

To study on impact of service quality on customer satisfaction in Indian banking sector

Dr. Richa Pandit & Dr. Devina Upadhyay

Abstract— *A bank connects customers that have capital deficits to customers with capital surpluses. Customer is the kingpin for the development of trade, industry and service sector particularly in financial services. So, the significance of customer service in the banking sector came to force to compete in a market driven environment. Measuring service quality in the service sector particularly in the banking sector is more difficult than measuring the quality of manufactured goods. The concept of customer satisfaction and service quality is interrelated with each other.*

Respondents of the study are the customers of banks of Ahmedabad. 200 respondents were surveyed using structured questionnaire. This paper reveals the findings that service quality is an important parameter that leads to customer satisfaction.

Index Terms— Service Quality, Customer Satisfaction, Impact

I. INTRODUCTION

Customer is the kingpin for the development of trade, industry and service sector particularly in financial services. So, the significance of customer service in the banking sector came to force to compete in a market driven environment. Measuring service quality in the service sector particularly in the banking sector is more difficult than measuring the quality of manufactured goods. The concept of customer satisfaction and service quality is interrelated with each other. Moreover satisfaction of customer depends upon service quality and service quality is increasingly offered as a strategy by marketers to position themselves more effectively in the market place (Parasuraman et.al 1985). Due to the era of e-banking quality of service has been improved a lot as compare to traditional banking services. Internet banking, Mobile banking, automated teller machine, electronic fund transfer has totally changed the way of providing services by the banks. However some banks like in private sector are providing it in a very efficient way while others are making efforts to adopt it.

M. RounghAhmmad and M. Motiar (2010), study revealed that, in any service industry, a critical decision for a firm is the determination of the appropriate level of service quality. When customers are not satisfied with a service, they are not only likely to terminate the service but also to relate their unfavorable service experience to others resulting in decreased current and potential sales. Green et.al (2007) stipulates in his study that Service quality may be considered to be the 'feel good' factor, which is perceived by customers during the process of service delivery. It is what the customer perceives while receiving services from the provider.

Eugene W. Anderson (1994) suggested that the development

of customer-specific capabilities based on repeated interaction with customers is positively related to the organization's performance in satisfying customers. Customer-focused capabilities and the associated needs assessment by a service provider bolster the ability of an organization to better understand the customer. Antony Beckett et al (2000) researched that it is hard to measure service quality and even harder to ascertain whether the current customers actually communicate with potential new customers, the indirect effect of service quality is difficult to quantify.

He further stated that Service quality can be understood as how best an organization conforms to the requirements of its customers, and satisfies them in various aspects of the delivery of a service. Service quality has been found to positively impact customer satisfaction, which in turn leads to improved organizational performance. Delivering high service quality can result in considerable gains for organizations, such as increased market share, revenue, sales and profitability. Service quality has been shown to influence purchase intentions of consumers.

II. OBJECTIVES OF THE STUDY

- To study impact of service quality on customer satisfaction.
- To identify factor affecting customer satisfaction.
- To check consumer preferences between private & public sector Bank on Service quality.

III. SAMPLING FRAME

We have contacted 200 customers of any bank to fulfill the objectives. To know the response about customer's satisfaction towards the services provided by the bank we have used structured questionnaire and to reach some conclusion we have used the statistical tools like factor analysis and regression.

IV. ANALYSIS

To Study impact of service quality on customer satisfaction we have used regression analysis.

Simple Regression

H0 = There is no significance impact of service quality on customer satisfaction.

H1 = There is significance impact of service quality on customer satisfaction.

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Table I: Regression Table

Individual variable	Dependent variable	Level of significance	Significant value
Service quality	Customer satisfaction	0.05	0.003

As significant value is less than the level of significance, the result suggests significant impact of Service quality on customer satisfaction.

