# Factors Influencing the Satisfaction Level of the Customers in Private and Public Sector Banks

### -With Special Reference to Ramanathapuram District in Tamil Nadu

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**Abstract:** The impact of the world-wide trend change in the business world is strongly felt in the banking sector in the developing countries in general and in India in particular. The growing global competition and change in the needs of the customers force commercial banks to introduce various innovative products and services to win the confidence and satisfaction of the consumer so as not only to retain the existing customers but also to attract new ones. As the customers' satisfaction of services offered are also one of the key factors that determine the survival and the success of the banks in the competitive environment this study makes an attempt to identify and examine the factors influencing the satisfaction level of the customers in the study area. Two taluks namely Ramanathapuram and Paramakudi in Ramanathapuram District were selected on the basis of number of branches functioning there. The primary data were collected by administering a well-structured interview schedule from 360 respondents. It concludes that the level of customer satisfaction on banking services is influenced more by accuracy than other variables.

**Key words**: Customer opinion, Satisfaction, Influencing factors, Banking services.

### Introduction

Like any other industry today, banking is also in the tight grip of rapid changes and stiff competition. However, unlike other industries, banking is selling intangible services - financial services such as checking accounts, credit cards, retirement accounts and various loans. Financial institutions acknowledge the irrefutable fact that technical supremacy alone does not ensure the success and survival of the banking industry the main aim of which is to reach the customers in need and fulfil their needs and expectations to their utmost satisfaction. That clearly underscores the fact that the supremacy in service, not in technicality alone is the key to success.

The impact of the world-wide trend change in the business world is strongly felt in the banking sector in the developing countries in general and in India in particular.  The adaptability of the changing world trends and the unending encounters with the challenging competitive markets have caused an attitudinal change in the banking sector which makes it focus on customer satisfaction and betterment of quality service. As customers, both at the retail and corporate levels have always been important for banks, issues related with customers satisfaction have received growing attention from management and academic circles.  Most of the studies till date, have concentrated on customer satisfaction in the United States and European banking industries and only a few studies deal with the customer satisfaction in developing countries.

**Statement of the Problems**

The survival and success of a bank in the competitive banking environment largely depends upon its ability to satisfy its customers. The global growing competition and change in the needs of the customers force commercial banks to introduce various innovative products and services to win the confidence and satisfaction of the consumer which largely influences the success and survival of the industry.

**Review of literature**

Noel Yee-Man and Mou, Jeremy Chi-Wah Mou [1] indicate that all dimensions except security are found to be important in determining overall service quality perceptions.  According to Sylvie Laforet and Xiaoyan Li [2] main barriers to online banking were the perception of risks, computer and technological skills and Chinese traditional cash-carry banking culture.  The barriers to mobile banking adoption were lack of awareness and understanding of the benefits provided by mobile banking. Huseyin Arasli et al.,[3] point out that the impact of service quality dimensions on overall customer satisfaction and the impact of satisfaction on positive word of mouth reveal that the expectations of bank customers were not met where the largest gap was found in the responsiveness-empathy dimension.  Mohammad Ziad Hoq et al.[4] observed that image was found to be positively significant to trust, and the highest of trust leads to enhanced customers, loyalty and explain that both Muslim and non-Muslim customers trust Islamic banks.   Judy C.R. Tseng and Gwo-Jen [5] conclude that the system could significantly save the service cost, time and provide more efficient and effective customer service. Laura Kozloski Hart's[6] study provides targeted

information for bank managers and others working to improve satisfaction levels of specific groups of the ethnically diverse customer population in Costa Rica and elsewhere.

