

“SERQUALAND CUSTOMER SATISFACTION IN BANKING SECTOR – AN EMPIRICAL STUDY IN COIMBATORE CITY”

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Abstract : Banks are one of the oldest financial intermediaries in the financial system. They play an important role in the mobilization of deposits and disbursement of credit to various sector of the economy; it reflects the financial and economic health of the country, they are very dominant in India as it accounts for more than half of the assets of the financial sector, it has been a witness to several regulatory changes that have resulted in a heightened level of competition among the banks; and recognition of service quality as a competitive weapon is accepted.

IndexTerms – Banking Sector, Customer Satisfaction .

I. INTRODUCTION

The banking sector is the life line of any modern economy. Banks are one of the oldest financial intermediaries in the financial system. They play an important role in the mobilization of deposits and disbursement of credit to various sector of the economy; it reflects the financial and economic health of the country, they are very dominant in India as it accounts for more than half of the assets of the financial sector, it has been a witness to several regulatory changes that have resulted in a heightened level of competition among the banks; and recognition of service quality as a competitive weapon is accepted more and more¹, it is no longer regarded as a business dealing with money transactions alone, but it is also seen as a business related to information on financial transactions².

The border between customer satisfaction and service quality is difficult to delimit, terms are often confused. If a quality service refers to the way in which it is supplied, then we can say that the general feeling of satisfaction is using it. Satisfaction comes from experience, from customer contact with the service. Some authors consider quality as an intrinsic attribute of service and customer satisfaction arises only if they perceive that quality. Therefore an unwritten rule in banking is not to sell to the customer a "product" but "qualities" of that product³.

II. STATEMENT OF THE PROBLEM

Customer service in the banks is a continuing issue. In a deregulated environment, customers' expectation keeps rising, as they look for more convenient and flexible options available to them at competitive rates from many players operating in the field. The bank system is facing challenges with stiff competition and advancement of technology. It becomes imperative for service providers to meet or exceed the target customers' satisfaction with quality of services expected by them⁴.

Being considered as a prerequisite for establishing enduring relationships, profitable between a bank and its customers, relationships that are beneficial to both parties, service quality is a complex coordinated, though not necessarily complicated, if examined closely. Therefore a series of investigations are needed to better understand the meanings of 'quality' and how it differs in meaning from customers to customers. Depending on the results, the management of institutions should try to adapt the offer so that it is accessible and to thank the group of clients are addressed. This is even more difficult as quality is a subjective dimension, which every man can appreciate different filters whereas the own value system through their own experience, for example, a customer who is always busy and has time to reach the bank within the appropriate time, we believe that the Internet Banking service is exactly what you need, while a person who does not have easy access to the Internet will not see in it a quality service that they bring great satisfaction. There is a phenomenal change and paradigm shift towards customer focus over the past five decades. The banking business found standing on the pillars of customer's satisfaction it is pertinent that policy makers and branch manager think over the problem on priority basis⁵.

III. SIGNIFICANCE OF THE STUDY

¹ Angur Madhukar, Rajan Natarajan and John Jahera Jr., 'Service Quality in the Banking Industry: an assessment in a developing economy', *International Journal of Bank Marketing*, 17(3), 116-Boulding.

² W., Kalra, A., Staelin, R. and Zeithaml, V.A. (1993), "A dynamic process model of service quality: from expectations to behavioral intentions", *Journal of Marketing Research*, 30.

³ Olson, J.C., Dover P, *Disconfirmation of consumer expectations through product trail*, *Journal of Applied Psychology*, Vol.64(2009)

⁴ Parasuraman, A., Zeithaml, V.A. and Berry, L.L.(1995), "A conceptual model of service quality and its implications for future research", *Journal of Marketing*, 49, Fall, 41-50.

⁵ Brady, M.K., and Robertson, C.J., (2001), "Searching for a consensus on the antecedent role of service quality and satisfaction: an exploratory cross national study", *Journal of Business Research*, 51,53-60.

