Physical Evidence –A Part of Customer Satisfaction An Analysis Using Factor Analysis

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ABSTRACT *The customer choice and awareness have been increasing tremendously during this decade due to more open economy, the advent of information technology and media revolution, besides hectic competition for resources by banks. As markets have become increasingly competitive, customers can now immediately go elsewhere if they do not get what they want. Continuous improvement, gaining the competitive edge, increased market share, higher profits-none of these things is possible unless businesses can find new ways of maintaining the loyalty of existing customers.*

It takes only a few incidents and direct experiences for the knowledgeable customers to form an opinion about the quality of the services and the quality of the product offered. Hence, "customer service is not being viewed as just a business strategy but should become a corporate mission."

Introduction
"By entering into your premises, the customer is giving you opportunity to serve him, but you are not doing a favour by serving him"

- Mahatma Gandhi.

The liberalisation and globalisation of Indian economy took place almost a decade ago. Ever since, the focus point in any service organisation has been "customer service", more so in the banking industry. The phrases such as "customer is the king in our business", "service to customer is service to God" are no more a myth but have turned out to be a reality. Customer service is the base for business expansion because of the stiff competition prevalent in the banking industry. With the advent of new private banks, the concept of "customer service" has become an important and pivotal issue in banks, whether it is in the public sector, private sector, co-operative sector and so on. The survival of banking business is dependent on customer services.

Customer Service-Significance
"The Banking sector industry is considered a service oriented industry. It has to render manifold services to the people who visit the banks. Customer service refers essentially to counter level inter face or through other modes with the customers." [1]

The issue of proper customer service is central to all business operations. That is why management experts have for long, considered customer service as an integral part of the growth strategy of their businesses.

'The leader of an organisation should live and breathe customers' needs and should communicate this across the organisation." [2]

Hence, the major component of customer service is related to the involvement and commitment of the staff rendering such service. Since the marketing of financial service offered by bank very much depends on the quality of customer service and the satisfaction that customers derive from the services they receive the important criterion to judge the benchmark of a bank is customer satisfaction in terms of good service.

Banker and Customer Relationship
Today the relationship between the banker and customer has come under sharp focus both at the banker's as well as at the customer's ends. Many customers are expecting better service. The dominant questions which are bothering the minds of bank management today are how to improve customer service and competitive advantage. The products are almost the same; however, the battleground is service.

Paradigm Shift – Scenario in India

Before 1991	After1991
Seller's market	Buyer's market
Protected market	Open market
Not many global brands	Increase in number of global brands
Friendly competition	Cut-throat competition
Patient customers	Demanding customers
Limited choice for customers	Increasing choice for customers
Limited role of service	Increased role of service
Speed @ will	Turbo speed
Fundamental standalone system	Enterprise system
IT-competitive advantage	IT-Enabler
Gaining new customers	Retaining existing customers
Monologue	Dialogue
Transaction	Relationship

Source: IBA Bulletin, August 2004, p-6.

Statement of problem
Customers' preferences keep on changing at a rapid speed and their demands are turned insatiable. In order to cater to the changing preferences, bankers are bound to provide the services suitable to their needs to survive in the competition. Hence an attempt is made to analyse the opinion about factors affecting satisfaction of customers on Loans and Advances were subjected to factor analysis

Review of Literature

Kamath[3] in his thesis entitled "Marketing of Bank Service with Special Reference to the Branches in Bombay City of Syndicate Bank" has concluded that quick and better services mattered in attracting and retaining a bank customer.

R.P Goyal[4] in his article "Customer Service in Banks" has underlined the importance of improving customer service in banks and suggested that it could be achieved by motivating and orienting the staff, simple systems and procedures and specific schemes to suit customer needs.

H.K. Bedbak[5] in his study entitled "Institutional Financing for Priority Sectors – An Analysis of Delay and Attitude," has analysed the delays in sanctioning of loans and attitude of institutional agencies towards the customers as borrowers.

Manjit Singh[6] in his project "A Study of the Impact of Bank Lendings on Weaker Sections – A Case Study of Agricultural Development Branch of State Bank of India, Moga" has reviewed the standard of living of beneficiaries and non beneficiaries in Moga of Madhya Pradesh.

R. Neelamegam[7] in his research study "Institutional Financing to Small Scale Industries" has reviewed the various types of institutional financing facilities available to small scale industrial units in Tamil Nadu.

Ranade[8] in his study entitled "Marketing of Deposit and Allied Service to Non-resident" customers concluded that guide service is the major factor influencing an NRI in the selection of a bank.

Eugene W. Anderson, Daes and Furness and Donald R. Lehmann[9] discussed the links between quality, expectations, customer satisfaction and profitability. The findings state that when quality and expectations increase, there is a positive impact on customer satisfaction and in turn, profitability.

