



# **An Analysis of Impact of Service Quality on Consumer Satisfaction in State Bank of India after merger – An Empirical Evaluation**

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## **ABSTRACT**

*Merger and Acquisition is one of the major aspects in Banking. The main purpose of merger in banking sector in India is to enhance service quality by creating needed services in a customer satisfying manner. In India, bank mergers began in the 1960s as a way to bail out weaker banks to protect interest of customers. In February 2017, the government of India authorized the merger of five associate banks with SBI, putting it on track to become one of the world's largest banks. As a result, State Bank of India is now one among the world's top 50 financial institutions. In the above context it's essential to study the service quality and its related customer satisfaction of State Bank of India after merger. The study specifically concentrates on other state bank group merged customer to know the difference between service quality of bank pre merger and post merger period. A structured questionnaire containing 22 questions are prepared and posed to respective stake holders. The questionnaire was administrated in floor space of SBI Branch itself. Than to evaluate the Quality of Service the SERVQUAL Model is used.*

**Key words:** *Service Quality, Customer Satisfaction, SERVQUAL Model and State Bank Merger.*

## **1. INTRODUCTION**

Banking in India forms the base for the economic development of the country. Major changes in the banking system and management have been seen over the years with the advancement in technology,

considering the needs of people. The entire period of evolution of the banking industry is still ongoing and each day new changes can be seen in the banking sector for the betterment of the economic growth of the country. One of such new phenomenon in the banking industry is merger which helps banking institutions to scale up quickly and gains a large number of new customers instantly. Not only does merger give your bank more capital to work with when it comes to lending and investments, but it also provides a broader geographic footprint in which it operates. It reduces the cost of operation by abolishing multiple posts in banking industry, resulting in substantial financial savings. It helps to improve the professional standard and service quality of the customer.

The main purpose of merger in banking sector in India is to enhance service quality by creating needed services in a customer satisfying manner". This implies that there are two elements that are required for the banking services that is creating and delivering services. These two elements can be achieved through merger in banking sector. In India, bank mergers began in the 1960s as a way to bail out weaker banks to protect interest of customers. Since 1990, there has been a yearning to develop an Indian bank that can compete with global giants in the post-liberalization age. In February 2017, the government of India authorized the merger of five associate banks with SBI, putting it on track to become one of the world's largest banks. As a result, State Bank of India is now one among the world's top 50 financial institutions.

### **1.1 Service quality and customer satisfaction :**

Customer satisfaction is one of the most important factors in business. When it comes to commercial banks, customer satisfaction level differentiates from one bank to another, thus measuring customer satisfaction is exceedingly important. This is the reason why banks listen to customer requirements and complains. Profitable business cannot exist without satisfied customers, especially in service-oriented industries. Generally Customer satisfaction is measured at the individual level, but it is almost always reported at an aggregate level. It can be, and often is, measured along with various dimensions. Customer satisfaction and service quality are inter-related. The higher the service quality, the higher is the customer satisfaction. Many agree that in the banking sector, there are no recognized standard scales to measure the perceived quality of a bank service. Thus, competitive advantage through high quality service is an increasingly important weapon to survive.

Service quality is one of the important areas of business especially for service industries like bank to retain their customer and to attract new one. Poor customer service could cause a banking business loss of millions of dollars and also "its credibility". Good customer service and service quality is what attracts people to a business. When customers are pleased they become long-term assets of the bank. Building strong customer relations can tie a customer and a business together. When customers are satisfied they feel well treated and are willing to treat the business well. From the customer's perspective service quality significantly influences customer satisfaction.

Some researchers have found empirical supports for the view of the point mentioned above; where customer satisfaction came as a result of service quality. As said by Wilson et al. (2008), service quality is a focused evaluation that reflects the customer's perception of reliability, assurance, responsiveness,

empathy and tangibility while satisfaction is more inclusive and it is influenced by perceptions of service quality, product price and quality, also situational factors and personal factors. The relationship between service quality and customer satisfaction is becoming crucial with the increased level of awareness among bank customers.