The banking sector is one of the biggest service sectors in India and nowadays it is in a way to attract the biggest market of Asia. The banking sector today is focusing on how to provide efficient services to its customers. The Indian Banking System consisting of various public and private sector financial institutions whose objective is serving the people for their financial and economic needs. With the expansion of banking services to peoples excluded from banking services to large corporate searching fund for their activities, makes the importance of banking services. New technologies are being introduced and there is always a fear of economic uncertainties. Fierce competition, more demanding customers and the changing climate have presented an unparalleled set of challenges for banks in the country. Therefore, customer expectation is the key for many banks to survive in competition.

This study then will ultimately assess and reveal the strong points of the Indian banking and its edges as reasons for the continuous boom and development in the banking industries. Better quality of services provided by the bank has a positive influence on satisfaction of its customers and it directly contributes to profitability of banking industry. Good quality of service provides numerous benefits to banking industry like better corporate image, enhancement in customer satisfaction, cross selling opportunities, decreased customers' defection and increased chances of word or oral recommendation and facilitates the maintenance of long term and good customer relationships. In modern banking system maintaining and developing long term customer relationship is essential for competitive business⁶.

IV. SCOPE OF THE STUDY

The study helps the customers to gain additional knowledge on various services provided for them by the banks. The study captures the opinion of the customers in terms of their satisfaction. The research study will assist the bankers in providing recommendations and suggestions on the improvement of their services. In the present study an attempt is made to establish the factors of service quality rendered by the banks, perception of customers on the services provided by banks, the expectation and the level of satisfaction of customers towards the services given by banks, recent banking technology and its repercussion on the quality of customer service and the problems faced by bankers and customers while providing and availing services in the banks of Coimbatore city.

V. OBJECTIVES OF THE STUDY

The primary objective of the study is to study the banking services and customer satisfaction on banking sector.

The secondary objectives are as follows

- ❖ To know the perception of customers on the services provided by banks in the study area
- ❖ To understand the factors of service quality rendered by the banks in the study area.
- ❖ To verify the expectation and the level of satisfaction of customers towards the services given by banks in the study area.
- ❖ To analyse the recent banking technology and its repercussion on the quality of customer service in the study area.
- ❖ To find out the problems faced by bankers and customers while providing and availing services in the banks/ of the study area.

VI. METHODOLOGY

Type of research: The type of research used in this study is descriptive. In this case descriptions of characteristics associated with population are formulated. Estimation of the proportions of account holders in the banks their satisfaction level and the service qualities given by banks to its customers are evaluated. The steps followed by the researcher for methodology are as follows; Selection of the Sample, Formation of the Questionnaire, Collection of Data, Consolidation of Data and Analysis of Data.

VI.a Selection of the Sample

Sampling Design Population: The population chosen for this study is the account holders of Private and Public sector banks who live in Tirunelveli district as the research revolves around the services rendered by banks to their customers and the satisfaction level of customers towards these services (SERQUAL).

Sample Size: For the purpose of this study 230 customers were taken. This is the true representative of the universe.

Sampling Techniques: For the purpose of the study, stratified random sampling technique has been used. In stratified sampling technique, on the basis of the researcher's strata, sample is selected which is considered as representative of the population. So in this case on the basis of the researcher's strata and convenience sample has been selected.

VI.b Formation of the Interview schedule

Interview schedule was given to account holders of Private and Public sector banks. Most of the questions are close ended questions in the questionnaire administered to the respondents. The simple category scale and multiple response scale have been used, ranking scale has also been used wherever appropriate.

VI.c Collection of Data (Methods of data collection)

a) **Primary data:** Primary data was collected by administering a detailed questionnaire and also by conducting in depth personal interviews.

b) **Secondary Data:** Secondary It was collected from books, websites and few journals and news papers, for this study secondary data was collected through various sources such as magazines, internet and bank reports and business journals.

