

Measuring Service Quality and Customer Satisfaction: A Study of Selected Banks in Chandigarh

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Abstract: With the advent of privatisation and due to entry of various service providers in the market, the banking customers have ample of brands to select so as to get banking services. The aim of this study was to establish a relationship between the service quality and customer satisfaction in banking industry. Among banking industry equal number of respondents are chosen from both selected public and private sector banks so as to analyse the service quality factors affecting the level of satisfaction in selected private and public sector banks. For the purpose of the present study various tools such as descriptive analyses, correlation analysis, independent t-test, Anova, multiple regression, test of multicollinearity etc. with the extensive use of SPSS software packages have been applied. The research concluded that the key indicator of service quality in both public and private banks is assurance dimension showing that banks are polite and courteous in dealings, customer feel safe with the transactions etc. The overall ratings of service quality of private sector are found to be better by the customer as compared with public sector banks.

Key words: service quality, customer satisfaction.

1. INTRODUCTION:

During the past two decades or so, the banking environment has changed due to the reforms in the regulatory, structural and technological domains. So it is being a high time to realise that the quality of service has become very crucial to both the customer and financial service provider. In the era of widespread competition, the customer satisfaction has been given the utmost priority by the service providers including banks. The banks act as a liaison between the surplus and the deficit sectors as a providers and suppliers of funds. so it has to deal with the diverse categories of banking customers having divergent needs of the banking services. So in order to survive in the competitive and demanding environment, the banks have to develop services so as to meet the expectations, failing which they will be thrown out of the market. Nowadays, banks so as to gain the attention of customers are providing the services exactly matching to customer's requirement. The efficiency levels of banks are judged in the way how sufficiently do the banks deals with the target customers by providing services. So here lies the importance of understanding the customer requirements so that banking companies can try innovative techniques to get closer to the prospective customers and may hear "the voice of customer."

1.1 SERVICE QUALITY:

Service quality is an important issue in this fast developing world. In order to survive in the competitive environment, the main focus of every organization is towards providing the quality services to the extent as demanded by the customer overtime. An author defines service as "any intangible act or performance that one part offers to another that does not result in the ownership of anything" (kotler & kotler, 2009, p.789). In all services can be defined as providing intangibles goods to the users for the direct satisfaction of their wants. Parasuraman defines service quality as "the difference between customer expectations and perceptions of services" (Parasuraman, 1988). So the concept of service quality is an approach which helps an organization to increase its effectiveness and gaining a competitive edge against competitors. The following are the important areas which determine the customer satisfactions:

- ✓ The behaviour of staff as polite and polite
- ✓ The presence of physical facilities at bank
- ✓ The normal operating hours of the bank
- ✓ Guiding customer correctly
- ✓ Offering competitive interest rates
- ✓ Understanding specific needs of customers

One of the most widely used measurements of service quality is the dimensions of SERVQUAL model. While creating this model for the first time, "Parasuraman et al. (1985) identified 97 attributes which were further categorised into ten dimensions; they were seen to have an impact on service quality and were observed as the standards that were important to measure customer's expectations and perceptions on a particular delivered service (Kumar et al.,2009,p.214).The original work by Parasuraman et al.,(1988) presented the ten dimensions of service quality as follows:

- ✓ Tangibles: the appearance of physical artefacts and staff members connected with the service (accommodation, equipment, staff uniforms, and so on).
- ✓ Reliability: the ability to deliver the promised service
- ✓ Responsiveness: the readiness of staff members to help in a pleasant and effective way.
- ✓ Competence: the capability of staff members in executing the service.
- ✓ Courtesy: the respect, thoughtfulness, and politeness exhibited by staff members who are in contact with customer.
- ✓ Credibility: the trustworthiness and honesty of the service provider.

- ✓ Security: the absence of doubt, economic risk, and physical danger.
- ✓ Access: the accessibility of the service provider.
- ✓ Communication: an understandable manner and use of language by the service provider.
- ✓ Understanding the customer: efforts by the service provider to know and understand the customer.

1.2 CUSTOMER SATISFACTION:

According to Philip Kotler “customer satisfaction is a level of an individual’s feeling of pleasure displeasure resulting from the comparison made by him between perceived performance and his expectations”. Nowadays banking companies are trying innovative ways for improving the quality service so as to get close to the customers. The factors which determine the customer satisfaction may include: providing quick service, providing requisite information to customer, provision of more counters in banks so as to save the time of customer.

