Impact of Service Quality on Customer Satisfaction: A Comparative Study of Public and Private Sector Commercial Banks of Punjab

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Abstract: Banking Industry being service industry, the key concern of the banks is to provide quality service to customers which lead to customer satisfaction. Financial products and services and has direct impact on satisfaction of the customers. The aim of the study is to examine impact of service quality dimensions such as tangibility, reliability, responsiveness, assurance and empathy on customer satisfaction. This study is based on a limited sample size in the areas of Ludhiana and Mansa districts, so that there could be comprehensive study comprising the customers of public and private sector banks in the said area. The sample unit is a customer using the above said service from the different Banks. In the present study, Random Probabilistic (Stratified Random Sampling) sampling technique has been adopted. Statistical techniques used are Correlation analysis, t-test, ANOVA and multiple regression analysis. It is concluded that service quality dimensions in one form or another has significant impact on the customer satisfaction of both public and private sector banks.

Keywords: Service Quality, Customer Satisfaction, Banking Industry

Introduction

Growth of service industry has spurred in lot of employment thus leading demand for the people who are ready to understand customer's psychology and are competent to deliver service leading to worth of value. The sole criterion for growth of service is ability to provide quality service to customers which lead to customer satisfaction. The key to sustain is providing better service quality to its customers while making physical or on line transaction. Customers these days are fully aware and before making any transaction they assure that they are able to make safe transaction with the banks. Since all the banks are dealing with same kind of products and services the only way through which they can retain their customer is providing quality service to its customers and thus leading to customer satisfaction.

The only way to serve their customers better is by clearly understanding the expectations of customers and thus delivering the service with minimum service gap. With the shift from traditional concept of physical banking towards on line banking, banks are facing lot of pressure to satisfy their customers. Also customer is fully aware of the services being provided by banks and have become demanding and thus their perception and expectation has increased. With the growing number of private and foreign banks even public banks have to find effective ways of serving their customers so that their customers are loyal and could be easily retained.

Conceptual Framework for Relationship between Service Quality and Customer Satisfaction

Banking industry being a service industry deals mainly in financial products and services and has direct impact on satisfaction of the customers. Service quality involves five dimensions namely reliability, assurance, tangibility, empathy and responsiveness.

Reliability
Assurance
Tangibility
Empathy
Responsiveness

Customer Satisfaction

Figure 1: Conceptual Framework

Figure 1 exhibits the research framework of this study. It demonstrates the effects of five key predictors of service quality on customer satisfaction regarding Banking services provided by Indian Scheduled commercial banks.

(Yang and Fang, 2004) mentions in order to convince and retain the customers bank has to ensure error free transactions, creating error free record, assuring to deliver the promised service. (Sadek et. al., 2010) in order to provide customer satisfaction and gain favourable outcomes employees of the bank should be well experienced and fully aware about the services to be delivered. The employees must be always ready to serve customers in a humble and polite manner. (Ananth et. al., 2011) mentions visuals of banks lead to positive impact on customer satisfaction. He also specifies that focus on external communication and understanding of customers need results in positive relationship on customer satisfaction. (Kumar et.al., 2009) specified individual attention regarding customers need will also result in customer satisfaction.

Statement of the Research Problem

Banking industry has undergone a drastic and positive change. With the advent of technology it becomes foremost important to provide standard services to all the customers in every transactions made by them. As Management nowadays is not just concerned on creating new customers but also retaining old customers and this is possible by focusing on improved service quality.

Objectives of the Study

The aim of the study is to examine impact of service quality dimensions such as tangibility, reliability, responsiveness, assurance and empathy on customer satisfaction.

Research Hypothesis

H_{01}: There is no significant impact of service quality dimensions on customer satisfaction.

H_{11}: There is significant impact of service quality dimensions on customer satisfaction.

Research Methodology & Database

The present study is descriptive and analytical in nature. This study is based on a limited sample size in the areas of Ludhiana and Mansa districts, so that there could be comprehensive study comprising the customers of public and private sector banks in the said area. The sample unit is a customer using the above said service from the different Banks. In the present study, Random Probabilistic (Stratified Random Sampling) sampling technique has been adopted.

