An Effect of Service Quality on Customer Satisfaction – A Study Compares Public Sector and New Generation Banks

Dr. G. Rajesh

Assistant Professor, Department of Commerce,
The QuaideMilleth College for Men, Medavakkam, Chennai-100, Tamailnadu, India.

Abstract
This paper completely investigates the connection between factors responsible for its improvement and consumers' satisfaction in both the Public and New generation banks. Technology as well as the service quality offered by the Banks now a day's grab more expectations from the customers.Tangibility, Individual, Technological quality, Reliability and Proficiency are the factors that influence the service quality offered by the Banks that are measured by the consumerswhile doing transactions with any Bank and these factors may have great impact on Customer Satisfaction.A total of 172 respondents from Public sector and New generation Banks were selected for the study. Respondents having used the services from their respective banks for more than 3 years were included in the study. This is descriptive type of study. Questionnaire is adopted as the study instrument. Independent samples t-test is used to compare the service quality dimensions and Customer satisfaction with regard to banking sectors. Multiple regression analysis is used to find the impact of service quality dimensions over Customer satisfaction. For the purpose of analyzing the data SPSS v23. is used. From the results it is observed that the customers' perception towards Individual factor, Technological quality and Proficiency in New generation banks is better than the Public sector banks. However Reliability plays key role in Public sector banks. Customer satisfaction is higher in New generation banks than Public sector banks. Tangibility, Technological quality and Reliability have positive and significant effect on Customer satisfaction. Proficiency followed by Technological quality predicted the Customer satisfaction in New Generation Banks more.

Introduction

There is a lot of discussion about quality of service and customer satisfaction for the past 2 decades of more. Any business organization seeks to achieve Customer Satisfaction as one of its major objectives. In the evaluation of the Malcolm Baldrige National Quality Award too customer satisfaction is a major focus area. This survey is an attempt to identify service quality dimension and to identify the service quality measurements which affects consumer satisfactionRecently, when everything is accessible at your doorsteps on only a single click, it has become the important aspect of the study which influences the satisfaction level of customers in Chennai particularly that the

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customers are technological savvy. Chennai is one of the Metropolitan cities and the populace is having a blend of different states and that too from different state, urban areas and even it incorporate the individuals moved from towns to small villages.

Review of Literature

Berry et al. (1988) identified that increased competition has focused the importance of customer satisfaction in the banking sector as an importance factor to decide the bank's competitiveness. Since customer satisfaction can ensure the long term profitability of a firm in the era of heightened competition, its continuous measurement in a systematic manner because is very necessary.**Zeithaml et al.** (1996) examined how service quality could impact customer's behavioral responseand found that service quality positively affects 17 customer's behavioral response. They developed a conceptual model which highlighted how service quality causes a particular behavior and thereby whether the customers continued to be loyal to the bank. Through a model they demonstrated the relationship between customer's behavioral intentions which whichstrongly influenced service quality. **Bodla** (2005) in his survey to identify the expectation and perception of the service quality offered by select commercial banks located in urban areas using the SERVQUAL instrument developed by Parasuraman, Zeithmal and Berry identified that actual delivery of service of both Indian public and private sector banks did not meet the customer expectations on majority of service quality elements even though private sector banks were found to have edge over public sector banks **Vannirajan**and **Anbazagan** (2007) assessed SERVPERF scale Madurai located Retail banks . Study showed service quality dimensions like tangibles and customer assurance were most important in public sector banks and reliability; responsiveness and tangibles important service aspects in private sector banks.**Cephas**

and **Daniel** (2009) studied the customer behavior and attitude aspects of SERVQUAL and SERVPERF model of**Parasuraman et al**. (1988) **Crown and Taylor** (1992), **Brady and Cronin** (2001). The survey result highlighted that service quality especially empathy and reliability,its reputation and image largely contributed to customer satisfaction and loyalty.**Krishnaveni and Prabha** (2006) found that customers satisfaction was more for competent and customer oriented service quality and banks had to modernize and improve the swiftness of its service.

Objectives of the study

1. To compare the dimensions of services quality provided by the Banking sectors
2. To identify the impact of service quality on customer satisfaction in both public sector banks and New generation Banks.