Muslim Amin and Zaidi Isa[7] show that the proportion of Malaysian Muslims' awareness of the Islamic banking products and services are high compared to non-Muslim customers. Mohammed Hossain and Shirley Leo[8] indicate that customers' perception is the highest in the tangibles area and lowest in the competence area. Abdulkarim S. Al-Eisa and Abdulla M. Alhemoud[9] observed that the vast majority of the customers of retail banks in Kuwait (nearly 81 per cent) record their satisfaction level to be high or very high

**Scope of the study**

This study makes an attempt to identify and examine the factors influencing the satisfaction level of the customers in the study area. The findings of the present study would shed light on the strengths and weaknesses of the various dimensions of customer satisfaction. Customer satisfaction, which is the most important concept in today's world of stiff competition holds the key of success and survival of any organization

**Objectives**

1. To identify the factors influencing the satisfaction level of customers of the selected banks in the study area.
2. To identify and analyze the dimensions that ensure maximum satisfaction to customers.

**Methodology of the study**

Two taluks namly Ramanathapuram and Paramakudi in Ramanathapuram District have been selected on the basis of number of branches functioning there. The primary data were collected by administering a well-structured interview schedule. The required data were collected by the researcher from a sample size of 360 chosen on the basis of convenience from the selected banks. The data were analyzed using relevant statistical techniques like Percentile analysis, Growth rate analysis, Mean scores, ANOVA and Chi-square test. Besides, advanced multivariate statistical techniques such as Factor Analysis and Multiple Regression Analysis were also employed.

**Results of the study**

In this study shows that out of the 360 respondents a majority (48.05 per cent) are in the age group of 21 to 35 years. A comparison between these two bank groups shows that the number of male respondents (122) is higher in the case of the private sector banks and number of female respondents is higher (63) in the case of public sector banks. Out of 360 respondents of the

study area 284 are married and the remaining76    respondents (21.11 per cent) are unmarried. It is inferred that the respondents who have completed their school education have topped the list with 33.33 per cent.

It is to be noted that the respondents with an annual income of less than Rs. 50000 are high (74) in the case of the public sector banks and the respondents whose annual income ranges between Rs. 50001 to Rs. 200000 are high (63) in the case of the private sector banks. The respondents who earn an annual income of more than Rs. 500000 are 18 in public sector banks and 13 in private sector banks.

**Factors Influencing the Level of Customers' Satisfaction on Banking Services**

Factor analysis is a way of grouping of variables based on the criteria of common characteristics which would serve as a common denominator for such a classification.  It is an analytical tool which can aid primary investigations and in the interpretation of the relationship among a large number of inter-related and inter- dependent variables.

Principal Component Analysis with Varimax Rotation and Kaiser Normalization Method was used to extract the factors influencing the level of customer satisfaction on banking services.

**a) Significance and Sampling Adequacy**:

The Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0.890 which is closer to 1 and Bartlett's Test of Sphericity is significant since P Value (0.000)  is less than 0.05 (5% level of significance). Thus, the result shows that the sample size is adequate and significant for further analysis.

**Table 2 Kaiser-Meyer-Olkin Measure of Sampling**

| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .878 |
|---|---|---|
| Bartlett's Test of Sphericity | Approx. Chi-Square | 2187.215 |
| | Df | 435 |
| | Sig. | .000 |

