



Customer Satisfaction in Indian Banking Services (a Study in Jammu Region)

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ABSTRACT

The banking industry like many other financial service industries is facing a rapidly changing market, new technologies, economic uncertainties, fierce competition and more demanding customers and the changing climate has presented an unprecedented set of challenges. Banking is a customer oriented services industry, therefore, the customer is the focus and customer service is the differentiating factors.

In the backdrop of all these developments the investigator makes an attempt to explain the Customer Service satisfaction in Indian banking Sector. For this study, descriptive research design is used where the data is collected through the questionnaire. The information is gathered from the different customers of the two banks, viz., HDFC and SBI Bank located in the district Jammu, J&K. Hundred bank respondents from each bank were contacted personally in order to seek fair and frank responses on quality of service in banks. The service quality model developed by Zeithamal, Parsuraman and Berry (1988) has been used in the present study.

The analysis clearly shows that there exists wide perceptual difference among Indian (public sector) banks regarding overall service quality with their respective customers, when compared to Private sector banks. Whereas the said perceptual difference in private banks is narrow.

Keywords : Customer Service, Banking, Service Quality

1) INTRODUCTION

Financial services are the backbone of service sector. This is important not only for the banking sector but for the Indian economy as a whole. This is so because banking is a catalyst and life of modern trade and commerce. It is an integral part of all the businesses and social activities. This rapid transformation of services in the banking system has led to the evolution of a highly competitive and complex market where there is a continuous refinement of services. Hence the increase role of banking in Indian's economic development on the one hand and the changes in the business climate on the other has put increased pressure on them. These changes are compelling the banks to reorganize themselves in order to cope with the present conditions.

With the current change in the functional orientation of banks, the purpose of banking is redefined. Now, the financial institutions are trying to provide all the services at the customer's door step. The customer has become the focal point either to develop or maintain stability in the business. Every engagement with the customer is an opportunity to either develop or destroy a customer's faith in the bank. The expectations of the customers have also increased many folds. Intense competition among the banks has redefined the concept of the entire banking system. The banks are looking for new ways not only to attract but also to retain the customers and gain competitive advantage over their competitors. The banks like other business organizations are deploying innovative sales techniques and advanced marketing tools to gain supremacy. The main driver of this change is changing customer need and expectations. Customers in urban India no longer want to wait in long queues and spend hours in banking transactions. This change in customer attitude has gone hand in hand with the development of ATMs, phone banking and net banking, banks aim to provide all banking product and service offering under one roof and their endeavor is to be customer centric. With the emergence of economic reforms in world in general and in India in particular, private banks have come up in a big way with prime emphasis on technical and customer focused issues.

In this paper, the main contention of the author is to highlight the customer satisfaction through service quality provided by the banks- SBI from the public sector banking and ICICI from the private sector banking.

2) OBJECTIVES OF THE STUDY

- 1) To ascertain the perceptions of customers regarding the service quality in banks.
- 2) To analyze and compare the perceptions of the customers in private (ICICI) and public (SBI) banks.
- 3) The study provides a comparative analysis of the performance of ICICI and SBI bank in Jammu district.

3) SCOPE OF THE STUDY

Presently study has been restricted to time period from December 2012 to February 2013 in Jammu. ICICI Bank of Jammu has been taken as a representative unit of private bank and SBI Bank has been taken as a representative unit of public sector bank. A survey of 100 people each from both the banks has been conducted who are the general people of the bank. Doctors, Businessmen, Professors and Persons from self employed category, etc. have been surveyed.

4) RESEARCH METHODOLOGY

RESEARCH DESIGN:

Research design is a master plan specifying the method and procedure for collection and analyzing needed information. The research design in this project is descriptive. Descriptive research includes surveys and fact-finding inquires of different kinds. For this study, descriptive research design is used where the data is collected through the questionnaire. The information is gathered from the different customers of the two banks, viz. State Bank of India and ICICI bank located in the district Jammu (J&K). 100 respondents from each bank were contacted personally in order to seek fair and frank responses on quality of service in banks. The service quality model developed by Zeithamal, Parsuraman and Berry (1998) has been used in present study. The main assumption of the model is that service quality is multi- dimensional con-

cept. These dimensions contribute to the assessment of the service quality in any setting.