Methodology and Design

This study focus on the impact of service quality dimensions on customer satisfaction. Different service quality dimensions will help the Private sectors and New generation banks to look in. This gives the banks an opportunity to develop their own customers' satisfaction. The main purpose of this survey is to determine the factors of service quality that influences the customer satisfaction. At the same time comparison of service quality and customer satisfaction are also done respectively. A total of 172 respondents from Public sector and New generation Banks were selected for the study. Respondents having used the services from their respective banks for more than 3 years were included in the study. This is descriptive type of study. Questionnaire is adopted as the study instrument which covers the personal details of the respondents in the first part, whereas the second and third part covers the scales regarding the service quality and Customer satisfaction respectively. First part of the questions is categorical variables type and the

second and third sections are of scaled type of variables. Two stages of sampling are used in this study. For selecting the branches of Banks Convenience sampling is adopted, whereas the respondents (customers) are selected using simple random sampling. The respondents of the study are selected from the Public Sector Banks: Indian Bank, State Bank of India and Punjab National Bank and from the New generation Banks: Axis Bank, HDFC and Kotak Mahindra Bank. The respondents are selected from the bank branches in Chennai only. Irrespective of the age, gender, qualification, profession and income the respondents for the study were selected. In this study both primary data and secondarydata were collected and was used. Secondary data sources were collected from Books, Journal, magazines, Newspapers and Annual Reports. Independent samples t-test is used to compare the service quality dimensions and Customer satisfaction with regard to banking sectors. Multiple regression analysis is used to find the impact of service quality dimensions over Customer satisfaction. For the purpose of analyzing the data SPSS v23. is used.

Data analysis and Discussion

Out of 172 customer selected for the study, 93of them are customers of Public sector banks and 79are selected from New generation Banks. 52.3% and 56.3% of the respondents are males in the samples of Public sector and New generation banks are males. 51.6% and 64.3% of the respondents falls in the middle aged category of age group 25-45 years in both Public sector and New generation banks. 50% and above are possessing the graduation as their educational qualifications in both the banking sectors. 56.3% of the respondents of public sector banks and 52.4% of New generation Banks fall in the annual income group of more than 3 Lakhs. Cronbach's alpha values are used to adjudge the reliability level. Any Cronbach's alpha value of more than 0.7 is taken as good reliability. The reliability

found for the variables in the study is shown in the Table-I.

Table-I
Reliability of the study

S.No.	Variables in the study	Cronbach's alpha
1	Tangibility	0.83
2	Individual factor	0.84
3	Technological quality	0.81
4	Reliability	0.83
5	Proficiency	0.82
6.	Customer satisfaction	0.85
	Overall reliability of the study	0.83

The overall reliability value is 0.83 (83%) which is more than the desired limit, there are no issues found in the reliability of the data. The next section presents the comparison of Public sector banks and New Generation banks with regard to the service quality and Customer satisfaction as follows.

Null hypothesis H_01: There is no variation in the service quality offered by the Public sector and New Generation Banks

Table-II
Comparison of Public and New generation banks in terms of Service quality

Factors	Banking sector	Mean	S.D	t-value
Tangibility	Public	3.78	0.63	1.798 (p=.089)
	New generation	3.88	0.51	
Individual factor	Public	3.38	0.38	3.741**
	New generation	3.84	0.64	(p < .001)
Technological quality	Public	3.25	0.51	3.885**

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	New generation	3.82	0.60	(p<.001)
Reliability	Public	3.33	0.53	3.684** (p <.001)
	New generation	2.98	0.60	
Proficiency	Public	3.61	0.54	3.393** (p < .001)
	New generation	3.56	0.66	

** Significant at 1% level

From the Table-II, it is observed that the Null hypothesis H_01 is rejected for Individual factor, Technological quality, Reliability and Proficiency and accepted for the factor Tangibility. It is observed that the customers' perception towards Individual factor, Technological quality and Proficiency is better in New generation banks than the Public sector banks. It is noted that the Reliability towards Public sector banks is better than New generation Banks.