**b) Identification of Number of Factors**
**Factor Analysis**

## The percentage of variation explained by the factors is presented in

## Table 3

| Component | Initial Eigen values | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 6.195 | 20.651 | 20.651 | 6.195 | 20.651 | 20.651 | 5.074 | 16.914 | 16.914 |
| 2 | 1.803 | 6.010 | 26.661 | 1.803 | 6.010 | 26.661 | 2.068 | 6.893 | 23.808 |
| 3 | 1.528 | 5.094 | 31.755 | 1.528 | 5.094 | 31.755 | 1.786 | 5.954 | 29.761 |
| 4 | 1.344 | 4.479 | 36.234 | 1.344 | 4.479 | 36.234 | 1.612 | 5.375 | 35.136 |
| 5 | 1.213 | 4.044 | 40.279 | 1.213 | 4.044 | 40.279 | 1.543 | 5.143 | 40.279 |
| 6 | 1.153 | 3.842 | 44.121 | | | | | | |
| 7 | 1.070 | 3.565 | 47.687 | | | | | | |
| 8 | 1.003 | 3.344 | 51.031 | | | | | | |
| 9 | .983 | 3.276 | 54.306 | | | | | | |
| 10 | .964 | 3.215 | 57.521 | | | | | | |
| 11 | .953 | 3.175 | 60.696 | | | | | | |
| 12 | .873 | 2.909 | 63.605 | | | | | | |
| 13 | .860 | 2.866 | 66.471 | | | | | | |
| 14 | .818 | 2.726 | 69.197 | | | | | | |
| 15 | .800 | 2.665 | 71.863 | | | | | | |
| 16 | .778 | 2.594 | 74.457 | | | | | | |
| 17 | .727 | 2.424 | 76.881 | | | | | | |
| 18 | .708 | 2.361 | 79.242 | | | | | | |
| 19 | .675 | 2.249 | 81.491 | | | | | | |
| 20 | .653 | 2.177 | 83.668 | | | | | | |
| 21 | .606 | 2.021 | 85.689 | | | | | | |
| 22 | .583 | 1.943 | 87.632 | | | | | | |
| 23 | .570 | 1.899 | 89.531 | | | | | | |
| 24 | .519 | 1.731 | 91.263 | | | | | | |
| 25 | .497 | 1.657 | 92.919 | | | | | | |
| 26 | .486 | 1.622 | 94.541 | | | | | | |
| 27 | .446 | 1.485 | 96.026 | | | | | | |
| 28 | .444 | 1.479 | 97.506 | | | | | | |
| 29 | .409 | 1.365 | 98.870 | | | | | | |
| 30 | .339 | 1.130 | 100.000 | | | | | | |
| Extraction Method: Principal Component Analysis. | | | | | | | | | |

The principal component analysis reveals that there are 5 factors together explaining 40.279 percent of the variation (Table 3).

## c) Grouping of Variables

### The number of variables grouped under each factor is presented in Table 4

| | Table 4 Rotated Component Matrix[a] | | | | | |
|---|---|---|---|---|---|---|
| | | Component | | | | |
| | | 1 | 2 | 3 | 4 | 5 |
| 1. | Convenient locations of branches | .043 | **.663** | .051 | .126 | -.082 |
| 2. | More space to customers to transact business in banking premises | .096 | **.604** | -.092 | -.046 | -.062 |
| 3. | Neat dress code of Employees of the bank | .348 | **.504** | -.207 | .006 | -.117 |
| 4. | Adequate infrastructural facilities | .223 | **.630** | -.123 | .225 | -.200 |
| 5. | Trust worth in the bank | -.060 | .091 | **.697** | .155 | -.027 |
| 6. | Redressal of consumer's grievances | -.055 | -.050 | .009 | -.012 | **.585** |
| 7. | Prompt maintenance of error-free records | **.551** | .028 | .087 | .102 | -.143 |
| 8. | The bank employees give personal attention | .086 | -.105 | -.028 | .027 | **.701** |
| 9. | Prompt service by the employees | **.329** | .304 | -.096 | .049 | .297 |
| 10. | Employees of bank are polite and friendly | -.299 | -.122 | .136 | .072 | **.449** |
| 11. | Helpful of employees | -.618 | -.093 | .072 | .141 | **.192** |
| 12. | Information provided by the bank is accurate | **.567** | .155 | .134 | .013 | .163 |
| 13. | Employees are well trained and can offer meticulous service | **.616** | .149 | -.054 | .082 | -.136 |
| 14. | Employees provide information and explanation regarding all new products and services offered | -.076 | -.151 | **.556** | -.054 | .024 |
| 15. | Availability of credit on favourable terms | **.664** | .115 | -.325 | .006 | .041 |
| 16. | Reasonable services charges | **.500** | .221 | -.350 | .225 | -.069 |
| 17. | Bank offers fast and efficient customer services | **.699** | .150 | -.160 | .041 | .022 |
| 18. | Employees give timely response to customers' request | **.698** | .118 | -.190 | -.024 | .004 |
| 19. | Employees of the bank understand the specific needs of the customers | -.336 | .025 | .234 | -.119 | **.282** |
| 20. | The bank employees are knowledgeable and give precise answers to inquiries | **.400** | .124 | -.218 | .028 | -.027 |
| 21. | Bank offers wide range of products and services to meet the expectations of the customers | -.567 | -.105 | **.170** | .121 | .121 |
| 22. | Bank keeps confidentiality of accounts and transactions | **.639** | .153 | -.204 | .015 | .047 |
| 23. | Banks provides financial advice and guidance | -.367 | .002 | **.207** | -.248 | .000 |
| 24. | Availability of Mobile Banking services | .051 | -.048 | -.042 | **.733** | .038 |
| 25. | Convenient to operate the bank account | -.124 | .162 | .011 | **.664** | .156 |
| 26. | Bank has convenient business hours | .106 | .036 | .143 | **.376** | -.112 |
| 27. | Safe transactions | **.558** | -.119 | .149 | -.178 | .068 |
| 28. | The cordial relationship among the banks' employees contributes towards providing better service to the customers. | -.308 | -.135 | **.431** | .032 | .148 |
| 29. | Employees instill confidence in customers by proper behaviour | -.194 | -.001 | **.339** | .310 | -.001 |
| 30. | Easy accessibility to ATM | .093 | **.440** | .098 | -.281 | .290 |
| | Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. | | | | | |
| | a. Rotation converged in 6 iterations. | | | | | |