VI.d Consolidation of Data

The collected data was consolidated in the form of schedules for the purpose of interpretation; tabulation and formation of master table for analysis purpose. After the classification, the data will be processed (analysis) by using various statistical tools (SPSS) and diagrammatic illustration.

VI.e Analysis of Data

Data Analysis involved, reducing the accumulated data to a manageable size, developing summaries, looking for patterns which will help the objectives of the study and applying of statistical techniques. The Following Tools will be applied to analyse the data- Simple percentage Analysis, Likert-type Scale, Garret ranking techniques, Mean Score and Garret score, Measures of

⁶ Chi Cui, C., Lewis, B.R. & Park, W. (2003). Service quality measurement in the banking sector in South Korea. *International Journal of Bank Marketing*, 21, 191-201

central tendency (Mean), Chi-Square, Spearman’s and Pearson’s Rank Correlation, Factor Analysis, ANOVA, SERQUAL and Statistical Diagrams.

VII. FRAMED HYPOTHESIS

- ✓ There is no significant relationship between demographic profile of respondents and service quality dimensions.
- ✓ There is no significant relationship between demographic profile of respondents and customer satisfaction towards banking services in the study area.
- ✓ There is no significant relationship between demographic profile of respondents and customer loyalty towards banking services in the study area.
- ✓ There is no significant relationship between service quality dimensions and customer satisfaction in the study area.

VIII. LIMITATIONS OF THE STUDY

- ❖ The study is confined to the respondents (customers) of Coimbatore city only.
- ❖ Only account holders of private and public sector banks are taken for the study.
- ❖ This research focuses on banking sector only; so limitation from generalisation takes places in this study.
- ❖ The primary data were collected through interview method which is subjected to recall bias.
- ❖ The time spent towards the study is very limited.
- ❖ Since the study is not a comparative study between private or public sector banks the respondents are not divided in groups, they are treated as customers of banking sectors in Coimbatore city as a whole.

