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Customer Satisfaction: A Comparative Analysis of Public and Private Sector Banks in India

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ABSTRACT

Indian banking has undergone tremendous changes over time and the entry of private sector banks has transformed Indian banking both structurally and functionally. In this competitive environment, presence of an effective banking system is essential for the economic activities and industrial progress of a country. Looking at the prevailing competitive environment among banks, it was thought to be imperative to study and compare the performance of public and private sector banks. Nowadays banks have realized that cost of attracting a new customer is much more than retaining existing customers, so banks are emphasizing more upon customer satisfaction. These days customers demand for top quality services and products served with minimum wait time, so customers prefer techno- savvy banks as well bankers. At this backdrop, the main problem today before the commercial banks, more particularly the public sector banks in India which were earlier operating in a sheltered regime after nationalization, is their long-run survival, tapping quality customers and forging way ahead by retaining their valued customers. The current research paper attempts to make a comparative analysis of level of customer satisfaction towards services provided by public and private sector banks. The study has been conducted in Chandigarh city. This study is based on questionnaire method. A sample of 160 customers has been selected using convenient sampling method. The statistical tests are conducted at 5% and 1% level of significant the main statistical tools are used. This study concluded that private sector banks are more preferred by majority of the customer as they emphasize more upon relationship building with their clients and are better equipped with modern infrastructure as compared to public sector banks.

1.Introduction

The business of banking is as old as the civilization itself. As early as 2,000 B.C., the Babylonians used their temples for lending at higher rates of interest against gold and silver which had been left with them for safe custody. In ancient times, the main functions of the banks related to granting of loans to individuals or the state in times of crisis. Banking institutions during pre-independence period primarily consisted of Indigenous banks, sahukars, nidhis, loan offices etc. In 1850, the passing of joint stock company act greatly helped in establishment of many commercial banks. Later on in 1921, the Imperial

Bank of India and in 1935 RBI was also established. Banking business has since evolved many folds to recent techno savvy form.

Banks these days provide a variety of services ranging from opening a savings account to internet banking, granting loans to selling insurance, providing locker facilities to transferring money abroad. Their customers come from all classes of society from a salaried group to a Multi National Corporation having its business activities all around the world. The banks have to satisfy all the customers belonging to different social groups. The banking has therefore become more complex and requires specialized skills.

People working in banks act as a bridge between the bank and the customer. They are the people who face customers directly and are the first ones to know what customer actually needs. As a service provider their role becomes very important in shaping bank's perception in customer's mind. As services can make or break a customer, much emphasis is laid upon service delivery by most of the banks. The link between service quality and customer satisfaction has been subjected to intense scrutiny by a few service quality researchers (Bolton and Drew, 1994; Bitner and Hubbert, 1994). As survival of the fittest has become the order of today, every bank is trying woe the best customer who is common for all. Retaining the existing customers and attracting new ones has become all the more difficult especially for public sector banks (Bhatt, 1990).

At this backdrop, a study on bank's perception in the mind of customers and comparative analysis of services of private and public sector bank sounds interesting. Such analysis will provide the banks with a quantitative and qualitative estimate of their services as perceived by their customers.

2. Review of literature

1. Huu Phuong Ta and Kar Yin Har (2000) studied bank selection preferences of undergraduates in Singapore. In the study, nine criteria for selecting bank and five banks were identified, and the decision problem was structured into a three-level hierarchy using the Analytic Hierarchy Process. The findings indicated that undergraduates emphasize more on the pricing and product dimensions of bank service.
2. Lewis and Birmingham (1991) studied the needs, attitudes and behavior of youth market for financial services and found that the youth market is not homogenous in terms of needs and behavior.
3. As per Meidan (1976) about 90% of the respondents banked at the branch nearest to their home place and place of work. Convenience, in terms of location, was found to be the single most important factor for selecting a bank.
4. Aurora and Malhotra (1997) studied the level of customer satisfaction and some marketing strategies in both private and public sector banks in India. They have found six factors of customer satisfaction in public sector banks, viz.,routine operations, price, situational, environmental, technology, and interactive. But in private sector banks, they found seven factors in total, having staff factor as the first ranked and situational factor as the lowest ranked items. Instead of price factor, promotional factor has been explored by researchers in private sector banks. As compared to public sector, private sector bank customers' level of satisfaction is comparatively more. Proper training and development of bank staff, regular market survey,

personalizing the service, efforts to avoid long queues in bank, and attractive environment are key suggested strategies in public sector bank.

