN

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Abstract

This study analysed the relationship among service quality, customer satisfaction and customer retention in Lakshmi Vilas Bank at Tiruchengode town. It addresses whether the dimensions of service quality impacts customer satisfaction which eventually leading to customer retention. Correlation was used to analyse the relationship among service quality, customer satisfaction and customer retention. Service quality and customer satisfaction have a positive correlation with customer retention. Hence, the bank provides quality services and also highly satisfies and retains their customers. Further, the bank implements and create awareness on e-corner facilities to satisfy and retain their customers. It reduces the employees' burden and help to maintain a long term relationship between the employees and the customers because employees are the face of the bank.

Introduction

Service quality plays an important role in service sector, especially in banking sector. When the bank provides quality service to their customers, they easily satisfy and retain them because the customers give more importance to services rather than products and schemes. So, the researcher analysed the relationship among service quality, customer satisfaction and customer retention in Lakshmi Vilas Bank at Tiruchengode town.

Review of Literature

Deepak Gupta and Vikrant Singh Tomar (2011) identified the customer friendly services provided by the select public and private banks in India. They studied the performance level of SBI and ICICI bank under the heads customer focus and orientation, proficiency, infrastructure and expediency. ICICI has performed better than SBI under these heads. This study suggests that SBI should provide customer friendly services to maintain mutual understanding between the bank and the customers.

Sanmugam Annamalah (2011) investigated the impact of service quality on customer satisfaction and customer loyalty in Malaysian retail banking sector. He commented that empathy and assurance played a major role in customer satisfaction, whereas tangibility, reliability and responsiveness could not create much effect on customer satisfaction. The study focuses the view that the bank managers should concentrate on all the aspects of service quality to satisfy its customers.

Manisha (2012) evaluated and compared the effectiveness of public and private sector banks in India and assessed the impact of advertising, sales promotion, personal selling, publicity and public relations in Indian banking sector. She concluded that ICICI bank had a competitive edge over SBI in overall marketing communication strategies.

Vibhor Jain et al (2012) studied customer perception and service quality dimensions in Indian private banks. The result of the study concluded that ICICI and HDFC banks held the loftiest position as compared to other banks in service quality dimensions. HDFC bank had retained much better position than Indusind bank with regard to customer perception. Hence, HDFC bank had held the best position with compared to the other banks in customer perception and service quality dimensions. The study highlights the significance of creating awareness about the product and the services of the banks.

Rationale for the Study

In the previous studies related to service quality, the researchers paid attention to the aspects, such as impact on customer satisfaction and loyalty, customer friendly services, the effectiveness of banks and the dimensions of service quality. They have not analysed the relationship among service quality, customer satisfaction and customer retention which the researcher carries out in the present study.

Objectives of the Study

This study has been carried out with the following objective,

- I.To analyse the relationship between service quality, customer satisfaction and customer retention.

Hypothesis of the Study

The following hypothesis has been framed by the researcher, keeping in mind the objective of the study.

- I. There is no significant relationship among Service Quality, Customer Satisfaction and Customer Retention.

Research Methodology

Primary and secondary data has been used for this study. Primary data are collected through questionnaire and secondary data are collected from journals and websites. Survey method is used to collect data from bank customers. Factors, such as, precision, confidence, time and cost constraints were taken into consideration in selecting sample size. The study is limited to customers of Lakshmi Vilas bank in Tiruchengode town. Proportionate random sampling has been adopted to select respondents. Researchers issued one hundred and twenty (120) questionnaires to selected customers.

The instrument used in this study is composed of two parts. The first part includes demographic profile of the customer age, gender, occupation, marital status, educational qualification and income level. The second part deals with the questions relating to service quality, customer satisfaction and customer retention in banking sector. All items were measured through five-point Likert scale. SPSS (version 20) is used to analyse the data. The researcher has been used percentage analysis and correlation for analysis and interpretation.

Analysis and Interpretation

The researcher has been used percentage analysis to study the demographic profile of the customers. The following table shows that out of 120 respondents, 57.5% of the customers are male, 51.7% of the customers are married, 46.7% of the customers belong to the age group of 20-30, 44.2% of the customers are degree holders, 45.8% of the customers are employee and 45% of the customers belong to the income group of Rs.10000-Rs.20000.

