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Customer Satisfaction in Public Sector Banks: A Study in Silchar Town of Assam

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Abstract

The emergence of competition in the Indian banking industry following banking sector reforms in the early 1990s has created tremendous pressure for the public sector banks in India to survive and retain their market share. Indian public sector banks enjoyed semi protected environment for few decades since nationalization but liberalization of the banking sector has suddenly put them in a fiercely competitive environment for which they were practically not prepared. In order to cope up with the emerging competitive environment, public sector banks are expected to put increased emphasis on service quality and customer satisfaction. Infact, the success of a public sector bank is contingent upon customer-centered philosophies because competition has been gaining momentum after the entry of new private sector banks including the foreign banks. Service quality has been perceived as a crucial determinant for judging the degree of customer satisfaction in the banking industry. Although the degree of competition in the banking sector is relatively more in metropolitan cities, of late small cities and towns are also feeling the wave of competition. Apart from opening up of additional branches of public sector banks, private sector banks have also started their journey by inaugurating new branches even in small towns of the country.

The present paper makes an attempt to measure the degree of customer satisfaction in public sector banks operating in Silchar town of Assam. In order to assess the level of customer satisfaction, different dimensions of service quality have been identified and the perception of bank customers on the select dimensions of service quality has been analyzed. The study concludes that the customers of public sector banks operating in Silchar town of Assam are by and large satisfied on the service quality dimensions considered in the study.

Key Words : *Perception, Satisfaction, Competition, Dimension, Service*

Introduction :

The onset of competition from the private sector banks and initiation of banking reforms in the early 1990s have generated tremendous pressure for the public sector banks in India and in order to survive and retain their market share in the emerging competitive environment public sector banks are expected to put increased emphasis on service quality and customer satisfaction. Infact, service quality has become an important means of differentiation and a path to bring customer satisfaction. Such differentiation based on service quality can be a key source of competitiveness for the public sector banks in India. Although the degree of competition in the banking sector is relatively intensified in metropolitan cities and other big cities, public sector banks in small cities and towns are also experiencing the transformation from semi-protected regime to fiercely competitive environment. Perceptions of today's customers are continually evolving, which is calling for providing quality services to the customers. Thus, offering quality services results in repeat purchase, loyalty, positive word-of-mouth and increased long term profitability.

Service Quality :

Service quality is conceptualized as an ancestor for the survival and growth of a bank in the age of cut-throat competition. It is a mechanism for a bank's struggle to separate itself from its competitors. Service quality is the discrepancy between what the customer feels a bank should offer and his/her perceptions of what the banks actually offer (Parasuraman, Berry and Zeithaml, 1988). In other words, it is the difference between customers' expectations for the service encounter and the perceptions of the service received (Munusamy, Chelliah and Mun, 2010) .Gronroos (1984) has defined service quality as "the outcome of an evaluation process, where the customers compare their expectations with the service they have received." Parasuraman et.al (1988) supporting the view of Gronroos have defined service quality as "a form of attitude, related but not equivalent to satisfaction, that results from a comparison of expectations with perceptions of performance." Thus, service quality is the overall assessment of a service delivered to the customers. To put it in simple words, it is all about meeting customers' requirements and how well the services offered matches customers' expectations. Service quality has been perceived as a crucial determinant for evaluating the degree of customer satisfaction in the banking industry.

Customer Satisfaction

Customer satisfaction is defined as a customer's overall evaluation of the performance of offerings (Munusamy et. al, 2010). It is the feeling that customers have about a bank when their expectations have been met or exceeded over the lifetime of the product or service (Javed, 2005). Customer satisfaction is perceived as a consumer's opinion integrating cognitive and affective evaluations after his/her consumption experience. It is a term which measures the services provided by a bank to meet its customers' expectations. It is the transaction specific effective response to the evaluation of discrepancy between the prior expectations and actual experience relating to banking services (Paul and Barman, 2010). Measuring customer satisfaction offers an immediate, meaningful and objective feedback about a client's preferences and expectations.

