



Study of relationship between customer's satisfaction and service quality of private banks

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Abstract: The success of business offering services depends mainly on the satisfaction of their customers. More satisfied and happier the customers mean more the business. Their echoing of satisfaction also brings new customers thus help in multiplying business and grabbing market shares. Satisfied customers come back again to avail services and can be easily converted into loyal customers. The increased awareness of customers, availability of numerous alternatives, new technologies and information technologies are compelling the companies to satisfy their customers. The present study focuses on various dimensions of the services provided by private sector banks which make the customers feel satisfied. Thus the relationship between the customer satisfaction and different dimensions of service like Tangibility, Assurance, Responsiveness, Reliability and Empathy has been examined through Pearson coefficient to achieve the objective of the study. The result indicates that though all the dimensions are correlated with customer satisfaction, Responsiveness is most highly correlated followed by Empathy and Tangibility is least correlated with the customer satisfaction.

Keywords: Banks, Customer, Quality, Private, Satisfaction, Service.

INTRODUCTION:

Customer Satisfaction is a major challenge for the businesses offering services due to its very nature of intangibility. The success of a business depends on how its customers perceive it. The more satisfied the customers, the more the loyalty and more is the business. Satisfied customers are the ambassador of the business. Their satisfaction echoed outside improving image and expanding business. Service organizations are giving more attention toward their customers perception of service quality because it helps them to develop strategies that may lead to customer satisfaction Saravanan & Rao (2007).

It has been found out by researchers that the organizations enjoy high level of retention and great profitability due to increase customer loyalty if they are able to satisfy their customers consistently (Wicks & Roethlein²

Customer satisfaction has been emphasized as the only way to business success (Fonvielle (1997)). It is the overall evaluation to services and is reflected in customers' previous purchase. If it exceeds

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their expectation every time, their loyalty increases and thus customer satisfaction should be highly valued in business (Ostrom & Iacobuci, 1995; Hou & Yao, 1995; Mc Alexander et al., 2003).

And therefore it has been emphasized by researchers to keep consumers satisfied. SERVQUAL model suggest to know customers' expectations and perceptions of services offered by service providers and it represents service quality as the discrepancy between a customer's expectations for a service offering and the customer's perceptions of the service received, requiring respondents to answer questions about both their expectations and their perceptions Parasuraman et al., (1988). The use of perceived as opposed to actual service received makes the SERVQUAL measure an attitude measure that is related to, but not the same as, satisfaction (Parasuraman et. al., 1988).

Banks are one of the most important components of any country. It plays a very significant role in the economy of a country. It is central to a nation's economy as it caters to the needs of credit for all the sections of the society. India is not only the world's largest independent democracy, but also an emerging economic giant. Without a sound and effective banking system, no country can have a healthy economy.

The main objective of the study is to measure the correlation between satisfaction of private sector bank customers of Indore with various dimension of service quality based on SERVQUAL model.

LITERATURE REVIEW

Satisfaction of customer has become a challenge for product manufacturers as well as for the service providing business. Fierce competition in the market, increased awareness of customers and new technologies and information technologies are compelling companies to opt every measures to satisfy their customers.

Numerous studies have been carried out to understand the satisfaction of bank customers and their intention (Kazemi and Mohajer, 2010; Samadi and eskandari, 2011; Grigoroudis et al., 2012). The outcome of many studies suggested that good service quality help retaining the existing customers, acquiring newer ones, reducing costs, improving profitability, enhancing corporate image and generating positive word to mouth canvassing (Berry et al, 1989; Reichheld & Sasser, 1990; Rust & Zahorik 1993; Cronin et al., 2000; Kang & James, 2004; Yoon & Suh, 2004).

Abu Muammar's (2005) Study entitled "banking service quality measurement in banks operating in the Gaza Strip, Palestine", aimed to test the relationship between service quality and customer satisfaction, the study found the need to understand customer expectations in order to provide the best banking service, and achieve satisfaction. And customer loyalty depends primarily on the assessment of the quality of bank service. The study recommended the need to increase confidence between customer and bank and take more interest in speed and accuracy and in the provision of banking services.

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Albro's study in context of Washington, US, reveals that human interaction like issues like 'correcting errors promptly', 'courteous employees' and 'professional behaviour' are the key attributes that results in satisfaction of bank customers.

Johnston(1995) revealed that some determinants like attentiveness, responsiveness, care and friendliness are the source of satisfaction while other attributes like integrity, reliability, responsiveness availability and functionality are source of dissatisfaction.