IX. FRAMEWORK OF THE RESEARCH

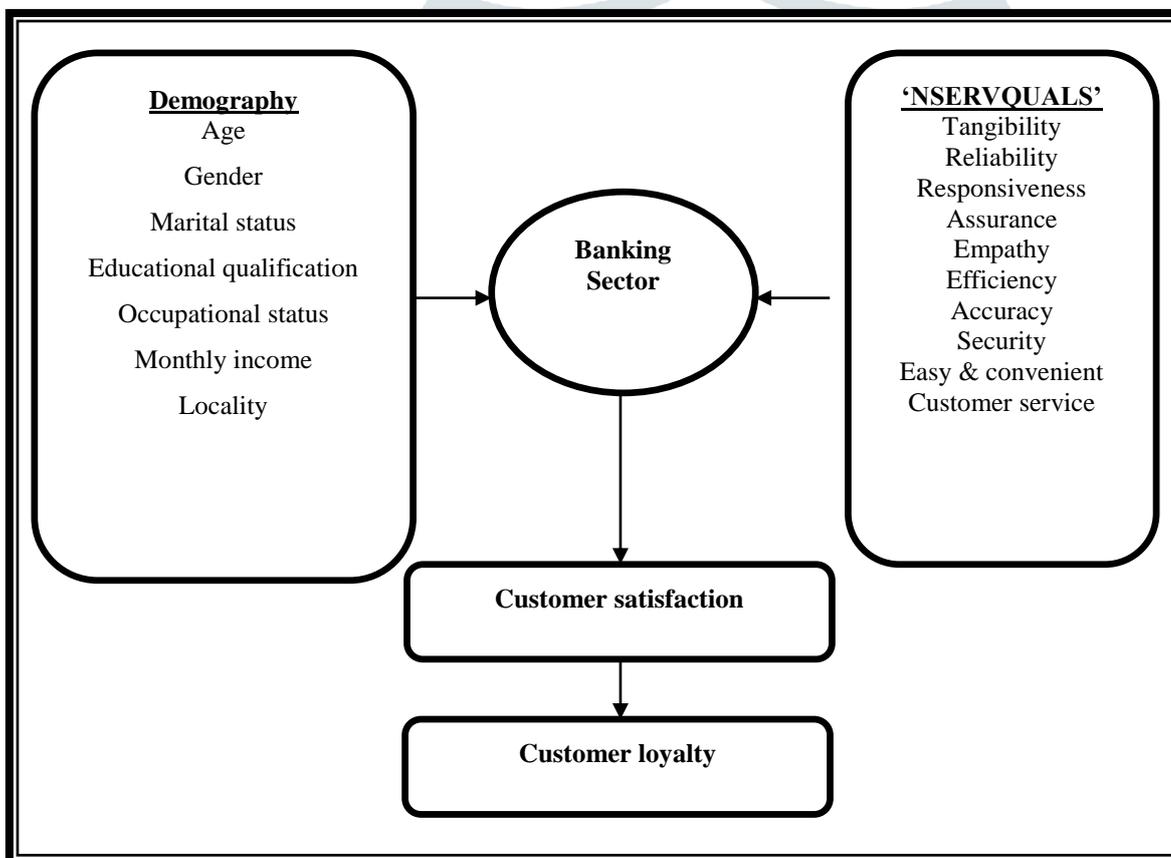


Table 1
Distribution on overall result of Profile of respondents – Percentage analysis

Sl.no	Particulars	Variable	No. of respondents	Percentage
1	Age	36-45	87	38
2	Gender	Male	156	68
3	Marital status	Married	136	59
4	Educational qualification	UG/PG	77	33
5	Occupational status	Business	64	28
6	Monthly income	30001-40000	60	26
7	Locality	Semi-urban	91	40

Source: Primary Data

Table 2
Distribution on overall result of related information

Sl.no	Particulars	Variable	Majority	Percentage
1	Years of account holding	11-15 years	62	27
2	Kind of account	Savings	170	74
3	Type of service availed	Regular service	145	63
4	Reason to approach bank	Enquiry	99	43
5	Time of response to complaint	1-2 weeks	87	38

Source: Primary Data

Table 3
Distribution on Overall result of ranking of variables

Sl.no	Particulars	Total no. of factors	Variables	First rank
Garrett				
1	Attitude	5	ATTI-2	Wide branch network[55.58]
2	Attribute	5	ATRI-3	Trust [60.75]
Simple				
3	Regular services	10	RS-2	Deposit [4.88]
4	Regular problems	10	PF-RP 1	Delay in banking function[4.99]
5	Technological problems	20	PF-TP 20	Lack of appropriate software[4.85]
Likert				
6	Measures	36	MS-14	Employee's interest on helping customers and direct them in resolving problems[3.54]
7	Opinion	24	OS-1	Excellent banks will have modern-looking equipments[3.69]

Source: Computed Data

Table 4
RELIABILITY TEST - Cronbach's Alpha factors

Sl.no	Factors	Score
1	Perception –SERQUAL dimensions	0.714
2	Measures of SERQUAL	0.721
3	Opinion of SERQUAL	0.885
4	Customer satisfaction – Regular service	0.765
5	Customer satisfaction – Technological service	0.839
6	Customer loyalty	0.902
7	Problems faced- Regular problems	0.849
8	Technological problems	0.828

Source: Computed Data

Table 5
Distribution on 'SERQUALS' Model

Sl.no	NSERQUALS	Mean score	Rank
Customer perception			
1.	Tangibility	27.24	I
2.	Reliability	16.92	III
3.	Responsiveness	11.98	IX
4.	Assurance	12.26	VII
5.	Empathy	12.26	VII
6.	Efficiency	11.22	X
7.	Accuracy	13.42	VI
8.	Security	16.60	IV
9.	Easy and convenient	14.84	V
10.	Customer service	18.30	II
Customer satisfaction			
11.	Regular services	78.62	I
12.	Technological services	62.43	II
Customer loyalty			
13.	Loyalty	72.58	-

