



Service Quality and Customer Satisfaction in Private Sector Banks: An Empirical Study

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ABSTRACT

During the last two decades, Indian banking industry has undergone remarkable qualitative and quantitative changes and a good number of private commercial banks have gradually captured the market share of banking business not only in metropolitan cities but in small towns as well. In order to capture the market by enhancing the degree of customer satisfaction, private sector banks are expected to provide quality services through dedicated employees and sophisticated technology. The present study makes an attempt to assess the perception of customers about service quality of private sector banks in Karimganj town of Assam and also tries to evaluate its relationship with customer satisfaction. The study concludes that all the five dimensions of service quality are positively correlated with customer satisfaction.

KEYWORDS	Tangibility, Responsiveness, Assurance, Empathy
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Introduction

The importance of ‘service quality’ in the banking sector has been gaining momentum over the years as the improvement in service quality is likely to enhance the degree of customer satisfaction, which, in turn, helps a bank to retain its existing customer base in a highly competitive regime (Adhikari and Paul, 2016). Service quality and customer satisfaction are of great importance in service sector because of their interrelationship and service quality of a firm often leads to improvement in overall performance of the organization and ultimately leads to higher degree of customer satisfaction (Negi, 2009). Service quality, in the banking industry, is often considered as an important antecedent of customer satisfaction and is extremely important since customer is the monarch in any society where protected or regulatory regime has gradually been replaced by a new order characterized by the features of a capitalist economy (Adhikari and Das, 2016).

Service quality and customer satisfaction are interlinked and these concepts are of utmost importance especially in service sector. There is a strong positive relationship between service quality and customer satisfaction (Parasuraman et. al., 1988). Service quality helps to determine the satisfaction level of customers (Cronin and Taylor, 1992).

In banking sector, there is a close relationship between service quality and customer satisfaction. It cannot be denied that the dimensions of service quality of banks vary from time to time and also from country to country. But researchers all over the world are by and large at consensus about some of the dimensions of service quality which have been incorporated in SERVQUAL model and later on supported by SERVPERF model.

Review of Literature

Shanka (2012) found positive correlation between service quality dimensions of SERVPERF model and customer satisfaction in private banks. Sivesan (2012) also revealed positive linear relationship between service quality and customer satisfaction. Similarly, Nautiyal (2014) found positive correlation between each of the five dimensions of SERVPERF model of service quality and customer satisfaction. Ushantha et. al. (2014) observed highest correlation between reliability dimension and customer satisfaction, which was followed by assurance, responsiveness, empathy and tangibility dimensions of service quality. Al-Hawary et. al. (2011) revealed that four dimensions of service quality, namely, tangibility, reliability,

assurance and responsiveness were positively and significantly correlated with customer satisfaction. Adhikari and Paul (2015) revealed that in the age of fierce competition, and delivery of quality services helps a bank in making their customers satisfied.

Thus, from these literatures reviewed above it may be safely commented that service quality and customer satisfaction are interrelated and both play a convincing role for improving the overall performance of a bank.

Objectives of the Study

- 1. To assess the service quality of private sector banks operating in Karimganj town of Assam.
- 2. To examine the relationship between service quality and customer satisfaction of private sector banks operating in Karimganj town of Assam.

Data Source and Methodology

The study is based on primary data. The population of the study covers customers of all the three private sector banks (viz., AXIS bank, HDFC bank and ICICI bank) operating in Karimganj town of Assam as on 31-03-2015. The sample size for the present study is 120 numbers of customers taking 40 numbers of customers from each of the three private sector banks. Service quality has been assessed on the basis of the responses of customers over nineteen numbers of components of service quality. A structured schedule comprising of a numerical scale ranging from ‘Strongly Disagree (=1)’ to ‘Strongly Agree (=7)’ has been used in this study. Statistical tools like, mean, coefficient of variation, and correlation coefficient have been used to analyze the data.