Siddiqi (2010) studied the applicability of service quality of retail banking industry in Bangladesh and reported that service quality is positively correlated with customer satisfaction. Empathy was found to be highest positively correlated with customer satisfaction followed by Assurance and Tangibility.

Contrary to this Zaim, Bayyurt and Zaim (2010) found tangibility, reliability and empathy more important for customer satisfaction.

RESEARCH DESIGN

In this study descriptive cross sectional design has been used to carry out the research.

Population

The population for study is the people of Indore who are having bank account in any of the public sector banks.

Data Collection Instruments - Questionnaire

Research is based on primary information collected through self administered questionnaire which was distributed to the customers and collected after its completions.

5 dimensions -Tangibles, Reliability, Responsiveness, Assurance, and Empathy have been divided into 22 statements to measure service quality in the private sector banks.

Scale for measurement: The five point likert scale (5-Strongly agree, 4 -Agree, 3-Neutral, 2-Disagree and 1- Strongly Disagree) has been used to measure the satisfaction of the customers and their correlation with various dimensions of service.

Statistical Tools: For testing the hypothesis of Correlation between customer satisfaction and dimensions of service quality, chi square test has been done using statistical software SPSS 17.



HYPOTHESIS

Hypothesis 1:

H_o: Tangibility has no significant relationship with customer satisfaction of private sector banks.

H_a: Tangibility has significant relationship with customer satisfaction of private sector banks.

Hypothesis 2:

H_o: Reliability has no significant relationship with customer satisfaction of private sector banks.

H_a: Reliability has significant relationship with customer satisfaction of private sector banks.

Hypothesis 3:

H_o: Responsiveness has no significant relationship with customer satisfaction of private sector banks.

H_a: responsiveness has significant relationship with customer satisfaction of private sector banks.

Hypothesis 4:

H_o: Assurance has no significant relationship with customer satisfaction of private sector banks.

H_a: Assurance has significant relationship with customer satisfaction of private sector banks.

Hypothesis 5:

H_o: Empathy has no significant relationship with customer satisfaction of private sector banks.

H_a: Empathy has significant relationship with customer satisfaction of private sector banks.

DATA ANALYSIS

DEMOGRAPHIC PROFILE OF THE CUSTOMERS

The bank customers who were surveyed for the studies are the respondents for the study. Their profile are as follows:

Table No 1 shows that out of 80 respondent 19 (23.8%) were female and 61 (76.3%) are male. On examining the marital status it has been found that 50 respondents are married while 30 are unmarried. Thus 62.5 percent respondents are married and only 37.5 percent are unmarried. The respondent's age have been grouped in four groups- 21-30, 31-40, 41-50 and above 50 and the result shows that 20 respondents out of 80 belongs to 21-30 age group with the percentage of 25 %.41 respondents with 51.3 percentage are of 41-5- age group . 13 people belong to 31-40 and 6 people were above 50 years with the percentage of 16.3 and 7.5 percent respectively Respondents, who were classified in postgraduate, graduate, below post graduate and above postgraduate. 41

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respondents are only graduate whose percentage is 51.25. followed by post graduate whose number is 25 and percentage is 31.25. Below and above graduate respondents are equal number and that is 7 with percentage of 8.75. Occupation wise respondents were categorized into students, service class and business class and their percentage are 15, 77.5 and 7.5 respectively. The result is also been depicted in fig no 1.