II. REVIEW OF LITERATURE

Various researchers have conducted their studies on service quality and customer satisfaction. **Debasish(2002)**, conducted his study to find out the level of service quality in commercial banks in delhi and have tried to make a comparative analysis of level of service quality in public private and foreign banks commercial banks in Delhi. **Spathis et al(2004)** tried to analyse how service quality perception is found more in males as compared with females in banks. **Mohammad & Alhamadani (2011)** focused upon five dimensions of quality service- tangibles, reliability, responsiveness, assurance and empathy have significant impact on customer satisfaction. **Ghost & Gnanadhas (2011)** concluded that service quality perception of customer depends mostly upon the demographic profile of customers- female perceive less degree of influence of quality factors as compared with males. **Bakshi, & Parida,(2012)** The study evolved around the effect of core banking solutions alternatives on the quality perceptions of customers. In today’s world, the customers are preferring the electronic and mobile banking channels because of the transparency, instant availability of accurate data, min. time involved etc. **Lohani & Bhatia(2012)** have explained that the dimensions of service quality such as reliability, responsiveness, and assurance have large impact on the perception of customers satisfaction in both public sector and private sector bank. **Dawar(2013)**, identified the factors which affect the customer satisfaction in retail banking as availability of technology, commitment, empathy, privacy and the reliability significantly having the impact. **Kalidas & Ravi kumar(2014)** have explained that service quality has a significant impact on the satisfaction level of customer, and also different dimensions of service quality do not have unique impact on customer satisfaction. **Devi & Susithra (2014)**, the study was based on analyzing the quality service of hotel industry and its impact on customer satisfaction. Customer prefers those hotels which provide more quality products with reasonable prices.

III. NEED OF THE STUDY

The main objective of this study is to see the services offered by banks how largely affect the satisfaction level of customers. India, being a developing economy and its banking sector caters to the needs of huge clientele with a wide scope of geographical reach. So here lies an excellent scope for research on the level of service quality provided by the current banks and its impact on customer satisfaction. In this backdrop, the current study makes a purposeful attempt to investigate the various issues related to service quality from perspective of customers in banking sector industry of a developing nation- India. Since the banks occupy a significant role in the interest of customers by providing many services such as depositing, withdrawing, locker facilities, loan facilities, authentication of legal documents etc, so there requires a study to analyse with the advent of time how the quality perception of customers have changed. The study will be focused towards analysing the difference the service quality of public sector and private sector bank. It is hoped that the findings presented in the study will help bank executives with proper insights into the requirements of product and services, which customer prefers the most appropriate while choosing a bank.

IV. OBJECTIVES:

1. To study the relationship between quality of service provided and satisfaction of customer in the banks of Chandigarh.
2. To study the relationship between the service quality and its dimensions.
3. To examine which dimension of quality have significant impact on customer satisfaction.
4. To make a comparison between public and private banks in respect of quality perception of customers.
5. To study the relationship between demographic profiles (age, gender, income) of customer and the quality of service.

V. HYPOTHESIS: the following hypothesis are proposed to be tested in the study

- H1: There is a direct relationship between service quality of banks and customer satisfaction.
 H2: All the seven quality related dimensions have significant positive influence on overall customer satisfaction
 H3: There is a significant relationship between quality service and its dimension.
 H4: There is no significant relationship between the degree of customer satisfaction and demographic variables.
 H5: The customers are more satisfied with the service quality of private sector bank as compared with public sector bank.

VI. RESEARCH METHODOLOGY:

For the purpose of the present study,100 structured questionnaire were sent to equal customers(based on random sampling) of both public and private sector banks with the response rate of 92, who are the users of banking services in Chandigarh, While filling up the questionnaire efforts are made to avoid biasness, by reaching both male and female, married and unmarried and the different persons belonging to different age group and different income level have been approached. The research design of the present study consists of one independent variable-SERVICE QUALITY and one dependent variable CUSTOMER SATISFACTION. Further service quality has six dimensions -Demographic variables such as age, marital status, gender, income level and duration of dealing with the bank are taken to check the relationship with customer satisfaction. The study has been done in both public sector and private sector banks situated in Chandigarh. Among the public sector banks, the State Bank of India, Panjab national Bank, Canara bank, Bank of Baroda, IDBI bank, the leading banks in this sector has been approached. In the private sector, the AXIS BANK,HDFC, ICICI bank, kotak Mahindra, IndusInd bank has been chosen for the purpose of the study. Service quality was operationalised by using Parasuraman *et al.* (1988) widely known 22 item, five components (i.e. tangibles, reliability, responsiveness, assurance and empathy) SERVQUAL instruments. Researchers and practitioners seem to generally agree that the 22 items of SERVQUAL scale developed by Parasuraman *et al.* (1988) are good predictors of service quality by customers in banking industry, also two more dimensions (product convenience and product availability) on quality have been taken from the thesis of Bedi(2004) who conducted a similar study on the study of relationship between quality and customer satisfaction in selected banks in chandigarh. In answering the questionnaire, the five point likert scales have been used ranging from 1 to 5. Further customer

satisfaction was operationalized by 6 item measures, Bedi(2004). Statistical calculations have been done by, making extensive use of SPSS 20 Software Packages on the computer.