Results and Discussion

Table 1 depicts the perception of bank customers on select dimensions of service quality. The mean values in table 1 imply that the customer perceptions about service quality dimensions in private sector banks operating in Karimganj town of Assam are by and large favourable. The mean score of customer perception is the highest with respect to reliability dimension (5.71) of service quality. However, relatively higher mean scores have also been observed with assurance dimension (5.53) and empathy dimension of service quality (5.43). But the level of perception of the bank customers is found to be moderate with responsiveness dimension (5.39) and the mean score of mean score of perception of bank customers

is the lowest regarding tangibility dimension of service quality (5.29). Table 1 further discloses that the customer satisfaction is 4.78 with a coefficient of variation of 18.72.

Table 1: Customer Perception about Service Quality

Service Quality Dimensions	Mean	CV%
Tangibility	5.29	14.88
Reliability	5.71	14.61
Responsiveness	5.39	17.80
Assurance	5.53	14.02
Empathy	5.43	16.66
Customer Satisfaction	4.78	18.72

Source: Field Survey

The coefficient of variation of customer perception with respect to different dimensions of service quality has been computed to study the relative consistency /variation in their responses. The value of coefficient of variation with respect to assurance dimension is the lowest which implies that the perception of customers is more concentrated about this dimension. On the contrary, since the value of the coefficient of variation with respect to responsiveness dimension is the highest, it denotes that the tilt of the views of the respondents is bent more about this dimension.

Table 2: Correlation about this dimension between Service Quality Dimensions and Customer Satisfaction

Service Quality Dimensions	Correlation Coefficient
Tangibility	0.374*
Reliability	0.683*
Responsiveness	0.727*
Assurance	0.692*
Empathy	0.730*

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

Source: Field Survey

Table 2 represents the degree of association between customer satisfaction and select dimensions of service quality. It can be observed from the table 2 that all the dimensions of service quality are positively correlated with customer satisfaction at 1% level of significance. Highest degree of correlation exists between customer satisfaction and perception about empathy dimension of service quality i.e., 0.730. The degree of correlation between customer satisfaction and perception about Responsiveness dimension (0.727) as well as Assurance dimension (0.692) are quite high.

However, relatively moderate level of correlation has been observed between customer satisfaction and perception about Reliability dimension (0.683) and Tangibility dimension (0.374) of service quality. The p values as shown against the select dimensions of perceived service quality in table 2 indicate that there exist significant linear relationship between customer satisfaction and perception about all the individual dimensions of service quality.

Summary of Major Findings

The perceptions of customers in private sector banks operating in Karimganj town of Assam are by and large favourable with respect to all the dimensions of service quality. The perception of customers towards reliability dimension of service quality is most favourable which is followed by assurance, empathy, responsiveness, and tangibility dimensions of service quality. The variation in the perception of customers has been lowest with respect to assurance dimension while highest variation has been noticed in case of responsiveness dimension of service quality.

There exists significant and positive relationship between cus-

tomers satisfaction and all the five service quality dimensions at 1% level of significance. Highest degree of positive correlation exists between empathy dimension of service quality and customer satisfaction. On the contrary, lowest degree of positive correlation has been noticed between customer satisfaction and tangibility dimension of service quality.

Conclusion

It is often said that retaining existing customers in any business is not very expensive than attracting a new one and banking sector is no exception to this principle. In a competitive market, the cost of acquiring new customer is high as compared to that of retaining the existing ones. A bank, be it in private sector or in public sector, cannot continue to exist in the long run if its customers are dissatisfied for a reasonable period of time. Private sector banks operating in India, that are relatively new entrants in any market and particularly in small towns, are expected not only to invent new products and services on a continuous basis after understanding the requirements of their existing and potential customers but to provide better quality of services as well in order to effectively satisfy their customers in a competitive environment. Although the present study reveals significant and positive correlation between all the five select dimensions of service quality on satisfaction of customers of private sector banks operating in Karimganj town of Assam, bank management at branch level are expected to consider sincerely about tangibility dimension of service quality for ensuring higher degree of satisfaction of customers since the scope for improving tangibility dimension of service quality is yet to be explored to a large extent.

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