Table No 1

Demography of respondents

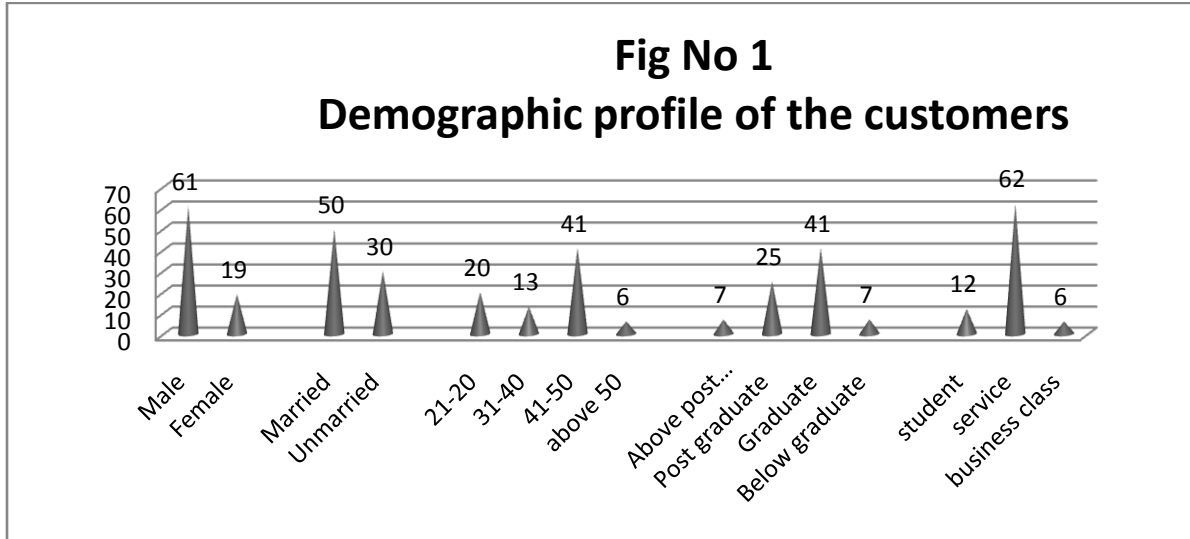
| Parameters | Frequencies | Percentages |
|-----------------------|--------------------|--------------------|
| Gender | | |
| Male | 61 | 76.3 |
| Female | 19 | 23.8 |
| Marital Status | | |
| Married | 50 | 62.5 |
| Unmarried | 30 | 37.5 |
| Age | | |
| 21-30Years | 20 | 25 |
| 31-40 Years | 13 | 16.25 |
| 41-50 Years | 41 | 51.25 |
| Above 50 Years | 6 | 7.5 |
| Qualification | | |
| Above Post Graduate | 7 | 8.75 |
| Post Graduate | 25 | 31.25 |
| Graduate | 41 | 51.25 |
| Below Graduate | 7 | 8.75 |
| Occupation | | |
| Student | 12 | 15 |
| Service | 62 | 77.5 |
| Business | 6 | 7.5 |

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Correlation of Customer Satisfaction with various Dimensions of Service Quality of Public Sector Bank:

Table No 2 represents the correlation of service quality dimensions with customer's satisfaction. On examining the Table it has been found that all the dimensions of service are significantly related with the customer satisfaction.

Table No 2
Correlation of Customer Satisfaction with various Dimensions of Service Quality of Private Sector Bank

| S. No | Dimensions of Service Quality | Pearson Coefficient r | Significance |
|-------|-------------------------------|-----------------------|---------------------|
| 1 | Tangibility | 0.584 | Significant at 0.01 |
| 2 | Reliability | 0.789 | Significant at 0.01 |
| 3 | Responsiveness | 0.885 | Significant at 0.01 |
| 4 | Assurance | 0.810 | Significant at 0.01 |
| 5 | Empathy | 0.847 | Significant at 0.01 |

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The Responsiveness is the willingness or readiness of employees to provide service and its Pearson Coefficient 0.855 which shows a very strong positive relationship with customer satisfaction, As the relationship is significant at 0.01 level, the null Hypothesis of the Hypothesis 3 is rejected and alternate hypothesis is accepted.

Empathy is also positively correlated with customer satisfaction as the r value-Pearson Coefficient is 0.847 which is significant at 0.01 level leading to rejection of null Hypothesis of Hypothesis 5.

Assurance is concerned with the knowledge and courtesy of staff; their ability to inspire trust and confidence and private banks are able to assure its customers as this dimension of service is positively correlated with customer satisfaction and its correlation coefficient is found to be 0.810. It is again significant at 0.01 levels and thus Null Hypothesis of Hypothesis 4 is rejected stating Assurance has no relationship with customer satisfaction.

Similarly correlation coefficient for reliability and tangibility are 0.789 and 0.584 respectively which indicates strong positive correlation of these dimension with customer satisfaction. Thus the Null hypothesis of Hypothesis 2 and 3 are also rejected leading to acceptance of alternate Hypothesis.

Responsiveness is the dimension which is most highly correlated as its value is 0.907, followed by Assurance.

FINDINGS AND DISCUSSION

The correlation study of customer overall satisfaction with different dimensions of service qualities of private bank reveals that all the dimension of service are significantly related with the customer satisfaction and Reliability is the dimension which is most highly correlated as its followed by Assurance.

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