The seven dimensions to conceptualise Service quality are:

- 1) Assurance: it refers to the level of employees knowledge and the capability of the banks to create trust among customers.
- 2) Empathy: It is defined as the personal concerned attention which banks provide to its customers. It also refers to as the approachability, an effort taken to understand the needs of customers.
- 3) Responsiveness: It is the willingness on the part of banks as service giver to help customers through providing speedy services.
- 4) Tangibles: This refers to the appearance of physical facilities, equipment, and communication material in banks.
- 5) Reliability: It is defined as the ability of banks to perform the service as per the promised schedule perfectly.
- 6) Product Availability: It explains the “content” of the services of banks i.e. “what” of the service. It refers to as the various products and its features provided by the bank.
- 7) Product Convenience: It is defined as the convenience and easiness in using the bank products/services.

VII. DATA ANALYSIS AND INTERPRETATION:

Table 7.1: Demographic profile of the respondents

Personal factor		No. of respondents	percentage
Age	21-30	71	77.2
	31-40	14	15.2
	>41	7	7.6
Gender	Male	61	66.3
	Female	31	33.7
Marital status	Married	30	32.6
	Unmarried	62	67.4
Profession	Administrative	40	43.5
	Academic	17	18.5
	Student	22	23.9
	Own business	11	12
	Others	2	2.2
Duration with the bank	< 2 year	27	29.3
	2-3 years	24	26.1
	3-4 years	11	12.0
	4-5 years	9	9.8
	<5 years	21	22.8
Income level	up to rs.5000	4	4.3
	5000-10000	12	13.0
	10001-15000	21	22.8
	15000-20000	11	12.0
	20000-25000	10	10.9
	>25001	19	20.7
	Nil	15	16.3

Table 7.1 shows that 77% of the respondents lies between the age group 21-30. Followed by 14%, 7% in the age group 31-40 and above 41 respectively. 66.3% of the respondents are male and 33.7% are female. Among the respondents 32.6% are married and 67.4% are unmarried. Among unmarried respondents are the students. Out of the total respondents 43.5% are related to administrative, 18% are related to academics, 18.5% are the students of universities, and 11% are the ones who carry their own business. Highest number of respondents (22.8%) have income between rs.10001-15000, followed by 20.7% having income more than rs.25000.

Table 7.2: Descriptive statistics analysis

	Mean	Std. deviation
Customer satisfaction	4.0362	.51818
Assurance dimension	4.0797	.60395
Empathy dimension	3.7962	.59292
Reliability dimension	3.8304	.58399
Responsiveness dimension	3.9946	.60779
Tangibles dimension	3.9946	.52933
Product availability	3.8514	.61595
Product convenience dimension	3.8551	.62956

Table 7.2 reveals that among the various service quality dimensions, the mean scores of assurance dimension is high, showing that the banks' employees know very well the products and services offered by the bank, Employees of the

bank are polite and courteous, banks provide safe and secure transactions to customers. Assurance is the key dimension followed by tangible dimension showing that customers have significant impact of physical facilities and visually appealing artefacts of banks. The responsiveness dimension is also been rated good by the customer, depicting that the responsible and courteous behaviour of employees of banks also have impact on the level of satisfaction of customers.

7.3 Correlation analyses:

Hypothesis 1- There is a direct relationship between service quality of banks and customer satisfaction.

Table 7.3: Pearson correlation

Correlations		Service quality	Customer satisfaction
Service quality	Pearson Correlation sig.(2-tailed)	1	.631
Customer satisfaction	Pearson Correlation sig.(2-tailed)	.631	1

Correlation is significant at the 0.01 level (2-tailed)

Table 7.3 reveals that since the value of correlation between service quality and customer satisfaction is .631, nearer to 1 and the value is significant at 0.01 level. So it implies that hypothesis1 is correct, stating that there is positive and significant relationship between them.

Hypothesis 2: All the seven quality related dimensions have significant positive influence on overall customer satisfaction.

