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An Empirical Analysis of Service Quality and Customer Satisfaction in Public Sector Banks in Chennai City

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Abstract

In India, service sector has been growing rapidly and its contribution to GDP is increasing year by year. Among the service sector financial service is the life blood of monetary activity. Among the financial service banking sector plays an increasingly important role in the economy of nation. The policy of Liberalization, Privatization and Globalization (LPG) has created greater impact in the Indian banking system. This leads to emergence of private and foreign banks in the country. The private sector banks and foreign banks established in the country are providing the effective service with the use of latest technology. This situation may leads to competition for public sector banks. This study hypothesizes and develops an instrument of service quality dimensions and examines the relationship between perceived service quality dimensions and customer overall satisfaction. The detailed descriptive research has been undertaken by the researcher public sector banking service quality and customer satisfaction: A study with special reference to Chennai city. The sample size for the study is six hundred this categorized into three public sector banks namely State Bank of India, Indian Bank and Central bank of India two hundred samples each. The results reveal that the service quality dimensions of tangibles, responsiveness, reliability and assurance are positively and significantly influencing the customers overall satisfaction. Thus, this present research concluded that service quality is the basic and also most important factor that influences the overall customer satisfaction.

Key Words: Customer Satisfaction, Public sector banks, Service Quality.

I.INTRODUCTION

In India, service sector has been growing rapidly and its contribution to GDP is increasing year by year. Among the service sector financial service is the life blood of monetary activity. Among the financial service banking sector plays an increasingly important role in the economy of nation. The policy of Liberalization, Privatization and Globalization (LPG) has created greater impact in the Indian banking system. This leads to emergence of private and foreign banks in the country. With the entry of new generation tech-savvy private and foreign bank, the banking sector has become too competitive. To deal with the emerging situations, bankers have to shed a lot of old ideas, change in practices, develop customer loyalty programmes and assume a discrete approach to meet the challenges ahead. In a brutally competitive market, non-price factors like customer service become more important (Kotler, 2003). Hence, it is desirable for public sector banks to develop a customer-centric approach for future survival and growth. The awareness has already dawn that prompt, efficient and speedy customer service alone will tempt the existing customers to continue and induce new customers to try the services offered by a public sector bank. With this background, the present research is attempted to study on public sector banking service quality and customer satisfaction: A study with special reference to Chennai city.

Review of Literatue

Service quality

Huseyin, *et. al.,* (2005) believed that good knowledge of the characteristics and advantages of service quality on the part of banks did contribute for their success and their persistence in the international banking competitive environment. Thus, the quality of banking service was an integrative assessment of the services offered to the external client, for clients were considered to be independent individuals with various requirements on the basis of which services were provided, based on certain specification. Karatepe, *et. al.,* (2005) demonstrated that the customers of retail banks with favourable perceptions of service quality had higher satisfaction. Another study conducted by Al-Hawari and Ward (2006) on banking sector and argued that "…the positive effects exerted by e-service quality on customers' satisfaction while these effects increase the bank's benefits". Although there were empirical studies which demonstrated that customer satisfaction completely mediated the relationship of service quality and loyalty (Ibánez, *et. al.,* 2006; Lanka, *et. al.,* 2009). Hossain and Leo (2009) emphasized that banks had to care about the quality of their services since this quality was considered the essence or core of strategic competition. Bei and Chiao (2006) found the consequence of perceived service quality on loyalty and satisfaction between the Taiwanese bank customers. Such results were also reported for the customers of retail banks in Iran (Mosahab, *et. al.,* 2010). Malik, *et. al.,* (2011) concluded that not all SERVQUAL dimensions had their role in boosting the satisfaction level of the banking clients. It was interesting to note that assurance posted relatively higher contribution in satisfying the clients than did reliability.

Customer satisfaction

Awwad (2006) noted that there was a set of dimensions that influenced customers' satisfaction such as care, credibility, assurance and security. The more credibility customers had in the service and its speed and accuracy, the more satisfied they would get. Mengi (2009) found that responsiveness and assurance were important factor for customer satisfaction whereas, Kumar, *et. al.,* (2010) found that assurance, empathy and tangibles were the important factor and on the other hand Ahmed, *et. al.,* (2010) found out that empathy was negatively related to customer satisfaction. Mohammad and Alhamadani (2011) found that tangibles, reliability, responsiveness, assurance and empathy had significant influence on customer satisfaction and also concluded that the service quality was an important antecedent of customer satisfaction.

Objectives of the Study

1. To study the customer perceptions about service quality in public sector banks in Chennai city.
2. To find out the customer satisfaction against five service quality dimensions in public sector banks in Chennai city.