Objectives of the Study

- to analyse the opinion of customers on Physical Facilities and influencing factors
- to offer suggestions for the improvement of customer services in State Bank of India

Scope of the Study

This study covers the customer services rendered by State Bank of India in Madurai city. As the study is an empirical study to identify the attitude of the customers towards the services rendered by the banker, the study has been focused towards customers who are the recipient of services and bank employees who are the agencies of delivery of services. As such, it has been projected from the point of view of bank employees and from the point of view of bank customers. It is analysed with reference to customers and employees attitude. The State Bank of India in Madurai city consists of 13 branches. The study was undertaken on the customers and Bank employees of 13 branches only.

Methodology

The present study is an empirical one based on survey method. Data were collected from both primary and secondary sources. The primary data were collected from banks' customers and bank employees by means of interview schedule and questionnaire.

Sampling Design

The study aims at analysing the attitude of customers of State Bank of India in Madurai city branches with regard its services.

242 bank employees were supplied with the questionnaire in 13 branches of State Bank of India in Madurai city. But only 240 respondents filled in the questionnaire. Out of these 240 respondents, 60 respondents were bank officials (Bank Managers and Officers). All of them have responded. The remaining was clerical which amounting to 60 per cent of the clerical staff selected on proportionate random sampling method. Indeed, the questionnaires were given through branch managers of the said 13 branches to the clerical staff and they got back researcher the questionnaire filled in by the clerical staff of the respective branches.

Geographical Area of the Study

The study covers the whole area of Madurai city only where the branches of the State Bank of India are situated. They are Amman Sannadhi Branch, Arasaradi Branch, Commercial Tax Complex, Madurai Agricultural Development Bank Branch, Madurai city Branch, Pasumalai Branch, Personal Banking Branch, Tallakulam Branch, Vinayaganagar Branch, West Tower Branch, Railway Station Branch and Madurai Main Branch.

Analysis of the study
Factor Analysis

Factor Analysis is called the queen of analytical methods. Factor analysis is based on the fundamental assumption that some underlying or latent factors which are smaller in number than the number of observed variables, are responsible for the co-variation among the observed variables. Thus a certain correspondence exists between the underlying factors and observed variables. The mathematical properties of the correspondence are such that one causal system of factors leads to a unique correlation system of observed variables, but not vice verse. The correlation co-efficient is used as a measure of interrelationship (association) among the variables and those between the subsets. A factor analytical approach is used to address whether these observed correlations could be explained to the existence of a small number of hypothetical variables. Simply, it is a method for extracting common factor variances from sets of measures.

Principal component analysis method with varimax rotation had been selected since it is an approach to factor analysis that considers the total variance in the date and also enhances interpretability. Principal component analysis is recommended when the primary concern is to determine the minimum number of factors that will account for maximum variance in the data for using subsequent multivariate analysis.[3] Varimax procedure is an orthogonal method of factor rotation that minimizes the number of variables with high loadings on a factor thereby enhancing the interpretability of the factors.[4]

In the research, factor analysis has been used to identify the structures and to minimize the items within each dimension. For each dimension, factor analysis was done separately with the items of that particular dimension. The items, with high factor loadings in the first factor – the first factor is the one with high eigen value and explains maximum proportion of the total variance – have been selected as they are supposed to represent one common construct of that particular group.

Physical Facilities

The physical environment is the space by which customers are surrounded when they consume the service. The physical environment is made up from its ambient conditions; spatial layout and functionality; and signs, symbols, and artifacts customers tend to rely on physical facilities to help them evaluate the product before they buy it. Physical evidence is the material part of a service. There are many examples of physical evidence, including some of the following:

The building itself. This includes the design of the building itself, signage around the building, and parking at the building, how the building is landscaped and the environment that surrounds the building. This is part of what is known as the services cape.

The ambient conditions include temperature, colour, smell

and sound, music and noise. The ambience is a package of these elements which consciously or subconsciously help you to experience the service.

The interior of any service environment is important. This includes the interior design of the facility, how well it is equipped, internal signage, how well the internal environment is laid out, and aspects such as temperature and air conditioning. This is also part of the services cape. Some organizations depend heavily upon physical evidence, for example large banks and insurance companies. This is important to their corporate image.

The spatial layout and functionality are the way in which furniture is set up or machinery spaced out.