3. Objectives of the Study

1. To identify the banking sector that is largely availed by the customers.

2. To examine the expectations and the level of satisfaction of the customers towards the services rendered by public and private sector banks.

3. To study the preferences and priorities towards types of services provide by the public and private sector banks.

4. Research Hypothesis :

Ha0: All the selected attributes effect customer satisfaction equally.
Ha1: All the selected attributes effect customer satisfaction differently.
Hb0: There is no difference in satisfaction level of customers in public and private banks.
Hb1: There is significant difference in the satisfaction level of customers in public and private sector banks.
Hc0: The selected attributes of customer satisfaction are uncorrelated.
Hc1: Few of the selected attributes of customer satisfaction are correlated.

5. Methodology and Research Design

The methodology and design adopted for the study is as follows:

5.1 Area of Study : The study has been conducted in Chandigarh city having a population of more than ten lacs. Chandigarh is known as one of the best experiments in urban planning and modern architecture in the twentieth century in India.

5.2 Period of the Study: The present research study is related to **"Customer Satisfaction: A Comparative study of Public and Private Sector Banks in India"**. The survey lasted for about six months.

5.3 Data Collection: This study is based on questionnaire methods. Primary data were collected from men and women respondents living in Chandigarh city. People from all walks of life were contacted. The total number of respondents was 160.The researchers have covered customers from six banks, three each from public sector and private sector. Under Public sector banks State Bank of India, Punjab National Bank and Oriental Bank of Commerce were selected and ICICI, HDFC and Axis Bank were selected among Private Sector Banks.

5.4 Sampling: A sample of 200 customers has been selected using convenient sampling method. The data has been interpreted satisfactorily whenever and wherever needed.

6. Analysis and Findings

6.1 Reliability Analysis : In this study reliability was examined on all items. As a test of reliability Cronbach's Alpha was adopted to represent internal consistency. Table 1, shows the reliability test with all values greater than threshold of 0.60 (Walsh, 1995). Hence it can be conclude that the items reliably measure the defined constructs.

6.2 Comparison between Public and Private Sector Banks Showing the Effect of Banking Services on Customer Satisfaction : As the descriptive statistics in table 2 shows a significant difference between public and private banks in all the variables, it was decided to examine whether the differences are significant or not. For this purpose independent sample t-test was performed. This test is used when there are two experimental conditions and different subjects were assigned to each condition. Table 2 shows there is significant relationship between all the variables and the ownership of bank. Table 2 shows that private sector banks are providing better services to customer in terms of services provided by teller as well relationship with managers. It also shows that private sector banks are providing better infrastructure facilities as compared to public sector banks. Table 2 shows that customers are more satisfied with private sector banks as compared to public sector banks when it comes to mutual fund services and telephone enquiries. Hence it can be inferred that customer satisfaction is higher in private banks than in public banks. Table 2 also infers that customer satisfaction is largely dependent upon their relationship with senior staff and managers of the bank.

6.3 Correlation among Attributes Selected for Measuring Customer Satisfaction: Table 3 shows correlation of attributes viz. services offered by teller, relationship with manager, branch facilities, statement facility, loan services mutual fund services and enquiry on telephone for measuring customer satisfaction. Table 3 shows that all the attributes are correlated.

6.4 Regression: Table 4 shows multiple correlations between branch facilities and services by teller (0.688), relation with manager (0.789), mutual fund services (0.582) and telephone enquiry (0.538). This table shows that branch facility is positively correlated with teller services, relationship with manager, mutual fund services, and telephone enquiry thus contributing to customer satisfaction.

7. Discussion and Conclusion :

The duration of time that a customer spends with his relationship officer or manager is very important. As per the current data 68% of the customers have been with their respective relationship officer/manager for more than 2 years. This research further strengthens the findings of Tyler and Stanley, 2001 which says that customers give more importance to their personal relationship with relationship officer/manager rather than the bank they represented. Thus relationship marketing should be emphasized upon and special training should be provided to all the corporate staff members in the bank, making them aware about the actual meaning and use of this concept. Table 2 shows the t-test conducted for the sample. As per table all the values except statement facility and loan services are significant. According to Hypothesis Hb0 all the selected attributes effect customer satisfaction equally while the findings of current research shows that the relationship of customers with manager/customer relationship officer (mean = 27.56) effects customer satisfaction the most. Thus hypothesis Ha0 does not hold good for this factors and alternative hypothesis Ha1 is accepted.

