CUSTOMER SATISFACTION AND BANKING SERVICES- A STUDY WITH REFERENCE TO PUBLIC AND PRIVATE SECTOR BANKS IN NAGAPATTINAM DISTRICT, TAMILNADU

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Abstract

Banks play a significant role in the economic development of a country. Banks mobilize the idle and dormant capital of a country and make it available for productive purposes. In fact, banks have designed a number of schemes to attract the prospective customers to encourage the habit of savings among the people. Banking operations are becoming increasingly customer dictated with the phenomenal increase in country's population and the increased demand for banking services; speed, service quality and customer satisfaction are going to be key differentiators for each bank's future success. Thus, it is imperative for banks to get useful feedback on their actual response time and customer service quality aspects of retail banking, which in turn will help them take positive steps to maintain a competitive edge. In this research paper an attempt is made to empirically evaluate the status of customer satisfaction with various service performances of banks in the study area Nagapattinam District, Tamilnadu.

Index Terms: Customer Satisfaction, Banking Services, Perception, Public and Private Sector Bank

I.   INTRODUCTION

Banks play a significant role in the economic development of a country. Banks have control over a largest portion of the supply of money in circulation. Nature and character of production in the country can be influenced by the banks. In fact, banks are regarded as the mainstay of the economic development of a country. Banks mobilize the idle and dormant capital of a country and make it available for productive purposes. In fact, banks have designed a number of schemes to attract the prospective customers to encourage the habit of savings among the people.

II.   MEASURING CUSTOMER SATISFACTION IN THE BANKING INDUSTRY

Banking operations are becoming increasingly customer dictated with the phenomenal increase in country's population and the increased demand for banking services; speed, service quality and customer satisfaction are going to be key differentiators for each bank's future success. Thus, it is imperative for banks to get useful feedback on their actual response time and customer service quality aspects of retail banking, which in turn will help them take positive steps to maintain a competitive edge. This study is carried out to scientifically investigate the bank customers' opinion about overall performance of services provided by public and private sector banks in Nagapattinam district, Tamil Nadu.

The present study is mainly based on primary data. The primary data are collected from customers of public and private sector banks in Nagappatinam district, Tamil Nadu. The researcher has conducted a survey with 500 retail customers of commercial banks, under both public and private sectors, in Nagapattinam district of Tamil Nadu State in India. For the survey the respondents are selected using simple random sampling technique from the population of bank customers in the district.

III.　　RESULTS AND DISCUSSION

In this research paper an attempt is made to empirically evaluate the status of customer satisfaction with various service performances of banks in the study area Nagapattinam District, Tamilnadu. As customer satisfaction is a measure of how products and services supplied by a company meet or surpass customer satisfaction as well as it is customer level of approval when comparing a product's perceived performance with his or her expectations, it is seen as a key differentiator and increasingly has become a key element of business strategy in a competitive marketplace where businesses compete for customers.   Hence, an attempt is made here to evaluate the bank customers satisfaction with various performance of services available to them.

Table 1 provides the customers' mean perception level on their satisfaction with basic services, products (product portfolio), easy of obtaining loans, easy of opening account, customer care and resolving customer complaints along with 95 per cent confidence interval and one sample test t-value identifying the significance of the difference between mean score and hypothetical (assumed) mean of 3.50, the lower bound value for 'satisfied' range.

TABLE 1

CUSTOMERS' SATISFACTION WITH OVERALL PERFORMANCE OF BANKS

Satisfaction Measurement Variables	Mean	SD	95% Confidence Interval		t-Value
			Lower	Upper	
General services of my bank	3.94	0.70	3.88	4.00	14.12**
Products of my bank	3.75	0.70	3.69	3.81	8.10**
Easy of obtaining various loans	3.25	0.88	3.18	3.33	-6.28**
Easy of opening an account	3.98	0.78	3.91	4.05	13.77**
Customer care	3.86	0.78	3.80	3.93	10.45**
Resolving customer complaints	3.71	0.81	3.64	3.78	5.86**
Overall service performance	3.75	0.53	3.70	3.80	10.60**