The sample selection is done through a two step process. In the first process two largest banks are selected each from public and private sector. The study is conducted in Ludhiana and Mansa districts. The selection of these districts has been done because one of them is an industrially developed district while the other is an economically/ industrially under developed district. The second step in the sample relates to the selection of sampled respondents. The total number of respondents is 400 that is 200 each from public and private sector. For this purpose two banks each from Public and private sector banks was taken. In private Banks HDFC and ICICI banks while in case of Public Banks State Bank of India and Punjab National bank is taken for study. While selecting respondents it is ensured that all major strata of society are covered in the sample. Therefore following categories of respondents are covered:

a. Farmers
b. Business man
c. Service class
d. House Wives
e. Students

The study is based on both primary data and secondary data.

As per the requirement of the study data has been collected through the use of scale. The scale comprises a number of statements on the basis of five point Likert Scale. Every kind of primary information has been collected through this scale.

Data has been collected from the respondents through personal interaction and the responses were recorded under the same conditions. The interaction with the respondents was made during the months of December 2016 to June 2017. There was a minimum refusal on the part of the respondents.

The secondary data has been obtained from various journals, books, earlier related studies, reports and surveys of government and non-government agencies in this regard press release, newspapers and periodicals. The relevant internet sites were also explored to get the necessary information for the study.

For analyzing the customers' perception and expectation towards service quality of Banking Sector companies, a modified SERVQUAL type questionnaire relevant to the Banking industry was constructed. A questionnaire included 22-items from the original five dimensions (i.e. Tangibility, Reliability, Responsiveness, Assurance, and Empathy) of the SERVQUAL instrument developed and updated by Parasuraman et al. (1988).

Statistical techniques used are Correlation analysis, t-test, ANOVA and multiple regression analysis.

Results & Discussions

Table 5.1: Correlation Matrix for Public Sector Bank between Service Quality Dimensions & Customer Satisfaction

Indicators		Customer Satisfaction	Responsiveness	Assurance	Empathy	Tangibility	Reliability
Customer Satisfaction	Pearson Correlation	1	.320**	.301**	.327**	.219**	.253**
	Sig. (2-tailed)		.000	.000	.000	.002	.000
	N	200	200	200	200	200	200
Responsiveness	Pearson Correlation	.320**	1	.204**	.059	.085	.200**
	Sig. (2-tailed)	.000		.004	.404	.234	.005
	N	200	200	200	200	200	200
Assurance	Pearson Correlation	.301**	.204**	1	.139*	.063	.135
	Sig. (2-tailed)	.000	.004		.049	.375	.056
	N	200	200	200	200	200	200

Empathy	Pearson Correlation	.327**	.059	.139*	1	.130	.007
	Sig. (2-tailed)	.000	.404	.049		.067	.924
	N	200	200	200	200	200	200
Tangibility	Pearson Correlation	.219**	.085	.063	.130	1	.020
	Sig. (2-tailed)	.002	.234	.375	.067		.782
	N	200	200	200	200	200	200
Reliability	Pearson Correlation	.253**	.200**	.135	.007	.020	1
	Sig. (2-tailed)	.000	.005	.056	.924	.782	
	N	200	200	200	200	200	200

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

***. Correlation is significant at the 0.05 level (2-tailed).**

a. Bank = Public

Table 5.1 indicates correlation between service quality dimensions and customer satisfaction for public sector banks. Empathy has highest correlation (.924) with reliability followed by tangibility (.782). Service Quality dimensions – Responsiveness (p=.000), Assurance (p=.000), Empathy (p=.000), Tangibility (p=.002<.01), Reliability (p=.000) has significant relationship with customer satisfaction.*

Table 5.2: Correlation Matrix for Private Sector Banks between service quality dimensions and customer satisfaction