The statement in the construct is one-dimensional and performance based, which incorporate the statements of 'SERVQUAL' model that can be used as measurement (Cronin & Taylor, 1992). The 24 statements have been grouped under five dimensions. In order to ascertain the perceptions of service quality, Likert's 5-point scale has been used for its suitability to eliminate the range and variations in the perceptions. The scale 1-5 represents '5' as strongly agree and '1' as strongly disagree.

DATA COLLECTION:

Primary Data were collected using the questionnaire and personal contact approach. The respondents were approached personally on order to seek and frank responses on quality of service. Secondary data has been collected from the internet, Published reports, and the fact sheets of SBI Bank and ICICI Bank. For analysis of the data, weighted mean had been used.

5) REVIEW OF LITERATURE

A deliberate attempt to study service marketing and service quality issues dates back to the mid- 1960s (Rathmell, 1966). However, interest on the topic has gained considerable momentum within the past two decades or so. On the one hand, delivery of high service quality to customers offers firms an opportunity to differentiate themselves in competitive markets.

Today service quality is considered a critical measure of organizational performance and continues to compel the attention of practitioners and academics (Lassar et al, 2000; Yavas and Yasin, 2001). Unlike goods quality, which can be measured with some objectivity, service quality is abstract and elusive. The unique features of services such as inseparability of production and consumption, intangibility, and heterogeneity make measurement of quality a very complex issue.

Customer satisfaction is an important theoretical as well as practical issue for most marketers and consumer researchers. Customer satisfaction is increasingly becoming a corporate goal as more and more companies strive for quality in their products and services after it has been used and is generally described as the full meeting of one's expectations. Customer satisfaction is a major outcome of marketing activity whereby it serves as a link between the various stages of consumer buying behavior. For instance, if consumers are satisfied with a particular service offering after its use, then they are likely to engage in repeat purchase and try line extensions. A study conducted by Levesque and MC Dougall confirmed and reinforced the idea that unsatisfactory customer service leads to a drop in customer satisfaction and willingness to recommend the service to a friend.

To measure customer satisfaction with different aspects of service quality, Parasuraman, Valerie Zeithaml and Berry developed a survey research instrument called SERVQUAL. It is based on the premises that the customers can evaluate a firm's service quality by comparing their perception of its service with their own expectations. SERVQUAL is seen as a measurement tool that can be applied across spectrum of service industries. In its basic form, the scale contains 24 perception item and a series of expectation item, reflecting the five dimensions of service quality.

Their findings suggest that, in reality, SERVQUAL scores measure only two factors: intrinsic service quality (resembling what is termed functional quality) and extrinsic service quality (which refers to the tangible aspects of service delivery and "resembles to some extent what Gronroos refers to as technical quality"). Generic dimensions customers use to evaluate service quality are credibility, security, access communication, understanding the customer, tangibles, reliability, responsiveness, competence, courtesy.

SERVQUAL SCALE:

The SERVQUAL scale includes five dimensions: tangibles, reliability, responsiveness, assurance and empathy. Within each dimension are several items measured on a five-point scale from strongly agree to strongly disagree, for a total 24 items.

SERVQUAL Questions:

For actual survey respondents, instructions are also included, and each statement is accompanied by a five-point scale ranging from "Strongly Agree-5" to strongly Disagree-1"

Tangibles

- 1) Excellent banks (refer to cable TV companies, hospitals, or the appropriate service business throughout the questionnaire) will have modern looking equipments.
- 2) The physical facilities at excellent banks will be visually appealing.
- 3) Employees at excellent banks will be neat in appearance
- 4) Materials (e.g., brochures or statements) associated with the service will be visually appealing in an excellent bank.
- 5) The ATM's of this bank are technologically well equipped
- 6) The ATM's of this bank are adequate in number
- 7) The internet banking services of this bank are widespread reliability

Reliability

- 8) When excellent banks promise to do something by a certain time, they will do so
- 9) When customers have a problem, excellent banks show a sincere interest in solving it
- 10) Excellent banks will perform the service right the first time
- 11) Excellent banks will provide their services at the time they promise to do so
- 12) Excellent banks insist on error free records

Responsiveness

- 13) Employees of excellent banks will tell customers exactly when service will be performed
- 14) Employees of excellent banks will give prompt service to customers
- 15) Employees of excellent bank are always willing to help customers
- 16) Employees of excellent banks are never too busy to respond to customer requests