Research Methodology

The present study's ultimate objectives are to find out the public sector banking service quality and customer satisfaction. The highlight of the study is researcher is used SERVPERF scale instead of SERVQUAL scale for quantify the banking service quality. The study is purely based on empirically nature. The researcher has approached the customers of public sector banks directly and collects data for the research. Sampling unit for the study are customers of the State bank of India, Indian Bank and Central bank of India in Chennai city. The total sample size is 600 out of which 200 samples from each bank. Convenience sample method is adopted for the study. The research instrument of the study is for the structured questionnaire, field work carried out for the study six month from January 2014 to June 2014.

Statement of Hyphothesis

The following hypothesis are established by the researcher for the study

1 There is no quality of services offered by public sector banks to customers in the dimension of service quality.

2. The customers are not satisfied about the services offered by public sector banks in Chennai city.

Results And Discussion

Socio-Economic Characteristics of Customer

Table :1

Gender wise distribution of respondents

Gender	**Banks**			**Total**
	State Bank of India	Indian Bank	Central Bank of India	
Male	132 (32.4%) [66.0%]	161 (39.5%) [80.5%]	115 (28.2%) [57.5%]	408 [68.0%]
Female	68 (35.4%) [34.0%]	39 (20.3%) [19.5%]	85 (44.3%) [42.5%]	192 [32.0%]
Total	**200**	**200**	**200**	**600**

Source: Primary data

Note: ( ) represents row percentage

[ ] represents Colum percentage

The above table shows gender wise distribution of respondents. Out of 600 respondents, 408 (68%) of respondents are male and 192 (32%) of respondents were females.

Table:2

Age wise distribution of respondents

Age	Banks			
	State Bank of India	Indian Bank	Central Bank of India	Total
Upto 25 years	49 (27.2%) [24.5%]	55 (30.6%) [27.5%]	76 (42.2%) [38.0%]	180 [30.0%]

26-35 Years	76 (33.3%) [38.0%]	83 (36.4%) [41.5%]	69 (30.3%) [34.5%]	228 [38.0%]
36-45 Years	51 (42.5%) [25.5%]	37 (30.8%) [18.5%]	32 (26.7%) [16.0%]	120 [20.0%]
Above 46 Years	24 (33.3%) [12.0%]	25 (34.7%) [12.5%]	23 (31.9%) [11.5%]	72 [12.0%]
Total	200	200	200	600

Source: Primary data

Age wise distribution of respondents highlights in Table 2. Out of 600 respondents, 180 (30%) of respondents were in the age group of up to 25 years, 228(38%) of respondents were in the age group of 26-35 years, 120(20%) of respondents were in the age group of 36-45 years, 72(12%) in the age group of above 46 years.

Table :3

Educational qualification wise distribution of respondents

Educational Qualification	**Banks**			
	State Bank of India	**Indian Bank**	**Central Bank of India**	**Total**
Upto HSC	51 (27.9%) [25.5%]	59 (32.2%) [29.5%]	73 (39.9%) [36.5%]	183 [30.5%]
UG	79 (33.9%) [39.5%]	84 (36.1%) [42.0%]	70 (30.0%) [35.0%]	233 [38.8%]

PG	47 (40.5%) [23.5%]	35 (30.2%) [17.5%]	34 (29.3%) [17.0%]	116 [19.3%]
Professional	23 (33.8%) [11.5%]	22 (32.4%) [11.0%]	23 (33.8%) [11.5%]	68 [11.3%]
Total	200	200	200	600

Source: Primary data

The above table describes that educational wise distribution of respondents. Majority 38.8% of respondents were under graduates, followed by 30.5% of respondents were up to HSC qualified, 19.3% of respondents were post graduates and only 11.3% of respondents were professionals.

Table :4
Monthly income wise distribution of respondents

Monthly income	**Banks**			
	State Bank of India	**Indian Bank**	**Central Bank of India**	**Total**
Less than Rs.15,000	53 (29.3%) [26.5%]	74 (40.9%) [37.0%]	54 (29.8%) [27.0%]	181 [30.2%]
Rs.15,001 -30,000	74 (32.5%) [37.0%]	76 (33.3%) [38.0%]	78 (34.2%) [39.0%]	228 [38.0%]
Rs.30,001-45,000	48 (40.7%) [24.0%]	29 (24.6%) [14.5%]	41 (34.7%) [20.5%]	118 [19.7%]
Above Rs.45,000	25 (34.2%) [12.5%]	21 (28.8%) [10.5%]	27 (37.0%) [13.5%]	73 [12.2%]

Total	200	200	200	600

Source: Primary data

The above tale reveals that monthly income wise distribution of respondents. Majority 38% of respondents were in the income group of Rs.15,001-30,000, followed by 30.2% of respondents were in the income group of Less than Rs.15,000, 19.7% of respondents were in the income group of Rs.30,001-45,000 and only 12.2% of respondents were in the income group of above Rs.45,000.