Indicators		Customer Satisfaction	Responsiveness	Assurance	Empathy	Tangibility	Reliability
Customer Satisfaction	Pearson Correlation	1	.319**	.287**	.015	.216**	.298**
	Sig. (2-tailed)		.000	.000	.838	.002	.000
	N	200	200	200	200	200	200
Responsiveness	Pearson Correlation	.319**	1	.111	.038	-.083	.218**
	Sig. (2-tailed)	.000		.118	.592	.243	.002
	N	200	200	200	200	200	200
Assurance	Pearson Correlation	.287**	.111	1	-.034	-.071	.129
	Sig. (2-tailed)	.000	.118		.629	.319	.069
	N	200	200	200	200	200	200
Empathy	Pearson Correlation	.015	.038	-.034	1	.022	.119
	Sig. (2-tailed)	.838	.592	.629		.754	.094
	N	200	200	200	200	200	200
Tangibility	Pearson Correlation	.216**	-.083	-.071	.022	1	-.009
	Sig. (2-tailed)	.002	.243	.319	.754		.902
	N	200	200	200	200	200	200
Reiability	Pearson Correlation	.298**	.218**	.129	.119	-.009	1
	Sig. (2-tailed)	.000	.002	.069	.094	.902	
	N	200	200	200	200	200	200

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

a. Bank = Private

Table 5.2 indicates correlation between service quality dimensions and customer satisfaction for private sector banks. There is significant relationship between service quality dimensions Table 5.2 indicates correlation between service quality dimensions and customer satisfaction for private sector banks. There is significant relationship between service quality dimensions – Responsiveness (p=.000), Assurance (p=.000), Tangibility (p=.002<..01), Reliability (p=.000). There is insignificant relationship between empathy (p=.838 > 0.01) and customer satisfaction.

Regression Analysis for Public Sector Banks

Table 5.3 (a): Model Summary[a]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.540[b]	.291	.273	5.48339

a. Bank = Public
b. Predictors: (Constant), Reliability, Responsiveness, Empathy, Tangibility, Assurance, Responsiveness

In above Table 5.3 (a) acquired model summary reveals that model is relatively weak having 27.3% (Adjusted R^2) of the data being explained by the regression equation. As shown in Table 5.3 (b) F-statistic is significant with p value equal to .000. Therefore null hypothesis is rejected and alternative hypothesis is accepted that service quality dimensions have significant impact on customer satisfaction for public sector banks.

Table 5.3 (b): ANOVA[a,b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	2396.057	5	479.211	15.938	.000[c]
1	Residual	5833.098	194	30.068		
	Total	8229.155	199			

a. Bank = Public
b. Dependent Variable: Customer Satisfaction
c. Predictors: (Constant), Reliability, Empathy, Tangibility, Assurance, Responsiveness

Table 5.3 (c): Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	20.332	3.951		5.146	.000		
	Responsiveness	.670	.194	.217	3.456	.001	.923	1.084
	Assurance	.572	.193	.186	2.966	.003	.932	1.073
	Empathy	.722	.166	.267	4.345	.000	.965	1.036
	Tangibility	.642	.261	.150	2.458	.015	.976	1.024
	Reliability	.581	.201	.180	2.896	.004	.950	1.052

a. Bank = Public
b. Dependent Variable: Customer Satisfaction

Table 5.3 (c) shows that the value of t is significant for all service quality dimensions as p value in all cases is less than 1 percent and 5 percent level of significance.
The regression equation is:
$Y= 20.332 +.670X_1+.572X_2+.722X_3+.642X4+.581X_5$

Table 5.4 Regression Analysis for Private Sector Banks

Table 5.4 (a): Model Summary[a]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.525[b]	.275	.256	6.76261

a. Bank = Private
b. Predictors: (Constant), Reliability, Tangibility, Empathy, Assurance, Responsiveness

Table 5.4 (a) shows the acquired model summary reveals that model is relatively weak having 25.6% (Adjusted R^2) of the data being explained by the regression equation. As shown in Table 5.4 (b) F-statistic is significant with p value equal to .000. Therefore null hypothesis is rejected and alternative hypothesis is accepted that service quality dimensions have significant impact on customer satisfaction for private sector banks.