Source: Computed Data

Table 6
Chi-square distribution on overall result of hypothesis testing @5% level of significance

Sl.no	Independent variable	Dependent variable	p-value	Result
1	Age	Perception	0.023	Significant
		Customer satisfaction	0.049	
		Customer loyalty	0.035	
2	Gender	Perception	0.000	Significant
		Customer satisfaction	0.016	
		Customer loyalty	0.008	
3	Marital status	Perception	0.000	Significant
		Customer satisfaction	0.048	
		Customer loyalty	0.042	
4	Educational qualification	Perception	0.001	Significant
		Customer satisfaction	0.003	
		Customer loyalty	0.001	
5	Occupation	Perception	0.001	Significant
		Customer satisfaction	0.041	
		Customer loyalty	0.022	
6	Monthly income	Perception	0.001	Significant
		Customer satisfaction	0.008	
		Customer loyalty	0.029	
7	Locality	Perception	0.001	Significant
		Customer satisfaction	0.032	
		Customer loyalty	0.025	

Source: Computed Data

Table 7
Distribution on overall result of ANOVA

Dependent variable	Independent variable	F-value	Result
<ul style="list-style-type: none"> ▪ Account holding period ▪ Kind of account ▪ Type of service availed ▪ Reason to approach the bank ▪ Response to complaints 	Age	1.907	Associated
	Gender	0.519	Associated
	Marital status	0.269	Associated
	Educational qualification	1.234	Associated
	Occupation	1.298	Associated
	Monthly income	1.228	Associated
	Locality	1.639	Associated

Source: Computed Data

Table 8
Distribution on overall result of correlation

Sl.no	Correlation	Pearson	Kendall	Result
1	TAH	.072	.198	Positive
	RS	.876	.670	
2	KA	.669	.658	Positive
	P	.283	.226	
3	TOS	.706	.602	Positive
	CL	.351	.331	
4	RTA	.841	.733	Positive
	CS	.379	.365	
5	RTC	.457	.317	Positive
	PF	.556	.427	

Source: Computed Data

Table 9
Distribution on Overall result of Regression

Sl.no	Particulars	R ²	t (constant)	Result
1	Measures	.399	12.080	Positive
2	Opinion	.315	12.305	Positive
3	Attitude	.318	16.711	Positive
4	Attribute	.319	12.185	Positive

Source: Computed Data

Table 10
Distribution on overall result of Factor Analysis

Sl.no	Particulars	Result	
Correlation Matrix			
1	20 Factors	Positive loading	
2	20 factors	Positive loading	
3	18 factors	Positive loading	
Component Matrix			
	Particulars	h^2	Highest loading
8	RP-2	1.499	Problem of ATM