Further, this research shows that private banks managers are ahead of public banks in making relationship with their customer thus winning their satisfaction. This can be attributed to the fact that today larger client base in India is banking with Private sector banks as compared to Public sector banks. Most of the respondents were of the view that public sector banks are lagging behind in use of modern technology and techno savvy staff. According to Hypothesis Ha0 there is no difference in satisfaction level of customers in public and private banks but the findings of current research shows that private sector banks are providing better services in terms of mutual funds, query resolution through telephone, branch facilities, services by teller and above all customer relations with manager (all the significant t-values taken). Thus hypothesis Hb0 is rejected and alternative hypothesis Hb1 is accepted.

This research shows that if the facilities in the branch viz. infrastructure, ambience, décor, sitting facility, signage, etc. are adequate, it not only leads to customer satisfaction but overall improvement in working of the branch as well whether it is services by teller, managers, loan services or mutual fund services. If all the signage are in place it will direct the customer to right desk without wasting their time which further helps the service officer in attending the customers in time and cater to their needs. Table 3 shows correlation of attributes viz. services offered by teller, relationship with manager, branch facilities, statement facility, loan services mutual fund services and enquiry on telephone for measuring customer satisfaction. According to hypothesis Hc0 all the selected attributes of customer satisfaction are uncorrelated while our findings show that all the attributes except loan services are correlated. Thus hypothesis Hc0 is rejected and alternative hypothesis Hc1 is accepted.

8. Limitations of the Research Study

There is no research study without limitations. There are a few limitations in the present study i.e. “Customer Satisfaction: A Comparative study of Public and Private Sector Banks in India”.

These limitations are discussed as follows:

1. The researcher believes that the result of this study may be limited in terms of generalization because it refers only to a single city and this extinguishes the opportunity of making comparison and generalizing to the other parts of country.

2. The sample of the study consisted of only 200 respondents due to time constraints.

3. The questionnaires were mostly filled by the customers in the presence of bank officials, so it is quite possible that the respondents may avoid giving negative responses fearing retaliation.

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Tables:

Table 1: Results of Reliability Test

Variables	Cronbach Alpha
Services by teller	0.67
Relation with Manager	0.89
Branch Facility	0.80
Statement facility	0.65
Loan Services	0.83
Mutual Services	0.72
Telephone Enquiry	0.67

Table 2: Independent sample t-test showing the effect of banking services on customer satisfaction

Variables	Mean		Standard Deviation		t-value
	Public sector	Private sector	Public sector	Private sector	
Services by Teller	21.14	22.26	2.79	3.47	2.18***
Relation with Manager	26.85	27.56	4.72	5.56	0.947***
Branch Facility	21.10	22.75	4.04	4.76	2.234***
Statement Facility	15.55	16.45	2.88	3.47	-0.755
Loan Services	26.76	25.45	2.27	4.77	-2.232
Mutual Fund Services	22.27	21.87	2.78	4.58	0.723***

Telephone Enquiry	14.22	14.87	2.87	3.02	1.488***

*** Significance at 0.01 levels
** Significance at 0.05 levels

Table 3: Correlation of attributes selected for measuring customer satisfaction

	Services by Teller	Services by Manager	Branch Facility	Statement Facility	Loan Services	Mutual Fund Services	Telephone Enquiry
Services by Teller	1						
Relation with Manager	0.756***	1					
Branch Facility	0.688***	0.797***	1				
Statement Facility	0.368***	0.638***	0.477***	1			
Loan Services	0.188**	0.238***	0.285***	0.147**	1		
Mutual Fund Services	0.487***	0.534***	0.582***	0.275***	0.505***	1	
Telephone Enquiry	0.368***	0.523***	0.540***	0.315***	0.253***	0.365***	1

*** Correlation significant at 0.01 levels
** Correlation significant at 0.05 levels

Table 4: Linear regression of attributes selected for measuring customer satisfaction

Variables	R	R Square	Adjusted R Square	Standardized Coefficient Beta	T	Sign
Services by Teller	0.688	0.478	0.487	0.195	2.676	0.006***
Relation with Manager	0.789	0.638	0.637	0.478	5.147	0.001***
Statement Facility	0.478	0.227	0.220	0.003	0.043	0.967
Loan Services	0.289	0.080	0.078	0.009	0.167	0.872
Mutual Fund Services	0.582	0.339	0.323	0.165	2.813	0.007***

Telephone Enquiry	0.538	0.290	0.278	0.152	2.929	0.003***

*** Correlation significant at 0.01 levels

** Correlation significant at 0.05 levels