



## Customer Satisfaction of Public Sector Banks

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### ABSTRACT

*Satisfaction is a crucial concern for both customers and organizations including banks. Lot of efforts is being made by banks to offer high quality products and services to their customers. The banking industry like any other financial services is facing a rapidly changing market, new technologies, uncertainties, fierce competition and more demanding customers and the changing climate has presented an unprecedented set of challenges. Banking is a customer oriented service industry, therefore the customer is the focus and customer service is the differentiating factor. Thus, in order to survive in the competitive scenario, Public Sector Banks are in a position to satisfy their customer wants. In this paper an attempt has been made to identify the determinants of customer's satisfaction. By adopting convenient sampling method 300 customers have been selected. The collected data have been analysed by making use of Chi-square test. The results of the study disclose that Area of Residence, Gender, Educational Qualification, Family Income, Duration of Holding Accounts and Perception on Service Quality are the factors that increase customer satisfaction.*

**KEYWORDS : Customer Satisfaction, Public Sector Banks, Service Quality**

### INTRODUCTION

The financial system in India consists of various institutions which plays pivotal role for the economic development. The Reserve Bank of India (RBI) regulates the functioning of these institutions. It is broadly classified as commercial banks, co-operative banks and other financial institutions. At the time of independence, the majority of banking activities were concentrated in the metropolitan and urban centres. Banks extended advances and loans only for trade and large firms and neglected the agriculture and other priority sectors. A need was felt for the inclusive growth of financial sector. Hence, the government nationalized a significant part of the banking sector in 1955, the imperial Bank of India was nationalized. The next significant milestone in banking in India took place in 1969 and the third in 1980, when the major private banks were nationalized. Till 1991, Public Sector Banks dominated the show. A sea change has been made after introduction of financial sector reforms. As a result of financial sector reforms, banks started to give due importance for earning profit. Profitability of banks depends upon effective recycling of funds and satisfying customers wants. Public Sector Banks are losing their market share to Private Sector and Foreign Banks. Thus, Public Sector Banks in order to survive in the globalized scenario must introduce numerous innovative products, as introduced by private sector and foreign banks so that they may retain existing customers and may attract new customers towards their banks. Thus, an earnest attempt has been made in this study to identify the level of customer's satisfaction and factors associated with customer satisfaction.

### REVIEW OF LITERATURE

Fatima holy Ghost and M. Edwin Gnanadhas (2011) in their study found that Customers Satisfaction is associated with Customers Demographic profile like Gender, Income, Educational Qualification and level of knowledge on Banking services. Vijay M. Kumbhar (2011) in his study found that Customer satisfaction is associated with their educational qualification, occupation and age. Further, he found that Private sector banks are providing better service quality than service provided by the public sector banks. Aleksandra Pisknik Korda and Boris Snoj (2010) in their study observes that Quality of Service Offered by the bank directly influences the Customer Satisfaction. Kailash (2012) in his study finds that customer's satisfaction is associated with delivery of innovative products by banks. Majid Esmailpour, Manije Bahraini Zadeh and Effat Haji Hoseini (2012) in their study examines that customer satisfaction is associated with employee behavior and competency level of bank staff. David Cohen, Christopher Gan, Hua Hwa Au Yong and Esther Choong (2006) in their study found that Customer Satisfaction is associated with age, gender, educational level and income. Vijay M. Kumbhar (2011) in his study found that Perceived Value, Brand Perception, Cost Effectiveness, Easy to use, Convenience, Problem Handling, Security/Assurance and Responsiveness are the important factors that affect customer's satisfaction in e-banking. Sulieman Ibraheem Shelash Al-Hawary, Rashid M. Alhamal and

Saad Abdullah Alghanim (2011) in their study find that customer's satisfaction is influenced by service quality, especially on assurance of service.

### STATEMENT OF THE PROBLEM

Public Sector Banks acted as a monopoly till incorporating financial sector reforms in India, 1991. Thus financial sector reforms assisted to establish more number of banks both in private sector as well from foreign sector. Today, Public Sector Banks in India face stiff competition from both private and foreign bankers, resulting in reduction of customer size. In order to survive in the competitive scenario, public sector banks also have to introduce new innovative products as introduced by Private Sector Banks and Foreign Banks. Thus, Public Sector Banks in order to retain existing customers and to attract new customers public sector banks to be customer centric. Hence, the present study has been carried out to find the factors associated with Customer Satisfaction.

### OBJECTIVE

➤ To ascertain the factors that are associated with Customer Satisfaction.