Every Business need to attract and establish a customer market and would need to retain it through satisfaction. That is the key to its business performance (Johnson et al., 2000). In order to attain this goal, bank should have a high satisfaction rate from its customers. Se Commercial banks specially know that customer satisfaction is one of the most vital factors that contribute in establishment of reputation and credit in the public view. The public complaint about long queues, poor service delivery and deficiency of physical facilities directly affect the level of service quality in the public sector as well as private sector organization. In the above context it's essential to study the service quality and its related customer satisfaction of State Bank of India after merger. The objective of the research study in this regard as follows

1. To analyze whether the service quality of State Bank of India has a positive influence on customer satisfaction or not.
2. To know whether merger in State bank of India has enhanced potential service quality or not.

## 2. LITERATURE REVIEW

The present study focus on the consumer perception in respect to merger of bank, and try to measure the impact of service quality. The following literature provides insights to the study:

Consumer reaction on merger based on implications such as attitude towards the brand, service conception change according to the consumer on the brands etc (Rajesh Kumar &suhas K S,2010)Outlines the indicators on consumer perspective about the post merger the indicators are the price of service, quality of service, distribution & post-sale service (Anitha S &Mouni G G, 2011).

The main goal of this article is to assess the Punjab National Bank's service quality and to show the discrepancy between customer expectations and management perceptions (Ganesh Patidar& Dr. Devendra Singh Verma,2013)Customer satisfaction are measured based on the dimensions of tangibility, accountability, reliability, assurance & empathy. A SERVQUAL method is a basic instrument tool to assess the service quality in banks.( Mei Mei Lau,et.al.,2013).

The goal of this study was to identify and investigate the elements that are significant impediments to retail customers switching banks or branches in India. Consumers satisfaction are influenced by elements such as price, service quality, switching costs, bank reputation, promotional advertising, response to service failure and innovative service product offerings(Dr. P.K.Agarwal,2019).

Following the government's bank recapitalization drive in 2008, Ghana has seen a surge of mergers and acquisitions (M & A) in the banking industry. As banks consolidate into one large unit, this presents an essential question about the trade-off between probable efficiency gains and efficiency losses. The goal of

this research was to find out how mergers and acquisitions have impacted the economy (Johnson Yeboah,2015).

The study looked on the impact of the financial crisis on public sector banks. Balance sheets polluted by NPAs and encumbered by the bloat of endless bureaucratic interventions of the previous era in an increasingly competitive sector, well-managed, popular, and profitable businesses are essential. Banks in the private sector are giving the public sector banks a run for their money. The writer makes a recommendation. Through a merger and streamlined operations, a solution has been found (Bhatnagar, R. G. 2001)

### 3. RESEARCH METHODOLOGY:

The research study uses perception of state bank of India consumer to know whether the service quality has positive influence or not. The study specifically concentrates on other state bank group merged customer to know the difference between service quality of bank pre merger and post merger period. A structured questionnaire containing 22 questions are prepared and posed to respective stake holders. The questionnaire includes set of Likert style of questions. The questionnaire was administrated in southern Karnataka i.e., in Hassan, Mysore, Mandya and Tumkur District. 100 questionnaires were distributed among the stake holders. The sampling design includes Selection of respondents by Judgment Sampling technique which is based on convince. The questionnaire was administrated in floor space of SBI Branch itself. Than to evaluate the Quality of Service the SERVQUAL Model is used. The Information Related to the Model is as follows

SERVQUAL model is one of the popular models that have been used globally for measuring service quality of different institutions including banking sector. In this study we have applied SERVQUAL model for measuring the service quality and customer satisfaction among the selected customers of State Bank of India. SERVQUAL is a well-known multidimensional research instrument for measuring and evaluating service quality in any service sector. This model perfectly covers the dimensions that are considered by a customer in evaluating quality of service in a service sector.