Assurance

- 17) The behavior of employees of excellent banks will instill confidence in customers
- 18) Customers of excellent banks will feel safe in their transactions
- 19) Employees of excellent banks are consistently courteous with customers
- 20) Employees of excellent banks are having the knowledge to answer customer questions

Empathy

- 21) Excellent banks will give customers individual attention
- 22) Excellent banks will have operating hours convenient to all their customer
- 23) Excellent banks will have employees who give customers personal attention
- 24) Employees of excellent banks will understand the specific needs of their customers

These findings do not undermine the value of Zeithaml, Parasuraman, and Berry's achievement in identifying some of the key underlying constructs in service quality, but they do highlight the difficulty of measuring customer perceptions of service quality. Anne Smith notes that the majority of researchers using SERVQUAL have omitted from, added to, or altered the list of statements purporting to measure service quality.

6) ANALYSIS AND INTERPRETATION

In line with the objective of the study, the main areas of questioning and analysis concerned perceptions of service quality

and its dimensions: tangibility, reliability, responsiveness, assurance and empathy. As stated, perceptions were measured on a five point strongly agree to strongly disagree scale.

1) OVERALL SERVICE QUALITY:

The analysis of table-6 clearly shows that there exists wide perceptual difference among Indian (public sector) banks regarding overall service quality with their respective customers, whereas the said perceptual difference in private sector banks is narrow.

The mean of SBI (71.24) when compared to mean of ICICI (83.5) shows that there is a significant difference in the quality of service being delivered by SBI with the quality of service as perceived by their respective customers. In order words, service quality delivered by banks such as ICICI is higher than that of SBI.

Table-6: Overall Service Quality

Servqual Dimension	SBI Mean	ICICI Mean
1. Tangibility	24.36	23.97
2. Reliability	12.82	16.47
3. Responsiveness	11.80	12.22
4. Assurance	12.95	14.69
5. Empathy	9.31	16.15
Overall Service Quality	71.24	83.5

2) DIMENSION- WISE ANALYSIS:

Tangibility:

The data in table- 1 brings to light the difference in the perceptions of the banks- SBI and ICICI with their respective customers on tangibles. The data reveals that banks such as ICICI (24.38) are exceeding the perceptions of their customers when compared to SBI. While SBI with a mean of 23.34 falls short below the perceptions of their customers on this dimension of service quality when compared to ICICI bank. The element wise analysis of tangibility shows serious short fall of perceptions among banks like SBI on up to date modern equipment, physical facilities available in a bank, neat appearance, materials in bank and internet facility as perceived by their respective customers. While SBI have outperformed ICICI regarding number of ATM's available.

Table-1: Perceptions of customers about banks Tangibility

Servqual Dimension	SBI Mean	ICICI Mean
1. Modern Equipment	2.8	3.07
2. Physical Facility	3.07	4.02
3. Neat in appearance	3.1	3.4
4. Materials in banks	4.08	3.82
5. ATM Technical equipped	5.06	2.89
6. ATM's in adequate number	2.09	2.02
7. Internet banking Services	3.14	5.16
Tangibility (1+2+3+4+5+6+7)	23.34	24.38

Reliability:

The analysis of reliability dimension of service quality shows significant differences in the perceptions of SBI with their respective customers. SBI(13.86) shows that they fall below the expectations of their customers in delivering quality services, whereas ICICI (16.22) is exceeding the perceptions of their customers in this dimension. The element wise analysis of reliability shows that SBI is far below the perceptions of their respective customer as far as keeping promise, interest in solving problem, and providing service at promised time are concerned.

Table-2: Perceptions of customers about banks Reliability

Servqual Dimension	SBI Mean	ICICI Mean
8. Promise to do in time	2.21	3.27
9. Interest in solving the problem	2.19	3.24
10. Performing service right the first time	3.56	3.39
11. Provide service at promise time	2.47	3.42
12. Error free records	3.43	2.9
Reliability (8+9+10+11+12)	13.86	16.22

Responsiveness:

The data in table-3 brings to light that there are significant perceptual differences on the responsiveness dimension of service quality with their customers. SBI (10.07) shows that the bank is far below the perceptions of their customers on the said dimension when compared with ICICI (13.9). The element wise analysis of this dimension shows that SBI is falling below the perceptions of their customers on communicating to the customer regarding performance of service, employees providing prompt services and willingness to help customers.