Finally corporate image and identity are supported by signs, symbols and artefacts of the business itself. Examples of this would be the signage in Starbucks which reassures the consumer through branding. This is all important to the physical evidence

Hence an attempt is made to analyse the Physical facilities offered in the bank and the estimated results are given in Table 1

TABLE 1
Rotated Factor Loading-Physical Facilities

Sl. No.	Variables	F1	F2	F3	F4	h²
1.	Building and Spatial Layout are provided	0.82892	0.14220	0.14885	0.01436	0.72970
2.	Fully air conditioned	0.82151	0.11896	-0.01721	0.20210	0.73017
3.	Clean Toilets are provided	0.80548	0.09216	0.07077	0.11634	0.67584
4.	Separate waiting rooms for men and women provided	0.80332	0.14206	0.00492	-0.01954	0.66591
5.	Proper ventilation	0.59873	-0.01069	0.43330	-0.08068	0.55284
6.	More number of Cashier counters are provided	0.55676	0.25834	0.46052	-0.05253	0.59157
7.	Fans and air circulation system installed	0.53824	0.24010	0.43567	0.18874	0.57278
8.	Space for counting money and bundling is provided	0.52492	0.43176	0.11576	0.31008	0.57151
9.	Counters are systematically arranged	0.51817	0.41051	0.41479	0.20478	0.65100
10.	Furniture in bank are convenient	0.08785	0.87307	0.26456	0.04538	0.84202
11.	Customers are provided with enough space	0.09394	0.82727	0.22529	0.02342	0.74451
12.	Customers are provided with congestion free parking	0.16184	0.73072	-0.10485	0.21808	0.61870
13.	There are enough tables for writing	0.45151	0.55417	0.06579	0.14439	0.53614
14.	Fire safety system installed	-0.08476	0.10228	0.81602	0.18430	0.71751
15.	Safety systems such as alarm are provided	0.14184	0.05665	0.77604	0.18467	0.65968
16.	Adequate dustbins are provided	0.43429	0.22327	0. 59450	0.04152	0.59362
17.	More number of teller counters are provided	0.17158	0.07548	0. 08224	0.75301	0.60892
18.	Customers are provided with clean drinking water	-0.02110	0.21163	0. 28333	0.69073	0.60262
	Percentage variance explained cumulative	38.8	50.2	59.2	64.8	

Source: Primary Data

Factor I (F1)
Factor I consists of the variables, 'Building and Spatial Layout are provided (0.82892),' 'Fully air conditioned (0.82151),' 'Clean toilets are provided (0.80548), 'Separated waiting rooms for men and women provided (0.80332),' 'Proper ventilation is provided (0.59873),' 'More number of cashier counters are provided (0.55676),' 'Fans and air circulation systems are installed (0.53824),' 'Counters are systematically arranged (0.51817),' 'Space for counting money and bundling is provided (0.52492),' with highest significant positive loadings. All these variables represent provision of enough space, air condition, toilets, waiting rooms for men and women, venti-

lation, more cashier counters and arrangement of counters. Factor I can be named as, 'Provision of basic amenities, counters and its arrangement'.

Factor II (F2)
Factor II consists of the variables, "Furniture in the bank for customers are convenient (0.87307),' 'Customers are provided with enough space (0.82727),' 'Customers are provided with congestion free parking (0.73072),' 'There are enough tables for writing (0.55417),' with highest significant positive loadings. All these statements represent, 'availability of space' furniture. table, parking facility, Factor II can be named

as, "Availability of space, furniture and parking facility.

Factor III (F3)

Third factor consists of variables namely, 'Fire safety system installed (0.81602),' 'Safety systems are provided such as alarm (0.77604),' 'Adequate dust bins are provided (0.59450),' with highest significant positive loadings. All these represent safety systems and dust bins availability, it can be called as, "Safety systems and dust bins availability".

Factor IV (F4)

The significant highest loadings statement, more number of tellers counters are provided (0.75301), customers are provided with clean drinking water form the fourth factor. As these statements relate to availability of tellers' counters and provision of clean drinking water. Factor IV can be named as "Availability of teller counters and drinking water".

Suggestions

Recognition of service quality as a competitive weapon is relatively a recent phenomenon in the Indian Banking sector.

Prior to the liberalisation era the banking sector in India was operating in a protected environment and was dominated by nationalised Banks. Banks at that time did not feel the need to pay attention to service quality issues and they assigned very low priority to identification and satisfaction of customer needs.

Conclusion

Customers vary in their expectations and attitudes and belong to wide socio-economic and cultural backgrounds. The gap between the expectations of customers and their fulfillment is the root cause of grievances which affects the image of the bank. To overcome this situation, there should be an effective monitoring mechanism and constant vigil over the services provided to customers. Since they have a wide choice of services and multiplicity of products they are more conscious of convenience and cost, safety and speed, respect and quality, courtesy and elegance. State Bank of India has to be very careful in responding to the needs of their customers in an intensely competitive and rapidly changing environment.

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