The 5 dimensions that are used in this model are:

**Reliability:** The ability to perform the promised service dependably and accurately.

**Assurance:** The knowledge and courtesy of employees and their ability to convey trust and confidence.

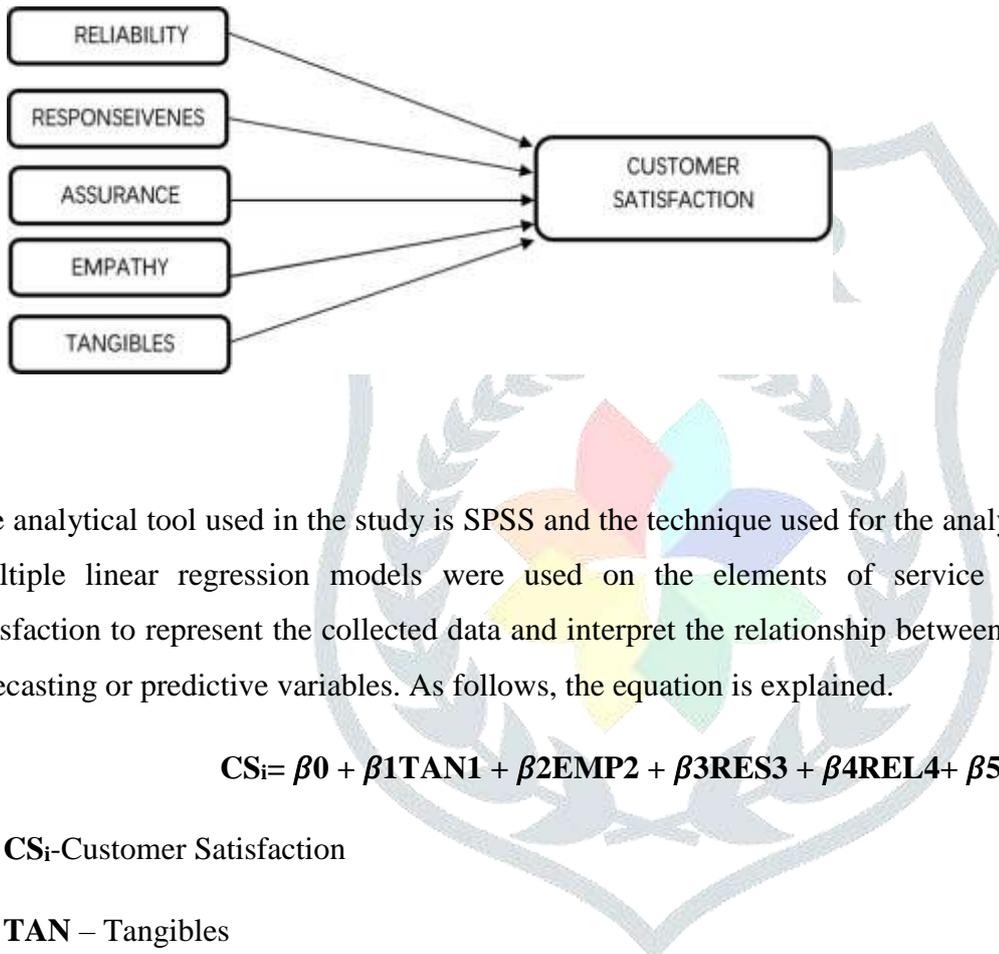
**Tangibles:** The appearance of physical facilities, equipment, personnel and communication materials.

**Empathy:** The provision of caring, individualized attention to customers.

**Responsiveness:** The willingness to help customers and to provide prompt service.

The SERVQUAL model of measuring the scale of quality in service was developed by Valerie Zeithaml, Parasuraman and Len Berry in 1985. In this method data are collected via surveys of a sample of customer. In these surveys the customer responds to series of questions based around a number of key service dimensions. The methodology was originally based around 5 key dimensions. The questionnaire consists of matched pairs of items; 22 expectation items and 22 perceptions items, organized into five dimensions which are believed to align with the consumer's mental map of service quality dimension.

