Research Paper   **Management**

A Comparative Analysis of Perceived Service Quality of Private Sector Banks: A Factor Score Regression Model Approach

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ABSTRACT

Customer Satisfaction, a business term, is a measure of how products and services supplied by a company meet or surpass customer expectation. It is seen as a key performance indicator within business and is part of the strategy for customer retention. The entry of private sector commercial banks can be traced to the period of privatization and the need to satisfy customers all the more by the banking sector increased. However no consistent effort was taken on the part of policy makers to trace the level of satisfaction from the services till the year 2003 when BCSBI (Banking Codes and Standards Boards of India) an autonomous body was formed to monitor the level of services provided by the Indian banks.

Introduction

Banking sector is witnessing increasing competition and excellence in service is becoming a decisive success factor. The Indian Banking Industry which was working in a bureaucratic style till 1991 had to go through large scale transformation with the opening up of the economy. Banks in India are under severe pressure in today's unpredictable market place. Heavy competition, globalization, rising customer demand and exposure to aggravated credit risks are forcing the banks to hit upon new ways of improving profitability. They face extraordinary impediments to maintain their growth path for survival which include customer retention, bringing down transaction costs, risk management and Regulation Compliance. The speedy growth in Information Technology and its potential to serve the customers in a much efficient way stirred the marketers and made it possible for them to convert these challenges into opportunities. The hunt for new strategies began to meet not only the rising expectations of customers but the need to hold on to them. As a result, business model resorted to customer-centric approach rather than bank-centric approach. Therefore the enhanced role of banking in India's economic development on the one hand and the changes in the business environment on the other has led to increased pressure on them. These changes are making it imperative for the banks to reorganize themselves in order to deal with the present conditions. At present, the Financial Institutions are bringing the services at the customer's doorstep. Indeed, the customer has become the focal point both to develop and maintain stability in the business.

Past Research

Panda (2003) opined that customer expectations are difficult to manage but are very often the root of dissonance which results in loss of existing customer base. Girdhar (2009) found that keeping the bank's internal customers happy and building good relationship with them also facilitates retention and satisfaction of external customers. Kumar & Rajesh (2009) found that any bank that desires to either expand its banking operation or perk up its profitability must think about the challenges affecting its customer relationship. Currently banks have come to realize that it is both cost effective and easy to retain existing customers than attracting new ones (Salma and Shahneaz, 2013). CRM is an important tool of marketing that can be considered as Critical Responsibility of Market with regard to Banks in current context (Das, 2012). It has become crucial for both public and private sector banks to perform beyond expectation to retain their customers by catering to their needs (Patra and Das, 2014).

Objectives:

The study was carried out with the objectives listed below:

1. To assess the perception of customer towards services provided by private sector banks
2. To discern the quality of services delivered by private sector banks operating in the district of Darjeeling
3. To investigate whether key service attributes can predict the overall satisfaction of customers
6. To draw meaningful conclusions based on the findings as mentioned above

Methodology:

The study was conducted covering 224 respondents who have accounts in private sector banks. The Sample was drawn from respondents who were willing to participate in this study to provide their valuable judgments regarding the services provided by banks. The respondents were given a token gift (ATM card holder) for participating in this study.

It was our endeavor to include at least 250 respondents to participate in this study but 26 respondents did not ultimately participate in this study and as such, the sample size was reduced to 224 respondents which may be considered to be the ultimate sample size for analyzing the data obtained from them by administering standard structured questionnaire to provide answers to the objectives spelt out above. The data was gathered from the respondents having their account in private sector banks. The respondents were selected from a convenient sample based on snowball technique which is frequently applied in marketing research. It should be pointed out here that the findings of the study should not be generalized because of adopting a non-probability sampling technique.

The data have been collected using a servequal methodology along with other important variables frequently required for studying the quality of banking services. Apart from 5 dimension of servequal, we have included in our study a few more variables that are considered important by the respondents. In all, 11 dimensions have been considered by us to evaluate the quality of service rendered by banks.

Reliability Estimates
Table-I

Item	α-Values
Tangibility(3)	.75
Reliability(3)	.79
Assurance(3)	.63
Responsiveness(4)	.70
Empathy(4)	.68
Product Assortment(3)	.71
Customer Orientation (4)	.76
Technology(5)	.79
Process(3)	.72
Card Management(3)	.69
Ease of Loan facility(3)	.64

In addition to the standardized servequal items, we have included a few more variables in our study to represent the quality of services that are deemed important by the respondents while selecting a bank for opening an account. A preliminary discussion with the respondents revealed that 6 more dimensions are considered important by most of the respondents considered in our study. These dimensions are Product Assortment, Customer Orientation, Technology, Process, Loan and Card Management. It should be pointed out here that the term Product Assortment used in our study intended to measure the various non-banking financial services provided by the banks like D-MAT account, marketing of mutual funds products etc. We have included customer orientation dimension to discern attitude of personnel involved in delivering services to the customers. Technology plays an important role in delivering timely and fast services to the customers and hence this aspect has been included in our study to capture various dimensions like mobile banking, ATM facilities, internet banking and so on. As we know in the service sector the process of delivering the required service is very important which should not be ignored to retain customers. In this dimension we have considered the utility of providing services through a single window, simplified documentation and minimum processing time for getting the job done. Customers are also in need of various kinds of loans to meet their contingent obligations like purchasing a land, flat, education for their children, cars etc. A three item scale was developed to capture all these dimensions.