Table 7.4: Correlation– service Quality and its Dimensions

		Empathy	Assurance	Reliability	Responsiveness	Tangibles	Product availability	Product convenience
Customer satisfaction	Pearson correlation	0.577	0.383	0.557	0.387	0.425	0.419	0.430
	Sig(2-tailed)	0.00	0.00	0.00	0.00	0.00	0.00	0.00

1) Pearson Correlation

2) Correlation significant at .05 level

This shows that all the quality related dimensions have positive and significant impact on customer satisfaction. Further the Empathy dimension of service quality has the greatest effect and impact on the customer satisfaction, followed by reliability dimension.

Hypothesis 3: There is a significant relationship between quality service and its dimension.

Table 7.5: Correlation between service quality and its dimensions:

	Empathy	Assurance	Reliability	Responsive-ness	tangibles	Product Availability	Product convenience
Service quality	0.679	0.750	0.814	0.694	0.721	0.686	0.689
Sign.(2-tailed)	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Correlation significant at .05 level.

The table 7.5 shows that all the dimensions of service quality have positive and significant relationship between the overall service quality.

7.6 Relationship between the service quality and its dimensions:

The mathematical representation of research model for the above relationship is displayed as

$$Y = \alpha + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \beta_5x_5 + \beta_6x_6 + \beta_7x_7 + \text{error}$$

where Y = overall service Quality

x1, x2, x3, x4, x5, x6, x7 = dimensions of quality

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7$ = coefficient of the dimensions of quality

Table 7.6: Regression results:

Model	R	R square	Adjusted square	R	Std. error of estimate
1	.676	.457	.412		.39740

Table 7.6 shows that multiple regression analysis has been done to determine and observe the relative contribution of each of seven dimensions of service quality influencing: (a) Overall quality (b) Overall customer satisfaction. R square refers to the coefficient of determination that measures the proportion of the variance in the dependent variable that is explained by the independent variables. In terms of the relationship between the seven quality dimension and overall quality, the R square = 0.457. As shown in, seven dimensions of quality namely Responsiveness, Product Convenience, Assurance, Reliability, Empathy, Product Availability and Tangibles were also statistically significant ($p < 0.005$).

Table 7.7: Stepwise Regression Analysis: service quality

Variable	Beta	t-value	Significance level
Constant		7.340	0.00
Empathy	0.405	4.495	0.00
Reliability	0.366	4.067	0.00

In the above table, t-statistics help to determine the relative importance of each variable in the model. Beta co-efficient is the standardised regression co-efficient which allows comparison of the relatives on the dependent variable of each independent variable. The above table concludes that using stepwise regression analysis, it shows that the empathy and reliability dimension have value i.e $p < 0.05$, indicating that these two dimensions largely impacts the overall service quality.

Table 7.8: Multicollinearity Statistics: Service Quality

Model	Tolerance	VIF
Assurance	.565	1.770
Empathy	.668	1.498
Reliability	.461	2.170
Responsiveness	.629	1.589
Tangibles	.588	1.701
Product availability	.647	1.546
Product convenience	.644	1.553

The multicollinearity (the problem of inter-correlation among independent variables) test is applied to check the intercorrelation between the variables. The above table reveals that the variance inflation factor (VIF) and tolerance value (TV) for the linear stepwise regression model is shown. The values of VIF, which served as an indicator of multicollinearity, ranged from 1.498 to 2.170. These values were far below the cut-off value of 10. In addition, it has been seen that the tolerance value for each independent variable is closer to one, which indicates that there is no evidence of multicollinearity. In other-words, there is no significant evidence of multicollinearity problem in the regression model as presented.

HYPOTHESIS 4: There is no significant relationship between the degree of customer satisfaction and demographic variables.

Table 7.9: Test of ANNOVA

Customer satisfaction and age	Sum of squares	Df	Mean square	F	Sig.
Between groups	.500	2	.250	.930	.398
Within groups	23.935	89	.269		
Customer satisfaction and profession					
Between groups	.618	4	.155	.565	.689
Within groups	23.816	87	.274		

The Annova test is applied to see the association between demographic variables such as age, income level, duration with bank, type of profession etc. The Annova test between age of banking customers and the satisfaction level shows that the sign. Value is $0.398 > 0.05$, it shows that age of customer has no significant impact on the level of customer satisfaction perceived by them. Further, between profession of customer and satisfaction the sig. value is $.689 > 0.05$, indicating that customer satisfaction doesn't depend upon the profession of customers.