### SERVQUAL MODEL



The analytical tool used in the study is SPSS and the technique used for the analysis is multiple regression. Multiple linear regression models were used on the elements of service quality against customer satisfaction to represent the collected data and interpret the relationship between the outcome variable and forecasting or predictive variables. As follows, the equation is explained.

$$CS_i = \beta_0 + \beta_1TAN_1 + \beta_2EMP_2 + \beta_3RES_3 + \beta_4REL_4 + \beta_5ASS_5$$

**CS<sub>i</sub>**-Customer Satisfaction

**TAN** – Tangibles

**EMP** – Empathy

**RES** – Responsiveness

**REL**- Reliability

**ASS**- Assurance

On the Basis of SERVQUAL model the following statement of hypotheses were derived.

#### Statement of Hypothesis

**H<sub>1</sub>**: There is a positive impact of “empathy “on customer satisfaction among the State Bank Group Customers after merger.

**H<sub>2</sub>:** There is a positive impact of “reliability” on customer satisfaction in among the State Bank Group Customers after merger.

**H<sub>3</sub>:** There is a positive impact of “responsiveness” on Customer satisfaction among the State Bank Group Customers after merger.

**H<sub>4</sub>:** There is a positive impact of “assurance” on customer satisfaction among the State Bank Group Customers after merger.

**H<sub>5</sub>:** There is a positive impact of “tangibles” on customer satisfaction among the State Bank Group Customers after merger.

**H<sub>6</sub>:** There is a positive impact of overall service quality on customer satisfaction among the State Bank Group Customers after merger.

#### 4. RESULTS AND DISCUSSION

In the context of post merger of bank mainly there are 5 State Bank group banks are merged with State Bank of India commercial Amajority of respondents are from State Bank of Mysore. Five service quality parameter are used in order to assess the customer satisfaction. The statistical results related to the study are as follows.

##### *Multiple Regression analysis*

Regression analysis was performed in order to test the impact of five dimension of the service quality on the customer satisfaction. The Table 1 illustrates the model summary for multipleregressions.

**Table 2: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.785 <sup>a</sup>	.617	.597	.50431	.617	30.279	5	94	<.001
a. Predictors: (Constant), TANGABILITY, RESPONSIVENESS, ASSURANCE, EMPATHY, RELIABILITY									

According to the model summary, 61.7% of the variation in the customer satisfaction is explained by the independent variables namely Assurance, Tangibility, Responsiveness, Empathy and Reliability of the service quality of the banks. The p value is also less than 0.05 and therefore, it could be concluded that the model is of best fit. In the case of each independent variable, all the independent variables are having the impact on the customer satisfaction. This is evident from the following Table 2.

Table 2: Coefficient

Coefficients <sup>a</sup>									
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Colinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
<b>(Constant)</b>	.406	.220		1.846	.068	-.031	.844		
<b>EMPATHY</b>	.059	.090	.076	.656	.513	-.120	.239	.307	3.254
<b>RESPONSIVENESS</b>	.130	.090	.161	1.453	.150	-.048	.308	.331	3.020
<b>ASSURANCE</b>	.114	.100	.133	1.148	.254	-.083	.312	.303	3.303
<b>RELIABILITY</b>	.120	.099	.142	1.212	.228	-.076	.316	.299	3.349
<b>TANGABILITY</b>	.341	.085	.396	4.026	<.001	.173	.509	.421	2.377

a. Dependent Variable: CUSTOMERSATISFACTION

The first factor that influence the customer satisfaction is **TANGABILITY** ( $p < 0.05$ ,  $t = 4.026$ ). The second influencing factor on the customer satisfaction of the banks in Sri Lanka is **RESPONSIVENESS** ( $p > 0.05$ ,  $t = 1.453$ ). The third factor is **RELIABILITY** ( $p > 0.05$ ,  $t = 1.212$ ). The fourth factor influencing customer satisfaction is **ASSURANCE** which is with  $p > 0.05$ ,  $t = 1.148$ . The fifth factor that influence the customer satisfaction is **EMPATHY** dimension ( $p > 0.05$ ,  $t = 0.656$ ). According to Table 2, above, the variance inflation factors (VIF) values are less than ten and therefore, there is no serious multicollinearity issue with the independent variables under study.