Source: Primary data; **Significant at 1% level

The mean values are significantly above 3.50 for all measurement variables (mean values range from 3.72 to 3.98 and t values are all significant highly at 1 per cent level) except for 'easy of obtaining various loans'. With regard to 'easy obtaining various loans', the satisfaction level of customers is 'neutral' (neither dissatisfied nor satisfied level) as mean value of 3.25 is significantly less than hypothetical mean of 3.50 (t value = -6.28, $p < 0.01$).   With the sample data, one can be 95 per cent confident that the true opinion of the entire population is likely to be neutral for "Easy of obtaining various loans" and satisfied for the remaining service performance.

The bank sector-wise difference in the extent of customer satisfaction is statistically analyzed using t-test and the results of the test are shown in Table 2.   The mean value, 3.85, 3.67, 3.17, 3.78 and 3.61 for public sector bank customers against 4.08, 3.88, 3.38, 4.00 and 3.86 for private sector bank customer group

is significantly less for 'general service of banks (t value = 3.58, p < 0.01), products of my bank (t value = 3.40, p < 0.01), easy of obtaining various loans (t value = 2.64, p < 0.01), customer care (t value = 3.10, p < 0.01) and resolving customer complaints (t value = 3.37, p < 0.01) respectively.   From the above pictures, it is apparent that the perceived level of satisfaction among customers of private sector banks is significantly higher than that of public sector bank customer group.

TABLE 2

SATISFACTION WITH OVERALL PERFORMANCE OF BANKS BETWEEN

PUBLIC AND PRIVATE SECTOR BANK CUSTOMER GROUPS

Satisfaction Measurement Variables	Banking Sector		t-Value
	Public	Private	
General services of my bank	3.85 (0.75)	4.08 (0.59)	3.58**
Products of my bank	3.67 (0.69)	3.88 (0.68)	3.40**
Easy of obtaining various loans (Mortgage /housing/Car)	3.17 (0.92)	3.38 (0.79)	2.64**
Easy of opening an account	3.95 (0.83)	4.02 (0.69)	0.99
Customer care	3.78 (0.83)	4.00 (0.68)	3.10**
Resolving customer complaints	3.61 (0.85)	3.86 (0.72)	3.37**
Overall service performance	3.67 (0.56)	3.87 (0.46)	4.09**

Source: Primary Data; Figures in brackets are standard deviations
        **Significant at 1% level.

The scenario is same as above in respect of overall service performance of the banks (t value = 4.09, p < 0.01).   Regarding easy of opening an account, the satisfaction between two customer group has been at same level.   Overall, it is found that private sector bank customers tend to possess significantly high level of satisfaction with overall service performance of their banks compared to public sector bank customers in the area under study.

The unique power of customer satisfaction with each service performance in the presence of their satisfaction with other remaining service performances in differentiating the two banking sectors is explored by discriminant analysis. The results are reported in Tables 3,4 and 5.

As per Table 3, the discriminant canonical function, i.e., the difference in discriminant scores between two banking sectors, is significant at 1 per cent level (Wilks' Lambda = 0.9544, Chi-square = 23.08, p < 0.01).

TABLE 3

DISCRIMINANT CANONICAL FUNCTION DIFFERENTIATING BANKING SECTOR BY CUSTOMERS' SATISFACTION WITH PERFORMANCE OF BANKS

Function	Eigenvalue	Canonical R	Wilks' Lambda	Chi-Square	df	Level of Significance
0	0.0477	0.2134	0.9544	23.08	6	0.0008

**Significant at 5% level; NS – Not significant

From squaring the canonical correlation (canonical R), which is amount to 0.4556, it is understood that only 4.56 per cent of variation in banking sectors is discriminated by the linear composites of satisfaction scores.