TABLE 7.10: Independent t- test

Leven test for equality of variances					
Independent t-test -marital status and satisfaction	F	Sig.	T	Df	Sig.(2 tailed)
	.046	.831	-.037 -.036	90 54.009	.970 .971
Between marital status and satisfaction	1.187	.279	-.301 -.288	90 53.821	.764 .775
Between Private and public bank	.102	0.750	-1.595 -1.593	90 88.765	0.114 0.115

The Independent t-test is applied to see the association between demographic variables (gender, marital status). Here Independent t-test sig. value is $.971 > 0.05$, depicting that marital status doesn't has the impact on the customer satisfaction. Also, the sign. Value is $.775 > 0.05$, indicating that the gender of population has no impact on the customer satisfaction. The customers don't notice equal level of satisfaction, from public and private sector banks as the value of sign. Is $0.115 > 0.05$.

Hypothesis 5: The customers are more satisfied with the service quality of private sector bank as compared with public sector bank.

7.11. Comparison between public sector and private sector banks:

Table 7.11: Descriptive statistics

	mean (public banks)	std. deviation	mean (private banks)	std. deviation
assurance dimension	4.0682	.52128	4.0903	.67631
empathy dimension	3.7159	.56443	3.8698	.61452
reliability dimension	3.7545	.64536	3.9000	.51859
responsiveness dimension	3.8125	.64277	4.0208	.56218
tangibles dimension	3.8523	.50955	4.1250	.51828
product availability dimension	3.7652	.66891	3.9306	.55844
product convenience dimension	3.7955	.63983	3.9097	.62167
customer satisfaction dimension	3.9470	.52184	4.1181	.50641
service quality	3.8234		3.9780	.39163

The above table shows that the mean and standard deviation of the customer satisfaction and various dimensions of service quality of public sector and private sector banks. It can be compared by a glance at table, showing that the customers of private sector banks have rated high to all the dimensions of service quality as compared with ratings of customers of public sector banks. So it can be concluded through the present study that customers are more satisfied with the level of service of private banks as compared with the public banks.

Hypothesis Testing

From the above results, it can be concluded that all the framed hypothesis hypotheses H1, H2, H3, H4, H5 are supported. It is also concluded that the dimension of assurance is the best predictor of service quality in banking sector and it is followed by dimensions of tangibles and responsiveness.

VIII. CONCLUSION AND RECOMMENDATION

The key indicator of service quality is seen as assurance dimension in among both public and private sector banks. But the other dimensions are equally important for customer satisfaction are responsible behaviour, reliability and the empathy dimension. The empathy dimension is low rated by the customers in banking industry, so effort should be made to avoid discomfort due to lack of parking space, banks should have convenient operating hours, banks should provide individual attention to every customer. It has been observed that the customer assume the service quality of private sector banks much better as compared with public sector banks, so it is a high time for public sector banks to realise its areas of weaknesses in terms of dealing with customers and should provide a tough competition to private sector banks by improving its quality measures. The lowest rated dimension in public sector banks are empathy dimension, reliability dimension and product availability dimension, indicating that public banks needs to understand the specific banking needs of their customers, employees should show sincere interest in solving the problems faced by customers and the various product variety and features of savings, banking cards, and personal finance need to be adequate. The lowest rated dimension in private sector banks includes empathy, reliability, product convenience dimensions, indicating that banks should aim at providing ample parking space, convenient operating hours, providing hassle free services, providing services as per the promised schedule. The overall ratings of banks on the basis of customer satisfaction is good, but still customer expects more and better services on behalf of both public and private sector banks, so more efforts should be there to provide the appropriate and desired level of service so as to suit the different banking requirements of the customers. If banks want to retain its customer for a long period of time, the employees of banks should work efficiently towards 100% customer satisfaction that will result in achieving long term goals of banks itself.

IX. LIMITATION OF THE STUDY

All the researches have its limitation and this study is no exception. Since the respondents have been confined to the customers of banks in Chandigarh. So the thinking and perception of people living in Chandigarh may vary from those of the rest of India. There were only 10 banks were chosen for the purpose of this study, so as to have easy accessibility. Due to time constraints, the study was limited to 100 respondents only. so results are confined to the responses of 100 respondents only. Only a limited of 7 dimensions of service quality and 6 components of customer satisfaction have been used, although many more dimensions exists, if those could be used, the more comprehensive would be the results. There exists the possibility of missing various other key dimensions such as customers complaints and scope for suggestions, which could provide much information about the level of satisfaction and dissatisfaction among customer.

X. SCOPE FOR FUTURE STUDY:

It has been realised that there exists a great scope for future study to study the relationship between service quality and customer satisfaction in a more comprehensive way. Banking industry has shown tremendous increase in number of customers' overtime, due to the impacts of privatisation and many efforts of government such as scheme of financial inclusion, Jan Dhan Yojna etc. so in future efforts should be made to reach wide number of customers. Since the number of respondents was limited to one geographical area, in future research can be conducted including more areas under study, so that generalisations of results can be based on more number of respondents.

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