### RESEARCH METHODOLOGY:

#### DATA

The data required for the study is primary in nature. The primary data have been collected by making use of questionnaire.

### AREA OF STUDY

The study is confined to Kanchipuram District.

### SAMPLE DESIGN

By adopting convenient sampling methodology, 300 respondents have been selected. .

### FRAMEWORK OF ANALYSIS

The collected data have been analyzed by making use of Chi-Square test.

### Level of Satisfaction

Customer Satisfaction on Public Sector Banks Service has been measured by assigning scores of questions relating to Satisfaction. Forty such questions are included in the questionnaire. Answers to the questions have been rated on a five-point scale. The scores allotted to the answers range from one to five. Thus, the maximum score a customer would get is Two-hundred. Score obtained by each customer is divided by 200 and multiplied by 100 to convert it into an index. This index is termed as 'Satisfaction index'. Based on the satisfaction index, the customers have been divided into three groups as customers with low, moderate and high level of satisfaction. In order to classify the customers into three such groups, quartiles have been made

use of. Accordingly, customers with satisfaction index ranging up to 56.10 are termed as customers with low level of satisfaction; those with satisfaction index ranging between 56.11 and 82.15 are termed as customers with moderate level of satisfaction and those customers with satisfaction index above 82.16 are termed as customers with high level of satisfaction. Of the 300 customers, 39 (13.00%) customers are with low level of satisfaction; 194 (64.70%) are with moderate level of satisfaction and the rest 67 (22.30%) customers are with high level of satisfaction.

**ANALYSIS AND INTERPRETATION**

The following table 1, portrays the factors associated with Customer Satisfaction. Levels of Significance chosen are one and five per cent level. Twelve variables are considered for the analysis. Of which, six variables are found to be associated with Customer Satisfaction namely, Area of Residence, Gender, Educational Qualification, Family Income, Duration of Holding Accounts and Perception on Service Quality.

**TABLE 1  
DETERMINANTS OF CUSTOMER SATISFACTION**

Factors	Level of Satisfaction			Total	χ <sup>2</sup>
	Low (n=39)	Moderate (n=194)	High (n=67)		
<b>Area of Residence</b>					
Urban	1(3.40)	14(48.30)	14(48.30)	29(100.00)	32.435**
Semi-urban	36(15.80)	158(69.30)	34(14.90)	228(100.00)	
Rural	2(4.70)	22(51.20)	19(44.20)	43(100.00)	
<b>Age</b>					
Up to 30	7(12.70)	40(72.70)	8(14.50)	55(100.00)	4.333
31 to 45	23(11.70)	125(63.50)	49(24.90)	197(100.00)	
Above 45	9(18.80)	29(60.40)	10(20.80)	48(100.00)	
<b>Gender</b>					
Male	32(16.60)	122(63.20)	39(20.20)	193(100.00)	6.608*
Female	7(6.50)	72(67.30)	28(26.20)	107(100.00)	
<b>Marital Status</b>					
Married	33(13.50)	154(62.90)	58(23.70)	245(100.00)	1.978
Unmarried	6(10.90)	40(72.70)	9(16.40)	55(100.00)	
<b>Educational Qualification</b>					
Illiterate	0(0.00)	10(83.30)	2(16.70)	12(100.00)	34.756**
Up to Primary	2(6.90)	19(65.50)	8(27.60)	29(100.00)	
SSLC	5(9.10)	40(72.70)	10(18.20)	55(100.00)	
H.Sc.,	7(19.40)	27(75.00)	2(5.60)	36(100.00)	
Under Graduate	4(6.50)	34(54.80)	24(38.70)	62(100.00)	
Post Graduate	11(28.20)	21(53.80)	7(17.90)	39(100.00)	
Professional	5(10.00)	33(66.00)	12(24.00)	50(100.00)	
Diploma	5(29.40)	10(58.80)	2(11.80)	17(100.00)	
<b>Occupation</b>					
Agriculture	2(5.00)	27(67.50)	11(27.50)	40(100.00)	19.615
Business	11(14.50)	48(63.20)	17(22.40)	76(100.00)	
Employee	10(12.70)	54(68.40)	15(19.00)	79(100.00)	
Professional	8(23.50)	17(50.00)	9(26.50)	34(100.00)	
Retired	3(20.00)	5(33.30)	7(46.70)	15(100.00)	
House Wife	2(7.40)	22(81.50)	3(11.10)	27(100.00)	
Student	2(11.80)	11(64.70)	4(23.50)	17(100.00)	
Others	1(8.30)	10(83.30)	1(8.30)	12(100.00)	
<b>Monthly Income</b>					
Up to 15000	1(2.60)	30(78.90)	7(18.40)	38(100.00)	5.900
15001 – 30000	33(15.20)	134(61.80)	50(23.00)	217(100.00)	
Above 30000	5(11.10)	30(66.70)	10(22.20)	45(100.00)	
<b>Family Income</b>					
Up to 20000	4(10.80)	33(89.20)	0(0.00)	37(100.00)	19.411**
20001 – 40000	33(14.50)	142(62.30)	53(23.20)	228(100.00)	
Above 40000	2(5.70)	19(54.30)	14(40.00)	35(100.00)	