TABLE 4

MEAN DISCRIMINANT SCORES (CENTROID) FOR

PUBLIC AND PRIVATE SECTOR BANK GROUPS

Banking Sector	Canonical Function (0)
Public	-0.1780
Private	0.2670

It can be observed from Table 4 the centroid values, -0.1780 for public sector bank and 0.2670 for private sector bank are farther apart one point is from another.   This further has supported difference in linear composites of customer satisfaction with service performances between two banking sectors.

From structure coefficients, as reported in Table 5, it is evident that the customer satisfaction with general services of my bank followed by customer satisfaction with products of my bank, resolving customer complaints, customer care and easy of obtaining various loans is the important for discriminant function.

TABLE 5

STANDARDIZED AND STRUCTURE COEFFICIENTS FOR SATISFACTION MEASUREMENT VARIABLES

WITH FUNCTION SIGNIFICANTLY DISCRIMINATING PUBLIC AND PRIVATE SECTOR BANKS

Satisfaction Measurement Variables	Standardized Coefficients	Structure Coefficients
General services of my bank	0.5085	0.7342
Products of my bank	0.2414	0.6966
Easy of obtaining various loans	0.2766	0.5420
Easy of opening an account	-0.3137	0.2026
Customer care	0.2308	0.6352
Resolving customer complaints	0.3259	0.6922

As far as the unique power of customer satisfaction factor on discrimination is concerned, it is understood from the standardized coefficients that the customer satisfaction with general services of the bank is the strongest predictor in the presence of customer satisfaction with other remaining service performances in differentiating the two banking sectors. From positive coefficient value, it is found that the satisfaction with general services of banks is more among private bank customer group. The customers who have perceived more satisfaction with general services of banks are likely to be private bank customers.

Table 6 presents the standardized coefficients and structure coefficients exposing the relative importance of each predictor in discriminating the groups.

TABLE 6

STANDARDIZED AND STRUCTURE COEFFICIENTS FOR SATISFACTION MEASUREMENT VARIABLES

WITH FUNCTION SIGNIFICANTLY DISCRIMINATING PUBLIC AND PRIVATE SECTOR BANKS

Satisfaction Measurement Variables	Standardized Coefficients	Structure Coefficients
General services of my bank	0.6409	0.6953
Products of my bank	-0.2317	0.3171
Easy of obtaining various loans	0.3578	0.5063
Easy of opening an account	0.3403	0.5804
Customer care	-0.4082	0.3287
Resolving customer complaints	0.5875	0.6526

From structure coefficient, it is understood that the satisfaction measure – "general services of my bank" followed by "resolving customer complaints", "easy of opening an account" and "easy of obtaining various loans" has high correlation with first function. This shows that customer satisfaction over all service performances except over "products of my bank" contribute most to the discriminant function.

Regarding unique power of each predictor is concerned, the customer satisfaction over "general services of my bank" is the strong predictor followed by customer satisfaction over "resolving customer complaints" and "customer care". The sign is negative for "customer care" and positive for other "two predictors. Based on the strength and sign of standardized coefficients, it is concluded that the customers who are satisfied with banking service performance in respect of "general services of bank" and "resolving customer complaints" are likely to recommend their banks to their friends / relatives".

IV CONCLUSION

The customers' satisfaction with performances of the banks in respect of "general services", "products", "easy of obtaining loans", "easy of opening account", "customer care" and "resolving customer complaints" are analyzed.   The bank customers are satisfied with all services except with "easy of obtaining various loans" against which they have neither dissatisfied nor satisfied. While age and education have moderate role, occupational status and account holding period are more important in determining the customers' satisfaction with service performance of the banks.

The degree of satisfaction does vary between public and private sector bank customers. The customers who have perceived more satisfaction with general services of banks are likely to be private bank customers

In sum, it is concluded that the customers are satisfied with most of the service performances of the banks. Though customers of public and private sector banks are found to be satisfied, the degree of satisfaction is more among private bank customers in the area under study.

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