To identify factor affecting customer satisfaction we have used factor analysis

Table II: Reliability Statistics

Cronbach's Alpha	N of Items
.865	22

Table III: Significance

Value

KMO and Bartlett's Test	Level of significance	Significant value
	0.05	.000

Table IV: Final factors extracted

No	Statement	Correlation	Factor
E6	Bank's physical facility are visually appealing	0.530	Service quality.
E7	Bank's reception desk employees are neat appearing	0.530	
E8	Material associated with the service (Such as pamphlets and statement)are visually appealing.	0.602	
E9	When bank promises to do something by a certain time,it does so	0.552	
E11	bank perform the service right the first time	0.496	
E12	Bank Provide its service at the time it promises to do so	0.491	
E14	Employees in bank tell you exactly when services will be	0.365	

	performed.		
E15	Employees of bank gives prompt service	0.614	
E16	Employees in bank are always willing to help you	0.600	
E17	Employees in bank are never too busy to respond to your request	0.507	
E18	The Behavior of employees in bank instills confidence in you.	0.454	
E19	You feel safe in your transaction with bank	0.431	
E21	Employees in bank have the knowledge to answer your questions.	0.665	
E22	Bank gives you individual attention.	0.574	
E23	Bank has operating hours convenient to all its customers	0.505	
E24	Bank employees who gives you personal attention.	0.564	
E25	Bank has your best interest at heart.	0.614	
E26	The employees of bank understand your specific needs	0.484	
E5	Bank has modern looking equipment	0.624	Infra structure
E10	When a you have a problem, bank show a sincere interest in solving it.	0.527	Alterna tive to proble m solving
E13	Bank insists on error free records	0.708	Error free data base manage ment system
E20	Employees in bank are a consistently courteous with you	0.516	Custom er centric approa ch

Factor analysis is used for identifying common themes and grouping them in to one factor. Before applying factor analysis, data reliability was checked use in Cronbach's Alpha where in the value of alpha is 0.865 which is greater than .7 and hence data are reliable. Furthermore KMO and Bartlett's Test was also applied to check whether factor analysis is suitable stat tool or not. The result of the test gives sing value 0.00 that is higher than 0.05 that depicts the suitability of the tool.

Factor analysis was applied on 22 statements of customer satisfaction. Four factors are extracted from the factor analysis in which the factors were group according to the Correlation value & Commonalities among all the statements. Five factors were finally extracted named as Service Quality, Infrastructure, Alternative to problem solving, Error free data base management system and Customer centric approach respectively.

To check impact of service quality on consumer preferences towards the selection of bank type again we have used regression

Simple Regression

H0 = There is no significant impact of service quality on consumer preference toward bank type.

H1 = There is significant impact of service quality on consumer preference toward bank type

Table V: Regression Table

Individual variable	Dependent variable	Level of significance	Significance value
Service quality	Preference	0.05	0.00

Above table shows that Significance Value is lesser than the α value and hence alternative hypothesis is accepted that concludes that there is significant impact of Service quality on consumer preference toward bank type.

V. DISCUSSION

Banking industry is consider as the key industry can be termed as back born of Indian economy due to increase important of banking industry. Service quality is a key determinant for majoring firms performance and it has also can an impact on vary construct of consumer behavior. This has lead us to conduct a research on impact of service quality on customer satisfaction in Indian banking. with the used of factor analysis has been found out that service quality, infrastructure, Alternative to problem solving, Error free data base management system, Customer centric approach are the key construct of consumer behavior. Research has also reveild that customer prefer gets vary from public sector to private sector as private sector bank are more prefer by the respondent. The overall research has generate a picture that in the current global competition scenario bank players have to pay more attention to service quality in in over to sustain in this steep competition.

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Dr. Richa Pandit is faculty in the area of Marketing. She is MBA Gold Medalist in Marketing. She has done her Ph.D in services marketing from Gujarat Technological University. She has authored three books and ten research articles.

Dr. Devina Upadhyay is a faculty in the area of Statics. She has done M.Sc and M.Phill in Statistics. She has done her Ph.D in Multivariate Techniques from Gujarat University. She has authored two books and fourteen research articles.