The success of a bank is contingent upon customer-centred philosophies and service quality has become a crucial yardstick for assessing the level of satisfaction of bank customers. Thus, customer satisfaction and service quality are inter-related. The higher the service quality, the higher is the degree of customer satisfaction.

Brief Review of Literature

The review of related literature forms the basis for identifying the service quality dimensions regarding customer satisfaction and demographic factors to be selected for the study. Dinh and Pickler (2012) observed that the dimensions of service quality have been positively correlated with customer satisfaction. Sivesan (2012) also found that there exist a positive correlation between service quality dimensions and customer satisfaction. Santhiyavalli (2011) concluded that among the dimensions of service quality, Reliability, Responsiveness, Empathy and Tangibility are the major factors responsible for customer satisfaction. Khalid, Mahmood, Abbas and Hussain (2011) and Kumar and Manjunath (2012) found that there exist a positive relationship between service quality dimensions and customer satisfaction. Iranzadeh and Chakherlouy (2012) opined that the dimensions of service quality, such as, Sympathy, Reliability, Tangibility, Trustworthiness and Accountability showed a significant impact on customer satisfaction. Similarly, Munusamy, Chelliah and Mun (2010) revealed that among the dimensions of service quality, Tangibility showed a significant impact on customer satisfaction. Miguel-Dvila, Cabeza-Garca, Valdunciel & Florez (2010) concluded that service quality dimensions have deeper impact on customer satisfaction. Ghost and Gnanadhas (2011) viewed that among the dimensions of service quality, Assurance has the highest and Tangibility has the lowest impact on customer satisfaction. Mohammad and Alhamadani (2011) using regression analysis found that service quality is an important antecedent of customer satisfaction. Rajaram and Ganesh (2011) and Ravi and Basavaraj (2013) found that customers' age and sex are positively associated with overall service quality.

Thus, service quality dimensions and demographic background of the customers play an influencing role regarding satisfaction of bank customers. In the present study, Responsiveness, Empathy, Tangibility, Assurance and Reliability have been considered for analyzing the responses of customers of public sector banks. Apart from service quality dimensions, two demographic factors, namely, gender and age are also selected for the present study.

Objectives of the Study

(1) To study the degree of satisfaction of customers of public sector banks operating in Silchar town of Assam.

(2) To examine the relationship between select dimensions of service quality and overall satisfaction of customers of public sector banks operating in Silchar town of Assam.

(3) To compare the gender wise and age wise level of satisfaction of customers of public sector banks operating in Silchar town of Assam on select service quality dimensions.

Hypotheses

(1) There is no correlation between select service quality dimensions and overall satisfaction of customer of public sector banks operating in Silchar town of Assam.
(2) The satisfaction of bank customers on select service quality dimensions does not vary across the gender.
(3) The satisfaction of bank customers on select service quality dimensions does not differ across the age groups.

Data and Methodology

The present study is based on primary data. The population of the study includes customers of public sector banks operating in Silchar town of Assam. A structured questionnaire has been prepared covering five dimensions of service quality, namely, Responsiveness, Empathy, Tangibility, Assurance and Reliability. The data collected with the help of questionnaire from 60 respondents is not simply accepted because it contained unnecessary information and under emphasized facts. Thus, responses from 53 customers have been considered for the purpose of analysis. Therefore, the effective sample size for the present study is 53 customers of public sector banks operating in Silchar town of Assam. A five point scale ranging from Strongly Disagree (1) to Strongly Agree (5) has been used to record the perception of customers. For the purpose of analyzing the responses of bank customers, mean, standard deviation, correlation coefficient, Levene's F-test and t-test have been used.

Scope and Limitations of the Study

- The scope of the present study is confined to the customers of public sector banks operating in Silchar town of Assam.
- The sampling method adopted for collecting the data may not completely eliminate the possibility of sampling errors.
- Each study area has its own demographic, geographic, situational and cultural specificities. So, the findings of the study need to be interpreted with great caution while making any kind of generalization.

Data Analysis and Interpretation

Table 1 shows the profile of the respondents. Out of 53 respondents, 73.60 % are male and 26.40% are female. Among the respondents, 35 are below the age of 40 years and remaining 18 are above 40 years. As far as marital status of the respondents is concerned, 54.70% are single and 45.30% are married. Out of the total respondents, 9.40% are matriculate, 26.40% are HS passed, 47.20% are graduates and remaining 17% are post graduates.