Rotated Matrix reveals that variables 7, 9, 12, 13, 15, 16, 17, 18, 20, 22, and 27 are grouped under Factor 1; variables 1, 2, 3, 4, and 30 are grouped under Factor 2; variables 5, 14, 21, 23, 28 and 29 are grouped under Factor 3; variables 24, 25 and 26 are brought under Factor 4 and variables 6, 8, 10, 11 and 19 fall under Factor 5.

## d) Naming of Factors

The names of the factors which influence the customers' satisfaction are presented in Table 5

**Table 5 Factors Influencing the Level of Customers' Satisfaction on Banking Services**

| Factors | Component Score |
|---|---|
| **Factor – 1 : Accuracy** | |
| Prompt maintenance of error-free records | **.551** |
| Prompt service by the employees | **.329** |
| Information provided by the bank is accurate | **.567** |
| Employees are well trained and can render meticulous service | **.616** |
| Availability of credit on favourable terms | **.664** |
| Reasonable services charges | **.698** |
| Bank offers fast and efficient customer services | **.500** |
| Employees give timely response to customers' request | **.699** |
| The bank employees are knowledgeable and give precise answers to inquiries | **.400** |
| Bank Maintains confidentiality of accounts and transactions | **.639** |
| Safe transactions | **.558** |
| **Factor – 2 : Tangibles** | |
| Convenient locations of branches | **.663** |
| More space to customers to transact business in banking premises | **.604** |
| Neat dress code of Employees of the bank | **.504** |
| Adequate infrastructural facilities | **.630** |
| Easy accessibility to ATM | **.440** |
| **Factor – 3 : Trustworthiness** | |
| Trust worthiness of the bank | **.697** |
| Employees provide information and explanation regarding all new products and services offered | **.556** |
| Bank offers wide range of products and services to meet the expectations of the customers | **.170** |
| Bank provides financial advice and guidance | **.207** |
| The cordial relationship among the banks' employees contributes towards providing better service to the customers. | **.431** |
| Employees instill confidence in customers by proper behaviour | **.339** |
| **Factor – 4 : Convenience** | |
| Availability of Mobile Banking services | **.733** |
| Convenient to operate the bank account | **.664** |
| Bank has convenient business hours | **.376** |
| **Factor – 5 : Responsiveness** | |
| Redressal of consumer's grievances | **.585** |
| The bank employees give personal attention | **.701** |

| | |
|---|---|
| Employees of bank are polite and friendly | **.449** |
| Helpful of employees | **.192** |
| Employees of the bank understand the specific needs of the customers | **.282** |

Based on the factor analysis, five factors which were identified to influence the level of customer satisfaction on banking services are listed below.