Table 1, Demographic Profile of the Customers

Demographic profile	Number of customer	Percentage
Gender		
Male	69	57.5
Female	51	42.5
Total	120	100
Marital Status		
Single	58	48.3
Married	62	51.7
Total	120	100
Age Group		
Below 20	24	20.0
20-30	56	46.7
30-40	28	23.3
Above 40	12	10.0
Total	120	100
Educational Qualification		
Upto 12 th	19	15.8
Degree	53	44.2

Profession	35	29.2
Others	13	10.8
Total	120	100
Occupational Status		
Student	38	31.7
Employee	55	45.8
Business	15	12.5
Others	12	10.0
Total	120	100
Family Monthly Income		
Below Rs.10000	31	25.8
Rs.10000-Rs.20000	54	45.0
Rs. 20000-Rs.30000	18	15.0
Rs.30000 and Above	17	14.2
Total	120	100

Inter-Relationship among Service Quality, Customer Satisfaction and Customer Retention

Service quality has strong influence on customers' satisfaction and the core factor that generates customer retention. Therefore, it is essential in a research to measure the nature of relationship among the related variables. Hence, an attempt has been made to find out the relationship among service quality, customer satisfaction and customer retention in Lakshmi Vilas Bank. Karl Pearson's coefficient of correlation has been employed to identify the inter-relationship among these variables. It is a convention that if significant value is less than 0.05, the correlation will be considered as significant. The values of the Pearson Correlation range from -1 to +1 with negative numbers represent a negative correlation and positive numbers represent a positive correlation. The closer the value is to -1 or +1, the stronger the association between the variables.

Table 2, Inter-Relationship among Service Quality, Customer Satisfaction and Customer Retention

Variables		Service Quality	Customer Satisfaction	Customer Retention
Service Quality	Pearson Correlation	1		
	Sig. (2-tailed)			
Customer Satisfaction	Pearson Correlation	.842**	1	
	Sig. (2-tailed)	.000		
Customer Retention	Pearson Correlation	.852**	.897**	1
	Sig. (2-tailed)	.000	.000	

** . Correlation is significant at the 0.01 level (2-tailed).

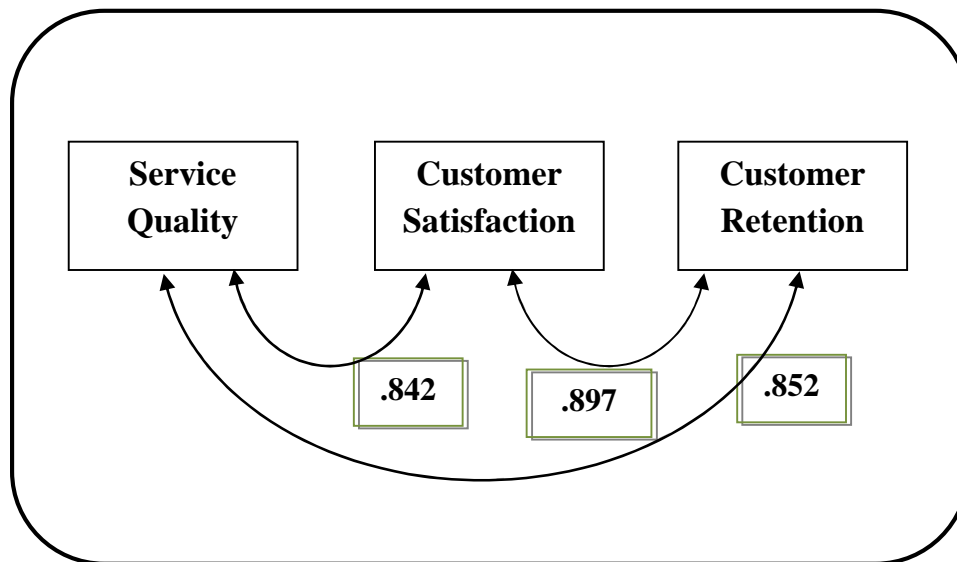
Hypothesis: *There is no significant relationship among Service Quality, Customer Satisfaction and Customer Retention*

The above table shows that service quality is positively correlated with customer satisfaction (0.842) and customer retention (0.852) but customer satisfaction is highly positively correlated with customer retention (0.897). Hence, it is concluded that all these variables are statistically significant at 5% level and there is a significant relationship among service quality, customer satisfaction and customer retention.

It indicates that service quality leads to higher degree of customer satisfaction and customer retention among bank customers. The correlation result shows that service quality positively correlates with customer satisfaction and it is concluded that the bank provides quality services and highly satisfies their customers. Service quality is positively correlated with customer retention and it indicates that the bank retain their customers through quality

services. Customer satisfaction is positively correlated with customer retention and it shows that the bank satisfy and retain their customers.

Figure 1, Inter-Relationship among Service Quality, Customer Satisfaction and Customer Retention



Findings of the Study

- ❖ Service quality is positively correlated with customer satisfaction (0.842) and customer retention (0.852) but customer satisfaction is positively correlated with customer retention (0.897).
- ❖ Service quality, customer satisfaction and customer retention are highly correlated with one another.

Conclusion

The research concludes that the service quality influences the customer satisfaction and customer satisfaction influence the customer retention in Lakshmi Vilas Bank. Service quality and customer satisfaction have a positive correlation with customer retention. Hence, the bank provides quality services and also highly satisfies and retains their customers. Further, the bank implements and create awareness on e-corner facilities to highly satisfy and retain their customers. It reduces the employees' burden and help to maintain a long term relationship between the employees and the customers because employees are the face of the bank.

References

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