Table 1
Profile of the Respondents

Gender	Number of Respondents	Percentage of Respondents
Male	39	73.60
Female	14	26.40
Age	**Number of Respondents**	**Percentage of Respondents**
Below 40 years	35	66.04
Above 40 years	18	33.96
Marital Status	**Number of Respondents**	**Percentage of Respondents**
Single	29	54.70
Married	24	45.30
Education	**Number of Respondents**	**Percentage of Respondents**
HSLC	5	9.40
HS	14	26.40
Graduate	25	47.20
Post Graduate	9	17.00

Source: Field Survey

Table 2
Satisfaction of Customers on Various Dimensions of Service Quality

Service Quality Dimensions	Mean	Std. Deviation
Responsiveness	3.72	.5825
Empathy	3.12	.7397
Tangibility	3.43	.7165
Assurance	3.74	.5402
Reliability	3.85	.5556

Source : Field Survey

Table 2 shows the level of satisfaction associated with the five select dimensions of service quality. The values of means with respect to select dimensions indicate that customers of public sector banks in Silchar town have been satisfied with these dimensions. The Reliability dimension has the highest mean score (3.85) which indicates that the customers have highest degree of satisfaction with Reliability. The mean score of 3.74 associated with Assurance and 3.72 with respect to Responsiveness imply that customers have relatively high degree of satisfaction with these dimensions. Table 2 further reveals that bank customers have comparatively low level of satisfaction on remaining two dimensions, namely, Tangibility (3.43) and Empathy (3.12). The values of standard deviation associated with select dimensions disclose that there is least variation in the perception of customers with Assurance dimension. However, highest variation is observed in the responses of customers regarding Empathy dimension.

Table 3
Correlation between Service Quality Dimensions and Overall Customer Satisfaction

Service Quality Dimensions	Correlation Coefficient	Sig. (2 - tailed)
Responsiveness	0.691	0.000
Empathy	0.497	0.000
Tangibility	0.620	0.000
Assurance	0.721	0.000
Reliability	0.735	0.000

Source: Field Survey

Table 3 shows the degree of relationship between overall customer satisfaction and select service quality dimensions capable of influencing customer satisfaction. It is revealed from table 3 that all the dimensions are positively correlated with overall customer satisfaction at 1% level of significance. The relatively high degree of correlation has been found between overall customer satisfaction and Reliability (0.735) as well as Assurance (0.721). But moderate degree of correlation has been found between overall customer satisfaction and Responsiveness (0.691) as well as Tangibility (0.620). However, comparatively low degree of correlation has been observed between Empathy (0.497) and overall customer satisfaction.

Table 4
Gender Wise Satisfaction of Customers on Select Service Quality Dimensions

Service Quality Dimensions	Male (39)		Female (14)		t value	p value
	Mean	SD	Mean	SD		
Responsiveness	3.67	.6165	3.86	.4662	-1.051	.298
Empathy	3.15	.7535	3.04	.7196	.509	.613
Tangibility	3.44	.6900	3.39	.8128	.191	.849
Assurance	3.71	.5437	3.82	.5409	-.687	.495
Reliability	3.81	.5720	3.98	.5044	-1.008	.318

Source: Field Survey

Table 4 shows gender wise satisfaction of bank customers on five select dimensions of service quality. Out of the five dimensions, both male and female customers registered lowest degree of satisfaction with respect to Empathy. There is high variation in the responses of customers of both genders with respect to Empathy dimension.

The mean values indicate that out of the five dimensions, male customers recorded highest degree of satisfaction with respect to Reliability and less variation in the responses is also observed on this aspect as is evident from the value of standard deviation. On the other hand, the female customers also recorded highest degree of satisfaction with respect to Reliability dimension and by and large less variation is observed in the responses of female customers on this aspect as is evident from the value of standard deviation.