Table 5.4 (b): ANOVA[a,b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	3367.331	5	673.466	14.726	.000[c]
1	Residual	8872.189	194	45.733		
	Total	12239.520	199			

a. Bank = Private
b. Dependent Variable: Customer Satisfaction
c. Predictors: (Constant), Reliability, Tangibility, Empathy, Assurance, Responsiveness

Table 5.4 (c): Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-13.742	14.482		-.949	.344		
	Responsiveness	1.914	.451	.267	4.240	.000	.939	1.065
	Assurance	.897	.225	.248	3.991	.000	.970	1.031
	Empathy	-.159	.543	-.018	-.292	.770	.983	1.018
	Tangibility	1.150	.274	.258	4.200	.000	.989	1.012
	Reliability	1.320	.395	.212	3.339	.001	.928	1.078

a. Bank = Private
b. Dependent Variable: Customer Satisfaction

Table 5.4 (c) shows the value of t is highly significant for responsiveness, assurance and tangibility as p value is equal to .000. In case of reliability p value is less than .01 and therefore is significant. The value of t in case of empathy is insignificant being greater than 1 percent and 5 percent level of significance.

The regression equation is:
$Y= -13.742 +1.914_1+.897X_2 -..159X_3+.1.150X4+1.320X_5$

Table 5.5: Descriptive Statistics
Group Statistics

	Bank	N	Mean	Std. Deviation	Std. Error Mean
Responsiveness	Public	200	11.7850	2.08820	.14766
	Private	200	23.2450	1.09589	.07749
Assurance	Public	200	11.4950	2.08849	.14768
	Private	200	18.4200	2.16728	.15325
Empathy	Public	200	11.6900	2.38165	.16841
	Private	200	13.6450	.89047	.06297
Tangibility	Public	200	8.9750	1.50523	.10644
	Private	200	13.9150	1.76162	.12457
Reliability	Public	200	9.3450	1.98638	.14046
	Private	200	21.6550	1.25853	.08899
Customer Satisfaction	Public	200	54.4350	6.43059	.45471
	Private	200	89.6800	7.84252	.55455

It is indicated in above table 5.5 that mean for private sector banks is greater than mean of public sector banks for all dimensions of service quality and customer satisfaction. Standard deviation is high in case of public sector banks than private sector banks in case of responsiveness, empathy, reliability indicating more variability and less consistency in responses of respondents regarding dimensions of service quality. In case of assurance, tangibility and customer satisfaction standard deviation is high in case of private banks as compared to public sector banks indicating more variability and less consistency in responses of respondents for private sector banks.

Table 5.6: T Test

	t-test for Equality of Means						
						95% Confidence Interval of the Difference	
	T	**df**	**Sig. (2-tailed)**	**Mean Difference**	**Std. Error Difference**	**Lower**	**Upper**
Responsiveness	-68.7	398	.000	-11.46	0.17	-11.79	-11.13
Assurance	-32.5	398	.000	-6.93	0.21	-7.34	-6.51
Empathy	-10.9	398	.000	-1.96	0.18	-2.31	-1.60
Tangibility	-30.2	398	.000	-4.94	0.16	-5.26	-4.62
Reliability	-74.0	398	.000	-12.31	0.17	-12.64	-11.98
Customer Satisfaction	-49.1	398	.000	-35.25	0.72	-36.65	-33.84

In the above table 5.6 t-value is highly significant for all dimensions of service quality as p value is equal to .000 for both public and private sector banks.

Conclusion

Though the parameters of satisfaction do not remain same forever and the level and extent of satisfaction keeps on varying; but still respondents highlighted certain aspects of banks from both the sector. It is found that customers of Public sector commercial banks believe that Public sector banks are more reliable and this perception varied with respect to demographics of respondents. But when services are compared specifically on the basis of quality of service Private Sector Banks are way ahead. It is due to the reason that employers of Private Sector Banks are more responsive towards the customers, even in case of Tangibility Private Sector Banks are better whereas in case of reliability and assurance; Banks of Public sector are considered to much better by the selected respondents.

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