The reliability estimates have been presented in Table I. It can be observed from the reliability estimates that in spite of small number of items the reliability coefficients are quite acceptable. The factor analyses were conducted with the five dimensions of servequal scales and other six dimensions as reported by the respondents in the exploratory interviews conducted with sample respondents. The results of reliability statistic have been presented in Table I. The reliability estimates are found to be quite satisfactory in view of very small number of items included in its scale. The descriptive statistics have been presented in Table II which is self-explanatory.

Descriptive Statistics
Table-II

	Mean	Std. Deviation
Tangibility	10.4509	2.33463
Overall satisfaction	10.0446	2.43991
Reliability	10.6116	2.33247
Assurance	10.9196	2.91013
Responsiveness	14.3750	3.38720
Empathy	13.6295	4.71628
Product assortment	12.0179	2.50554
Customer orientation	15.3884	2.67291
Technology	18.8705	4.29164
Card management	10.6295	2.31417

The demographic profile of respondents included in our study is presented in Table III. Adequate care was taken to draw respondents from various strata to represent the population as far as possible. To keep the questionnaire short, only a few demographic variables have been considered in this study. The demographic profile is presented in Table III.

Table III
Demographics

Gender		Percentage
Male:	162	72
Female:	62	28

Age		
<30 Years:	52	23
30-40 Years:	113	50
41-50 Years:	41	18
51+ Years:	18	09

Occupation		
Service:	51	23
Business:	95	43
Student:	21	09
Housewife:	12	05
Professional:	37	17
Others:	08	03

Income		
<₹50000:	28	13
₹50001-75000:	55	24
₹75001-125000:	94	42
Above ₹125000:	47	21

Education		
Below Graduate:	19	08
Graduate:	152	68
Post Graduate:	53	24

Regression analysis was conducted using factor score derived by adopting varimax rotation using a confirmatory factor analysis technique. All together 11 factors have been extracted and corresponding factor scores for each individual were generated as a set of independent variables. The regression was run using all these explanatory variables and overall satisfaction as the dependent variable. The adjusted R^2 value is found to be 0.475 which is quite acceptable since the F value is highly significant. The Durbin Watson value is also within the acceptable limit suggesting absence of auto correlation. The regression coefficients have been presented in Table V to predict overall satisfaction using all the predictor variables.

Table IV

	Model Summary[b]						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	F	Sig.
1	.708[a]	.501	.475	1.76845	1.801	19.317	.000

a. Predictors: (Constant), Reliability, process, Loan facility, Customer orientation, Assurance, Responsiveness, Card management, Empathy, Technology, Assortment, tangibility
b. Dependent Variable: Overall Satisfaction

Table V

Coefficients[a]						
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
tangibility	1.304	.118	.535	11.013	.000	
Assortment	.299	.118	.122	2.522	.012	
Technology	.164	.118	.067	1.388	.167	
Empathy	.930	.118	.381	7.849	.000	
Card management	.125	.118	.051	1.059	.291	
Responsiveness	.392	.118	.161	3.308	.001	
Assurance	.130	.118	.053	1.098	.274	
Customer orientation	-.024	.118	-.010	-.201	.841	
Loan facility	.312	.118	.128	2.634	.009	
process	-.106	.118	-.044	-.899	.370	
Reliability	-.060	.118	-.025	-.509	.611	
a. Dependent Variable: Overall Satisfaction						

The findings of the regression analysis demonstrate that tangibility and empathy are the two most important variables influencing overall satisfaction of customers. Apart from that product assortment, responsiveness and ease of getting loan also significantly affect the overall satisfaction. It is to be noted that the technology, card management, assurance, customer orientation, service delivery process and most surprisingly, reliability, were not found to be significant.

Conclusions and Managerial Implications

The findings of the study reveal that the private sector banks still need to go a long way before attaining a preeminent position amongst the customers. They are found to be wanting in many aspects as pointed out by the respondents. This is the reason that even after a considerable period of time has passed since private sector banks have been allowed to operate, the gap between the private sector and the public sector is still a substantial one. The private sector banks need to fill the service gaps and build upon their strong points to wean away customers from the public sector banks.

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