In order to test the significance of differences in the perception of male and female customers regarding the quality of services offered by the public sector banks operating in Silchar town of Assam, independent samples t -test is used. The result of Levene's F-test for equality of variances is not statistically significant at 95% confidence level for all the dimensions. Hence, assuming equal variances t values have been calculated for five dimensions capable of influencing satisfaction of customers of public sector banks across the gender. The corresponding p values obtained are greater than 0.05 for all the dimensions. This implies there is no significant difference in the perception of bank customers across the gender about all five dimensions affecting the satisfaction of customers of public sector banks operating in Silchar town of Assam.

Table 5
Age Wise Satisfaction of Customers on Select Service Quality Dimensions

Service Quality Dimensions	Below Forty Years (35)		Above Forty years (18)		t value	p value
	Mean	SD	Mean	SD		
Responsiveness	3.74	.5488	3.67	.6568	.447	.656
Empathy	3.19	.7080	3.00	.8044	.863	.392
Tangibility	3.44	.7202	3.39	.7287	.257	.798
Assurance	3.78	.5995	3.65	.4035	.800	.427
Reliability	3.92	.5995	3.72	.4447	1.243	.220

Source: Field Survey

Table 5 portrays age wise satisfaction of customers with five select dimensions of service quality namely, Responsiveness, Empathy, Tangibility, Assurance and Reliability. Out of the five dimensions, customers of both the age groups i.e. below forty (40) years and above forty (40) years have recorded lowest degree of satisfaction with respect to Empathy and relatively high variation in the responses is also observed on this aspect as is evident from the values of standard deviation.

On the other hand, the mean values indicate that out of the five dimensions, customers of both the age groups have recorded highest degree of satisfaction with respect to Reliability and by and large less variation is observed on this aspect as is evident from the value of standard deviation.

In order to test the significance of differences in the perception of customers of two age groups regarding the quality of services offered by the public sector banks operating in Silchar town of Assam, independent samples t -test is used. The result of Levene's F-test for equality of variances is not statistically significant at 95% confidence level for all the dimensions. Hence, assuming equal variances the t values have been calculated for select dimensions capable of influencing satisfaction of customers of public sector banks across the age groups. The corresponding p values obtained are greater than 0.05 for all the dimensions. This implies there is no significant difference in the perception of bank customers across the age groups about all the five dimensions of service quality selected capable of affecting the satisfaction of customers of public sector banks operating in Silchar town of Assam.

Summary of Major Findings

1. The mean score on select dimensions of service quality indicate that customers are by and large satisfied. Highest degree of satisfaction of bank customers has been

found on Reliability followed by Assurance, Responsiveness, Tangibility and Empathy dimensions of service quality. Further, least variation is observed regarding Assurance and relatively more variation is observed regarding Empathy.

2. All the select dimensions are positively correlated with overall customer satisfaction at 1% level of significance. A very high degree of correlation exists between overall customer satisfaction and Reliability as well as Assurance dimensions. But comparatively low degree of correlation has been observed between Empathy and overall customer satisfaction. However, the correlation between overall customer satisfaction and two service quality dimensions, namely, Responsiveness and Tangibility has been found to be moderate.
3. There is no significant difference in the level of satisfaction of bank customers across the gender about all the five dimensions of service quality. However, out of the five dimensions of service quality selected for the study both genders registered highest degree of contentment with respect to Reliability and lowest degree of satisfaction with respect to Empathy.
4. There is no significant difference in the level of satisfaction of bank customers across the age groups about all five select dimensions of service quality. However, among all the five dimensions of service quality selected for the study both the age groups registered highest degree of contentment with respect to Reliability and lowest degree of satisfaction with respect to Empathy.

Conclusion

Satisfaction is the sum total of customers' expressions of service quality and depends upon their perceptions to a large extent. Customer satisfaction with respect to service quality is a positive feature for the banking industry, providing matchless competitive edge. Customers of public sector banks operating in Silchar town of Assam are by and large satisfied with all the five service quality dimensions considered in the study. However, there is a scope for the bank management to formulate necessary plans and adopt suitable strategies for improving the services related to the components of Empathy and Tangibility so that the status of satisfaction of customers of public sector banks operating in Silchar town of Assam is promoted and delight of the customers can be ensured.

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