Factor – 1: Accuracy

Factor – 2: Tangibles

Factor – 3: Trustworthiness

Factor – 4: Convenience

Factor – 5: Responsiveness

The level of customer satisfaction on banking services influenced by accuracy, tangibles, trustworthiness, convenience and responsiveness in the present changing scenario of Indian banking sector.

**Factors Influencing Customers' Satisfaction on Banking Services**

The relationship between the independent variables and the level of satisfaction has been examined with the help of Multiple Regression Model and the results are as follows.

**1. Model Reliability and Significance:**

The Multiple Regression Models are developed with the dependent and independent variables. The dependent variable is the level of customer satisfaction (LOCS) and the independent variables are accuracy (A), tangibles (T), trustworthiness (TW), convenience (C) and responsiveness (R) on banking services.

**Multiple Regression Model**

DV = a + b1 (IV1) + b2 (IV2) + b3 (IV3) + b4 (IV4)

LOCS = Constant + b1 (A) + b2 (T) + b3 (TW) + b4 (C) + b5 (R)

The Multiple Regression Model developed is found to be reliable and significant (P value $0.000 < 0.05$) at 5 percent level of significance (Table 6)

| Table 6 ANOVA[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
| 1 | Regression | 16742.718 | 5 | 3348.544 | 486.357 | .000[b] |
| | Residual | 2437.271 | 354 | 6.885 | | |
| | Total | 19179.989 | 359 | | | |
| a. Dependent Variable: LOCS | | | | | | |
| b. Predictors: (Constant), Responsiveness, Convenience, Trustworthiness, Tangibles, Accuracy | | | | | | |

## 2. Model Fitness:

The Regression Model developed is fit because the R square (0.873) is closer to 1 and the model may be generalized because the Adjusted R square (0.871) is closer to R square (Table 7).

| Table 7 Model Summary | | | | |
|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error |
| 1 | .934[a] | .873 | .871 | 2.62392 |
| a. Predictors: (Constant), Responsiveness, Convenience,  Trustworthiness, Tangibles, Accuracy | | | | |

## 3. Significance of Variables in Regression Model

| Table 8 Coefficients[a] | | | | | |
|---|---|---|---|---|---|
| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | B | Std. Error | Beta | | |
| 1 (Constant) | 110.606 | .138 | | 799.794 | .000 |
| Accuracy | 4.591 | .138 | .628 | 33.153 | .000 |
| Tangibles | 3.507 | .138 | .480 | 25.323 | .000 |
| Trustworthiness | .895 | .138 | .122 | 6.462 | .000 |
| Convenience | 2.272 | .138 | .311 | 16.409 | .000 |
| Responsiveness | 2.701 | .138 | .370 | 19.504 | .000 |
| a. Dependent Variable: LOCS | | | | | |

### Multiple Regression Model

LOCS = Constant + b1 (A) + b2 (T) + b3 (TW) + b4 (C) + b5 (R)

LOCS = 110.606 + 4.591 (A) + 3.507 (T) + .895 (TW) + 2.272 (C) + 2.701 (R)

Where

    DV =   Level of Customer Satisfaction

    IV =    A : Assurance

            T : Tangibles

            TW: Trustworthiness

            C : Convenience

            R : Responsiveness

The Multiple Regression Model reveals that, level of customer satisfaction on banking services is influenced more by accuracy (4.591) than by other variables (Table 3.3).

## Conclusion

Based on the factor analysis, the following five factors were identified as influencing the level of customer satisfaction on banking services: Accuracy (Factor 1), Tangibles (Factor 2), Trustworthiness (Factor 3), Convenience

(Factor 4) and Responsiveness (Factor 5). The Multiple Regression Model reveal that the level of customer satisfaction on banking services is influenced more by accuracy than by other variables.

## Limitations of the study

1. The study is confined to selected banks of public and private sector in Ramanathapuram District in Tamil Nadu and hence can't be generalized.

2. The study is based on the data collected through interview schedule. So the limitations of the interview schedule are inherent in the study.

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