Table :5
Occupation wise distribution of respondents

Occupation	**Banks**			
	State Bank of India	**Indian Bank**	**Central Bank of India**	**Total**
Business	40 (32.5%) [20.0%]	52 (42.3%) [26.0%]	31 (25.2%) [15.5%]	123 [20.5%]
Self Employed	60 (43.5%) [30.0%]	31 (22.5%) [15.5%]	47 (34.1%0 [23.5%]	138 [23.0%]
Salaries	52 (26.7%) [26.0%]	68 (34.9%) [34.0%]	75 (38.5%) [37.5%]	195 [32.5%]
Professional	48 (33.3%) [24.0%]	49 (34.0%) [24.5%]	47 (32.6%) [23.5%]	144 [24.0%]
Total	200	200	200	600

Source: Primary data

Occupation wise distribution of respondents illustrates in Table 5. Majority 32.5% of respondents were salaried group, followed by 24% of respondents were professional, 23% of respondents were self employed, 20.5% of respondents were business peoples.

Inferential Analysis and Hypothesis Testing

Null Hypothesis: There is no quality of services offered by public sector banks to customers in the dimension of service quality.

Table :6

One sample t- test for whether the public sector banks offer any quality of service to customers

Service quality	N	Mean	Std. Deviation	t value	P value
Tangibles	600	15.61	2.780	137.496	0.000**
Reliability	600	18.85	3.510	131.540	0.000**
Responsiveness	600	19.14	2.700	173.569	0.000**
Assurance	600	15.53	2.546	149.421	0.000**
Empathy	600	22.36	3.201	171.113	0.000**

Source: Primary data

Note: represents at significant at 1% level

The above table represents that one sample t- test for whether the public sector banks offer any quality of service to customers in Chennai city. All the service quality dimensions p value is less than 0.01. Therefore, the null hypothesis is rejected at 1% level of significant. Hence it is concluded that there is quality of services offered by public sector banks to customers in the dimension of service quality.

Null Hypothesis: The customers are not satisfied about the services offered by public sector banks in Chennai city.

Table :7
One sample t- test for whether the customers are satisfied about the services offered by public sector banks in Chennai city.

Customer satisfaction	N	Mean	Std. Deviation	t value	P value
I am very much satisfied with bank	600	4.16	0.905	31.395	0.000**
Bank services are outstanding	600	3.88	1.124	19.170	0.000**
Bank services fulfill my needs	600	4.25	0.690	44.232	0.000**
I want to transact with bank again and again	600	4.48	0.500	72.360	0.000**
I would recommend this bank to my friends	600	4.28	0.611	51.424	0.000**
I am absolutely satisfied with the banking services	600	1.89	1.202	22.556	0.000**

Source: Primary data

Note: represents at significant at 1% level

Since the p value of all the variables is less than 0.01. Therefore, the null hypothesis is rejected at 1% level of significant. Hence, it is concluded that customers are satisfied about the services offered by public sector banks in Chennai city.

Findings Of the Study

- It is observed from the study majority 68% are male respondents and 32% are female respondents.
- It is noted from the study 30% of respondents were in the age group of up to 25 years, 38% of respondents were in the age group of 26-35 years, 20% of respondents were in the age group of 36-45 years, 12% in the age group of above 46 years.
- Majority 38.8% of respondents were under graduates, followed by 30.5% of respondents were up to HSC qualified, 19.3% of respondents were post graduates and only 11.3% of respondents were professionals.
- The study found that majority 38% of respondents were in the income group of Rs.15,001-30,000, followed by 30.2% of respondents were in the income group of Less than Rs.15,000, 19.7% of respondents were in the

income group of Rs.30,001-45,000 and only 12.2% of respondents were in the income group of above Rs.45,000.

- Majority 32.5% of respondents were salaried group, followed by 24% of respondents were professional, 23% of respondents were self employed, 20.5% of respondents were business peoples.
- There is quality of services offered by public sector banks to customers in the dimension of service quality significant at 1% level
- Customers are satisfied about the services offered by public sector banks in Chennai city significant at 1% level.

II.CONCLUSION

The main objective of this study is public sector banking service quality and customer satisfaction: A study with special reference to Chennai city. The present study hypothesizes and develops an instrument of service quality and customer satisfaction. The results show that the most important service quality practice on customer satisfaction is all the dimension of service quality. The results reveal that the service quality dimensions of tangibles, responsiveness, reliability and assurance are positively and significantly influencing the customers overall satisfaction. Thus, this present research concluded that service quality is the basic and also most important factor that influences the overall customer satisfaction.

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