Null hypothesis H_02: There is no variation in the Customer satisfaction in Public sector and New Generation Banks

Table -III
Comparison of Public and New generation banks in terms of Customer satisfaction

Factors	Banking sector	Mean	S.D	t-value
Customer satisfaction	Public	3.31	0.40	**3.421****
	New generation	3.70	0.53	**(p =.001)**

** Significant at 1% level

From the Table-III, t-value of 3.412 reflects that there is significant variation observed between New generation Banks and Public sector banks in terms of Customer satisfaction. Further it is noted that the customer satisfaction is higher in New generation banks than the level of customer satisfaction observed in the Public sector banks.

This section presents the impact of service quality provided by the Public and New generation Banks in Chennai. To achieve the same Multiple regression analysis is used and the results are presented in the Table-III.

Null hypothesis $H_03(a)$: Service quality provided by the Public sector Banks may not have effect on Customer satisfaction

Null hypothesis $H_03(b)$: Service quality provided by the New Generation Banks may not have effect on Customer satisfaction

Table-III
Effect of service quality on Customer satisfaction
Block -1: Public sector Banks

Service quality variables	F-statistics	Unstandardized Beta	t-value	p-value
(Constant)	23.214**	1.087	4.252**	.000
Tangibility		0.503	4.443**	.000
Individual factor	**R-square**	0.062	1.381	.095
Technological quality		0.302	3.355**	.002

Reliability	0.522	0.752	6.021**	.000
Proficiency		0.059	0.982	.101

Block-2: New Generation Banks

Service quality variables	F-statistics	Unstandardized Beta	t-value	p-value
(Constant)	34.521**	0.684	2.325*	.022
Tangibility		0.412	3.982**	.000
Individual factor	**R-square**	0.062	1.251	.095
Technological quality		0.417	4.012**	.019
Reliability	0.642	0.362	3.624**	.001
Proficiency		0.601	4.698**	.000

* Significant at 5% level   ** Significant at 1% level

Block-1 of Table-III presents the effect of service quality on Customer satisfaction in Public sector Banks. F-value (23.214) reveals that the model is significant at 1% level, the null hypothesis $H_03(a)$ is rejected.   It is noted that Tangibility, Technological quality and Reliability has positive and significant effect on Customer satisfaction. However Individual factor and Proficiency are not predicting the customer satisfaction significantly. Further the beta values interpret that one unit increase in Tangibility, Technological quality and Reliability has enhanced the Customer satisfaction by 0.503, 0.302 and 0.752 units respectively.   Moreover Reliability followed by Tangibility predicted the Customer satisfaction of Public sector banks more.

Block-2 of Table-III presents the effect of service quality on Customer satisfaction in New Generation Banks. F-value (23.214) reveals that the model is significant at 1% level, the null hypothesis $H_03(b)$ is rejected. It is noted that Tangibility, Technological quality, Reliability and Proficiency has positive and significant effect on Customer satisfaction. However Individual factor is not predicting the customer satisfaction significantly. Further the beta values interpret that one unit increase in Tangibility, Technological quality, Reliability and Proficiency has boosted the Customer satisfaction by 0.412, 0.417, 0.362 and 0.601 units respectively. Moreover Proficiency followed by Technological quality and Tangibility predicted the Customer satisfaction in New Generation Banks more.

Conclusion

The study conclusion is that besides the service dimension banks have to focus on the tangibility and quality of its technology basedservices . Besides this banks have to focus on the individual based factors, and improve its perception of being a reliable and proficient quality service provider so that customers can decide to and continue to meet the transactional requirements related to banking.If the above said factors are fine, that will result in giving the customers a better satisfaction level. From the results it is observed that the customers' perception towards Individual factor, Technological quality and Proficiency in New generation banks is better than the Public sector banks.   However Reliability plays key role in Public sector banks. Customer satisfaction is higher in New generation banks than Public sector banks. Tangibility, Technological quality and being Reliable impacts the Customer Satisfaction significantly. It was seen that Customer Satisfaction was a result of Reliability in Public sector banks whereas Customer Satisfaction was found to impacted more in private banks

Tangibility, Technological quality, Reliability and Proficiency followed by Technological quality predicted the Customer satisfaction in New Generation Banks more.

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