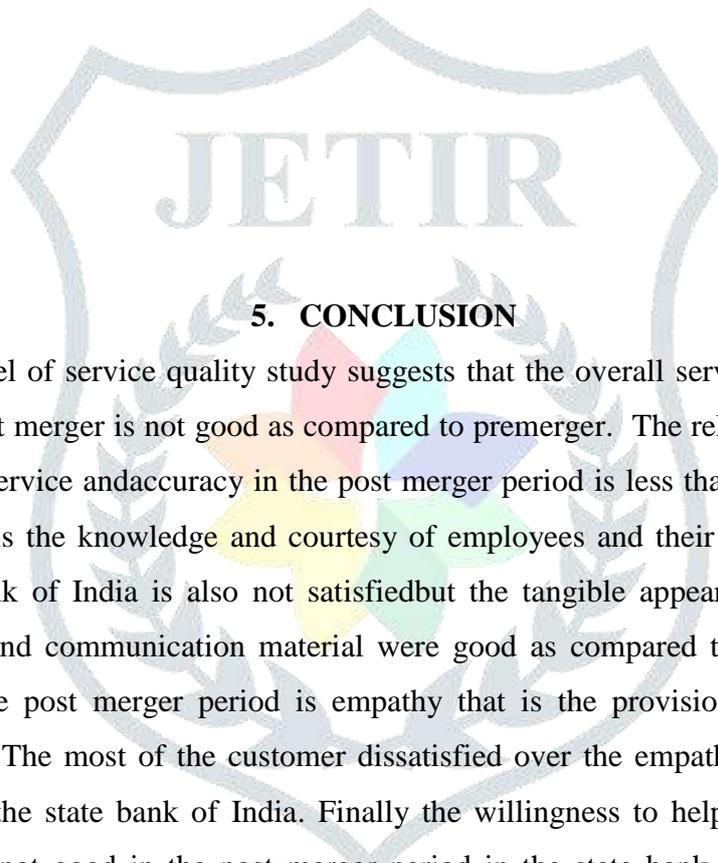
$$CS \text{ (Customer Satisfaction)} = 0.406 + 0.341 \text{ (Tangibility)} + 0.114 \text{ (Assurance)} + 0.120 \text{ (Reliability)} + 0.130 \text{ (Responsiveness)} + 0.059 \text{ (Empathy)}.$$

The hypotheses were tested and the results are given in Table 3 below.

Table 3: Descriptive Statistics.

Hypotheses	Status
<b>H<sub>1</sub></b> : There is a positive impact of “Empathy “on customer satisfaction among the State Bank Group Customers after merger.	Rejected
<b>H<sub>2</sub></b> : There is a positive impact of “Reliability” on customer satisfaction in among the State Bank Group Customers after merger.	Rejected
<b>H<sub>3</sub></b> : There is a positive impact of “Responsiveness” on Customer satisfaction among the State Bank Group Customers after merger.	Rejected

<i>H<sub>4</sub></i> : There is a positive impact of “Assurance” on customer satisfaction among the State Bank Group Customers after merger.	Rejected
<i>H<sub>5</sub></i> : There is a positive impact of “Tangibility” on customer satisfaction among the State Bank Group Customers after merger.	Accepted
<i>H<sub>6</sub></i> : There is a positive impact of overall Service Quality on customer satisfaction among the State Bank Group Customers after merger.	Rejected



## 5. CONCLUSION

The SERVQUAL Model of service quality study suggests that the overall service quality performance of State Bank of India post merger is not good as compared to premerger. The reliability that is the ability to perform the promised service and accuracy in the post merger period is less than the expected. Whereas in case of assurance that is the knowledge and courtesy of employees and their ability to convey trust and confidence in state bank of India is also not satisfied but the tangible appearance of physical facilities, equipment, personnel and communication material were good as compared to pre merger period. Most dissatisfied issue in the post merger period is empathy that is the provision of caring, individualized attention to customers. The most of the customer dissatisfied over the empathy towards customer in the post merger period in the state bank of India. Finally the willingness to help customers and to provide prompt service is also not good in the post merger period in the state bank of India. The study finally concludes that the customer satisfaction towards service quality of the state bank of India lag beyond compared to pre merger period. For question whether the quality is increased in the post merger period or not, the most of the customer dissatisfied.

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