Source: Computed Data

XI. FINDINGS OF THE STUDY

- ❖ **Profile of respondents:** It was found that out of 830 respondents taken for the study majority of the respondents belong to the age group between 36-45 (38%), most of them are male members (68%), their marital status is married (50%), educational qualification are UG/PG (33%), most of them are business people (28%) their monthly income being between 30001-40000 (26%) and majority of them live in semi-urban locality (40%).
- ❖ **Related information:** The related information for the study are the details based on the account they hold, out of 830 respondents taken for the study it was revealed that majority of the respondents year of account holdings in their bank is between 11-15 years (27%), the kind of account they hold is savings (74%), type of service availed is regular services (63%), reason to approach bank was for enquiry (43%), the of response to complaints is between 1-2 weeks (38%).
- ❖ **Likert scaling technique – ranking:** With regard to ranking the following variables showed first rank for the factors – attitude – wide branch network (55.58), attribute – trust (60.75), regular services – deposit (4.88), regular problem – delay in banking functions (4.99), technological problems – lack of appropriate software (4.85), measures – Employee's interest on helping customers and direct them in resolving problems (3.54) and opinion – Excellent banks will have modern-looking equipments (3.69).
- ❖ **Reliability test:** reliability test for the data showed that there is excellent, good and acceptable reliability and that the variables can be loaded for further statistical analysis in SPSS.
- ❖ **Testing of 'SERQUALS' model:** From the analysis it was evident that customer perception, customer satisfaction and customer loyalty are interrelated and that these three factors are correlated to the ten dimensions of 'SERQUALS'
- ❖ **Testing of hypothesis:** with regard to the chi-square test at 5% and 1% level of significance, it is found that the p-value is less than 0.05 thus it is concluded that each variable had significant relationship, that is the null hypothesis was rejected.
- ❖ **ANOVA:** With regard to the ANOVA test at 5% and 1% level of significance, it is found that the p-value is less than 0.05 thus it is concluded that each variable had significant relationship, that is the null hypothesis was rejected.
- ❖ **Correlation:** with regard to correlation person and Kendall correlation was worked out and it was found that both the test showed positive correlation.
- ❖ **Regression:** with regard to the regression analysis it was found that the test showed positive regression between variables of measures, opinion, attitude and attribute.
- ❖ **Factor analysis:** with regard to the factor analysis component matrix and correlation matrix was worked out and it was found that for correlation matrix – the factors showed positive loading and for component matrix – the highest loading (1.499) problem of ATM.

XII. SUGGESTIONS and RECOMMENDATIONS OF THE STUDY

- Customer service must match with marketing efforts, otherwise a customer would remain dissatisfied and all marketing efforts will go down the drain. The process of fulfilling customer needs, therefore, requires tailoring bank services to what customers want, rather than making them accept whatever banks can conveniently provide. Today, customers are exposed to the standards of **international banking** and expect the same range of service quality from Indian banks.
- Banks must pay attention to potential failure points and service recovery procedures, which become integral to employees' training. In other words, it amounts to **empowering employees** to exercise responsibility, judgment and creativity in responding to customers' problems.
- Banks should continually assess and reassess how customers perceive bank services so as to know whether the bank meets or exceeds or is below the **expectations of their customers**. Such an appraisal, however, is a tedious task because customer service is complex in nature and dynamic in action. Moreover, it can vary greatly from one branch to another. Also, what is 'good service' today may become '**indifferent service**' tomorrow and 'bad service' the next day. Frequent customer surveys, therefore, throw light on ratification and refinement which will go a long way to improve the service quality in banks.
- Banks need to constantly look for **innovative services** which offer the convenience of transacting from anywhere and at anytime by using suitable delivery channels for them. Information technology is the frontier which adds value to the services of which increases the customer base-a strong foundation to the super structure.
- The major challenges stirring the banker in India relate to the need to introduce innovative, **customer-friendly products** and services for which newer technologies are need to be brought in multiple areas to reduce the overall transaction cost for the benefits of the customers.

XIII.CONCLUSION

In nowadays competitive world banks are forced to offer more diversified and more quality services than past years to increase their profitability, because of competition. The banking sector in India is undergoing major changes due to competition and the advent of technology. The customer is looking for better quality services which enhance his/her satisfaction.⁷ Finally it can be concluded that the result and the analysis show that the banks create a good impression and thus satisfy their customers by the service quality they provide. The impact of service quality over the customer satisfaction is found through the analysis. From the data collected it was found that the positive service quality can increase a satisfactory customer group which effects the overall satisfaction of the organization.

The customers of the banks are satisfied with service they provide. This study shows that the service quality can affect the overall customer satisfaction. So the service quality can differentiate a bank from the other bank. Service quality can influence the customer satisfaction and that can increase customer loyalty. From the overall findings it was found that the better service attracts the customer, and can increase the customers if the services satisfy the expectations and increases the customers as well and make them loyal customers to their banks.

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