# *Measuring Customer Satisfaction in Banking Sector: With Special Reference to Banks of Surat City*

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*Abstract: With the economic growth of country is on accelerating mode, role of banking industry is also important in this growth. With the expansion of banking services to peoples excluded from banking services to large corporate searching fund for their activities, makes the importance of banking services. New technologies are being introduced and there is always a fear of economic uncertainties. Fierce competition, more demanding customers and the changing climate have presented an unparalleled set of challenges (Lovelock, 2001) for banks in the country. Therefore, customer satisfaction is the key for many banks to survive in competition. The purpose of this paper is to identify the factors affecting customer satisfaction in Banks and analyze their effects on the level of customer satisfaction.*

*Keywords: Customer Satisfaction, Service Quality, Customer Centrism, Customer Relationship Management.*

## I. INTRODUCTION

The banking industry in India has undergone sea change post independence. More recently, liberalization, the opening up of the economy in the 1990s and the government's decision to privatize banks by reduction in state ownership culminated in the banking reforms based on the recommendations of the Narasimham committee. This has led the Indian banking industry to experience difficult times. In such testing times of mature and acute competitive pressures, it is very urgent and important that banks are able to retain a loyal base of clients. To attain this and to improve their market and profit positions, banks in India have to formulate their strategies and policies towards increasing customer satisfaction levels.

Banking institutions across the globe have recognized the importance of customer satisfaction and of developing and maintaining enduring relationship with their customers as two crucial parameters leading to increased business profits. At the same time, several banking institutions are experiencing increasing level of retail customer dissatisfaction. Research suggests that customer dissatisfaction is still the major reason of bank customers' switch to other banks (Manrai and Manrai, 2007). This dissatisfaction could be because of a variety of reasons.

## II. LITERATURE REVIEW

Customer satisfaction has been considered the essence of success in today's highly competitive banking industry. Prabhakaran and Satya (2003) mentioned that the customer is the king. Heskettet al. (1997) argued that profit and growth are stimulated primarily by customer loyalty. Ndubisi (2005), Gee et al. (2008) and Pfeifer (2005) pointed out that the cost of serving a loyal customer is five or six times less than a new customer.Several researchers including Tariq and Moussaoui (2009), Han et al. (2008) and Ehigie (2006) found that loyalty is a direct outcome of customer satisfaction. Generally speaking, if the customers are satisfied with the provided goods or services, the probability that they use the services again increases (East, 1997).

Most of the researchers found that service quality is the antecedent of customer satisfaction (Bedi, 2010; Kassim and

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*International Journal of Advance Research in Computer Science and Management Studies*
*Volume 4, Issue 7, July 2016 pg. 311-315*

Abdullah, 2010; Kumar et al., 2010; Yee et al., 2010; Kumar et al., 2009; Naeem and Saif, 2009; Balaji, 2009; Parasuraman et al., 1988). Quality customer service and satisfaction are recognized as the most important factors for bank customer acquisition and retention (Jamal, 2004; Armstrong and Seng, 2000; Lassar et al., 2000). Service quality is considered as one of the critical success factors that influence the competitiveness of an organization. A bank can differentiate itself from competitors by providing high quality service. Service quality is one of the most attractive areas for researchers over the last decade in the retail banking sector (Avkiran, 1994; Stafford, 1996; Johnston and Jeffrey, 1996; Angur et al., 1999; Lassar et al., 2000; Bahia and Nantel, 2000; Sureshchandar et al., 2002; Gounaris et al., 2003; Choudhury, 2008).

According to Tse and Wilton (1988) Customer satisfaction is, "the consumer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product perceived after its consumption. The service quality variables identified by Parasuraman et al., (1994) are reliability, responsiveness, competence, accessibility, courtesy,communication, credibility, security, understanding and tangibility. Alfred and Addam (2001) investigated attitudes using fifteen service quality variables. In the present study, the service quality in retail banking is studied using variables drawn from the reviews (Cronin and Taylor1992; Zillur Rahman, 2005; Verma and Vohna 2000; Mushtag A Bhat, 2005).

### III. RESEARCH METHODOLOGY

Due to fierce competition amongst various banks in Indian context with liberalization and privatization, there is requirement to provide better value service to their customer so customer can become loyal. Now a day customer satisfaction and customer retention are the most important challenges faced by most of banking.

Hence for this study following objectives have been formed:

1. To know the various important service quality dimension in banking industry.

2. To know the satisfaction level of customers of bank in each service dimension.

A systematic and coherent approach has been adopted for the research study. First, the objectives of the study were chalked out on the basis of focus group discussion and exhaustive literature review. Based on literature review, items were identified to assess the satisfaction level of Bank customers. Apart from the items from the SERVQUAL model (in a modified form), additional items of RATER dimensions sorted by relative importance (Zeithaml 1990) were taken. For identifying the satisfaction factors, the respondents were asked to rate their bank on various categories. All the items were put on a five-point likert scale ranging from strongly disagree to strongly agree.

For the data collection, sample of 120 customers who have their bank account with different banks having operations in Surat city on convenience basis. Thereafter, the questionnaire was administered to customers for giving their response on banks service quality.