Table-3: Perception of Customers about banks Responsiveness

Servqual Dimension	SBI Mean	ICICI Mean
13. Telling customers exactly when service will be performed	2.47	3.49
14. Giving prompt service to customers	2.39	3.12
15. Always willing to help customers	2.07	3.98
16. Never too busy to respond to customers requests	3.09	3.31
Responsiveness(13+14+15+16)	10.02	13.9

Assurance:

The perceptual difference between ICICI (13.68) and SBI (13.04) customers is low as is evident from the mean. The respondents of SBI and ICICI have given almost equal rating on assurance dimension to both the banks. The element wise analysis shows that ICICI is exceeding the perceptions of their customers as far as trust worthiness and courteous with customers. While SBI is exceeding ICICI in feeling safe in transacting with the bank and having adequate knowledge in answering questions to the customers.

Table-4: Perceptions of customers about banks assurance

Servqual Dimension	SBI Mean	ICICI Mean
17. Behavior of employee will instill confidence in customers	3.14	3.16
18. Feeling safe in their transactions	3.59	3.74
19. Consistently courteous with customers	4.02	3.82
20. Having knowledge to answer customer questions	2.29	2.96
Assurance(17+18+19+20)	13.04	13.68

Empathy:

The data analysis of table-5 discloses the fact that banks such as SBI (10.98) stand away from their customers regarding delivery of quality services when compared with ICICI (15.32). there exists a wide gap between the perceptions of banks such as SBI and their customers as is evident from there mean.

Table-5: Perceptions of Customers about banks Empathy

Servqual dimension	SBI Mean	ICICI Mean
21. Giving customer individual attention	2.45	4.02
22. Convenient operating hours	3.39	4.22
23. Giving customers personal attention	2.56	3.4
24. Able to understand the specific needs of the customers	2.58	3.68
Empathy (21+22+23+24)	10.98	15.32

7) CONCLUSION

The banking sector in India is undergoing major changes due to competition and the advent of technology. The customer is looking for better quality services which enhance his/her satisfaction. This study derives its basis from various research findings and is also in line with empirical findings with respect to customer satisfaction by other researchers.

To sum up, the results of the study lead us to the following conclusion and policy implication:

The customer satisfaction in terms of service quality is a relational marketing paradigm. The relationships are mostly viewed from the perspective of the firm providing services. For service firm in our case the banks, building strong relationship is important for improving customer satisfaction through service quality. Public sector banks like SBI fall much below the perceptions of their customers on all dimensions of service quality. Private sector banks such as ICICI bank are exceeding the perceptions of their customers on all dimensions of service quality.

The above findings suggest the need and relevance of heavy investment on tangibles particularly computer based banking,

internet and intranet services, tele-banking, 'anywhere and anytime banking', etc. besides physical facilities and communication material. This will help in delivering quick and accurate services to customers as well as reducing the workload of frontline staff and thereby providing ways to employee to respond to customer requests. The investment will also ensure convenient banking hours on which the service must watch with marketing efforts, otherwise a customer would remain a dissatisfied soul and all marketing efforts will go down the drain. The process of fulfilling customer needs, therefore, requires tailoring bank service to what customers want, rather than making them accept whatever banks can conveniently provide. Today, customers are exposed to the standards of international banking and expect the same range of service quality from Indian banks. If public sector banks fail to regulate the quality and efficiency of their financial services to match or surpass those of private banks or foreign banks, time is not far away when they will lose substantial market share to private and foreign banks.

Banks must pay attention to potential failure points and services recovery procedures, which become integral to employees training. In other words, it amounts to empowering employees to exercise responsibility, judgment and creativity in responding to customers' problem. Banks should continually assess and reassess how customers perceive bank services so as to know whether the bank meets or exceeds or is below the expectations of their customers. Such an appraisal, however, is a tedious task because customer service is complex in nature and dynamics in action. Moreover, it can greatly from one branch to another. Also, what is 'good service' today may become 'indifferent service' tomorrow and 'bad service' the next day. Frequent customer surveys, therefore, throw light on ratification and refinement which will go a long way to improve the service quality in banks.

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