Factors	Level of Satisfaction			Total	χ <sup>2</sup>
	Low (n=39)	Moderate (n=194)	High (n=67)		
<b>Multiple Accounts</b>					
Yes	35(14.50)	151(62.40)	56(23.10)	242(100.00)	3.423
No	4(6.90)	43(74.10)	11(19.00)	58(100.00)	
<b>Frequency of Operation</b>					
Daily	1(4.80)	14(66.70)	6(28.60)	21(100.00)	10.544
Weekly	11(14.50)	53(69.70)	12(15.80)	76(100.00)	
Monthly	26(14.10)	110(59.80)	48(26.10)	184(100.00)	
Rarely	1(5.30)	17(89.50)	1(5.30)	19(100.00)	
<b>Duration of Holding Accounts</b>					
Up to 5	8(12.90)	48(77.40)	6(9.70)	62(100.00)	13.937**
5 to 10	29(14.80)	122(62.20)	45(23.00)	196(100.00)	
Above 10	2(4.80)	24(57.10)	16(38.10)	42(100.00)	
<b>Perception on Service Quality</b>					
Low	21(48.80)	21(48.80)	1(2.30)	43(100.00)	145.176**
Moderate	18(9.30)	152(78.80)	23(11.90)	193(100.00)	
High	0(0.00)	21(32.80)	43(67.20)	64(100.00)	

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

Area of Residence, Educational Qualification, Family Income, Duration of holding accounts and Perception on service quality is found to be associated with satisfaction at one per cent level whereas gender is found to be associated with satisfaction at five per cent level.

- Customers who reside in urban area have high level of satisfaction and Customers who reside in Semi-urban area have low level of satisfaction
- Female customers have high level of satisfaction than male customers
- Customers, who are under graduate qualified have high level of satisfaction and customers with Diploma qualification have low level of satisfaction
- Customers whose family income is above Rs. 40000 have high level of satisfaction and customers whose family income ranges between Rs.20001 and Rs.40000 have low level of satisfaction
- Customers who hold bank accounts more than 10 years have high level of satisfaction. Customers who hold account for the period ranging between 5 and 10 years have low level of satisfaction.
- Customers who have high level of perception on services offered in the bank have high level of satisfaction and customers who have low level of perception on quality of services offered in the bank have low level of satisfaction

**SUGGESTIONS**

- Working hours may be extended both in Semi-urban and rural area, thereby customers are benefited.
- As in Urban area, banks may work on Sundays
- Staff should cooperate with customers and emphasis should be given on customer relationship management.
- Consumer grievance handling system should be fast so that consumer can be satisfied.
- More number of ATM counters may be opened in Rural and Semi-urban areas, which assist to increase the customer's satisfaction.
- Charges levied for Cheque Collection and Demand Draft may be reduced to a certain extent and the bill and cheque collection time may be reduced to a maximum extent will increase customer's satisfaction.
- Rate of interest be reduced for small borrowers like agriculturists, SSI units and the like.
- Customers, who hold account for a longer period of time, may be honoured by providing loan at cheaper rate of interest or offering high rate of interest for their deposits.
- Customer satisfaction depends on Service quality of banks. Hence, banks are instructed to enhance their service quality, thereby customer's satisfaction be increased.

**CONCLUSION**

The results of the study disclose that customer satisfaction is associated with Area of Residence, Gender, Educational Qualification, Family Income, Duration of Holding Accounts and Perception on Service

Quality. Public Sector Banks have to take necessary steps to increase their customer satisfaction by introducing new products and services similar to products and services offered in Private and Foreign banks. Further, the work-culture in Public Sector Banks has to be fine tuned to meet the competition from Private and Foreign Banks.

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