### IV. ANALYSIS AND FINDINGS

The demographic details of respondents on the various parameters like Gender, Age group, Education, Occupation and Income group was described in Table:1 as follows:

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*Volume 4, Issue 7, July 2016 pg. 311-315*

**Table: 1 Demographics Analysis**

| Parameters | No. of Respondents | Percentage (%) |
|---|---|---|
| **Gender** | | |
| Male | 83 | 69.16 |
| Female | 37 | 30.84 |
| **Total** | **120** | **100** |
| **Age Group** | | |
| Below 25 | 58 | 48.34 |
| Between 25-35 | 19 | 15.83 |
| Between34-45 | 16 | 13.33 |
| Above 45 | 27 | 22.5 |
| **Total** | **120** | **100** |
| **Occupation** | | |
| Business | 26 | 21.67 |
| Service | 19 | 15.83 |
| Self-employed | 14 | 11.67 |
| Others (Stu. HWs etc.) | 61 | 50.83 |
| **Total** | **120** | **100** |
| **Qualification** | | |
| Under Graduate | 31 | 25.83 |
| Graduate | 49 | 40.84 |
| Post Graduate | 39 | 32.5 |
| Others | 1 | 0.83 |
| **Total** | **120** | **100** |
| **Annual Income** | | |
| Below 1,50,000 | 69 | 57.5 |
| Between 1,50,000-3,00,000 | 26 | 21.67 |
| Between 3,00,000-5,00,000 | 22 | 18.33 |
| Above 5,00,000 | 3 | 2.5 |
| **Total** | **120** | **100** |

**Table: 2 Service Quality rating for Public sector and Private sector banks**

| Sr. No. | Service quality | Public Sector Bank (Mean) | Private BankSector (Mean) |
|---|---|---|---|
| | **Reliability** | | |
| 1 | When my bank promises to do something by a certain time, it does so. | 2.2833 | 4.0333 |
| 2 | When I have problem, my bank shows Sincere interest in solving it. | 2.65 | 4.0166 |
| 3 | My bank delivers error free records | 3.0666 | 3.6666 |
| | **Responsiveness** | | |
| 4 | Employee in my bank gives prompt service. | 1.8666 | 3.8666 |
| 5 | Employees in my banks are always willing to help me. | 3.15 | 3.85 |
| 6 | Employee in my bank will tell me exactly When the service will be performed. | 2.35 | 3.9 |
| | **Assurance** | | |
| 7 | The behavior of employees in my bank will Instill confidence to me. | 3.05 | 3.4166 |
| 8 | I feel safe in my transaction with my bank. | 3.8833 | 3.35 |
| 9 | Employees in my bank are consistency Courteous with me. | 3.55 | 3.85 |
| 10 | Employees in my bank have the knowledge to answer my questions | 3.25 | 3.5166 |
| | **Empathy** | | |
| 11 | The employee of my bank understands my Specific need. | 3.20 | 3.1833 |
| 12 | My bank has operating hours convenient to all its customers. | 2.6333 | 3.75 |
| 13 | My bank gives me individual attention. | 3.0833 | 3.45 |
| | **Tangible** | | |
| 14 | My bank has modern looking equipments. | 2.7666 | 3.9833 |
| 15 | My bank's employees are neat appearing. | 2.8166 | 4.1166 |
| 16 | My bank's physical facilities and amenities are satisfactory. | 2.95 | 4.1333 |

The factor analysis results in five important service quality factors namely reliability, responsiveness, assurance, empathy and tangibles. The factor loading of the service quality variables included in the above said five factors and its reliability co-efficient, the Eigen value and the per cent of variation explained by the service quality factors are presented in Table V.

The Researcher has found highest Eigen value (7.486) in Reliability dimension. It carries three service quality variables like; fulfill promise within certain time limit, error free records and show sincere interest in solving customer problem. Within that reliability dimension they give more focus on how banks fulfill their promise. It got highest Eigen value in all sixteen service quality variables.

## Table: III Factor Association with other dependent factors

| Dimension | Que. | Eigen Values | Factor Loading | Percentage variance | Commutative Percentage |
|---|---|---|---|---|---|
| | Q1 | | .839 | 34.482 | 34.482 |
| Reliability | Q2 | 7.486 | .758 | 13.844 | 48.327 |
| | Q3 | | .830 | 10.964 | 59.291 |
| | Q4 | | .596 | 7.977 | 67.268 |
| Responsiveness | Q5 | 3.343 | .870 | 7.666 | 74.934 |
| | Q6 | | .793 | 5.249 | 80.183 |
| | Q7 | | .766 | 4.697 | 84.880 |
| | Q8 | | .695 | 3.659 | 88.539 |
| Assurance | Q9 | 2.154 | .807 | 2.945 | 91.484 |
| | Q10 | | .654 | 2.162 | 93.646 |
| | Q11 | | .869 | 1.840 | 95.486 |
| | Q12 | 0.721 | .700 | 1.645 | 97.131 |
| Empathy | Q13 | | .732 | 1.024 | 98.155 |
| | Q14 | | .722 | .852 | 99.007 |
| Tangibility | Q15 | 0.295 | .672 | .585 | 99.592 |
| | Q16 | | .686 | .408 | 100.000 |

Second important dimension was Responsiveness. It also consist three service quality variables with second highest Eigen value (3.343). It includes various criteria like, promptness in giving service, willingness to help customers etc. Within Responsiveness customer gives more importance to how bank gives prompt service to them. Next three service dimension are Assurance, Empathy and Tangibility with Eigen value of 2.154, 0.721 and 0.295 respectively.

# V. Concluding Remarks

Service qualities of private and public banks were measured by using SERQUAL method. The result of this study provides evidence that the SERQUAL dimensions are useful tool to predict over all service performance of banks. In this paper we have found that a customer gives highest impotence to reliability dimension. Within that reliability dimension they give more focus on how banks fulfill their promise and how they show interest to do work. From Analysis it was found that a customer gives second importance to responsiveness of bank employees. It includes various criteria like, promptness in giving service, willingness to help customers etc. Customer gives third preference to assurance factor, it include criteria like safety of transaction, consistency in service etc.

So, banks whether they are private sector bank or public sector bank they should give more focus on increasing reliability, responsiveness and assurance. For that they can give training to their employee which will help them to give personalized service. It will also help to implement empathetic approach.

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