GOLDEN RESEARCH THOUGHTS

SERVICE QUALITY AND CUSTOMER SATISFACTION IN THE PUBLIC SECTOR BANKS IN TIRUVARUR DISTRICT OF TAMILNADU

S. Hemalatha

Assistant Professor in Commerce , Thiru.Vi.Ka.
Government Arts College , Tiruvarur .

Abstract :

Customer satisfaction constructs is more important for the survival and growth of a service industry particularly banking industry. The growth of these institutions depends upon their ability to create or attract new customers and retention of satisfied customer leads to their survival in the long run. In order to be successful, banks are competing themselves to satisfy their customers so that they can attract and retain loyal customers which ultimately helps banks to earn higher profits in the future. Therefore, in the study, an attempt has been made to analyze the effect of service quality on customer satisfaction in public sector banks in Tiruvarur district of Tamilnadu. The results of the study indicate that there is a strong relationship between the service quality and customer satisfaction in all the banks and service quality is a strong predictor of customer satisfaction.

Keywords: Service Quality, Customer Satisfaction .

Service Quality And Customer......

INTRODUCTION

Satisfaction is the sum total of customer's expressions of service quality and depends upon customer's own perceptions and expectations. Service satisfaction of the customers is an invaluable asset to the modern organizations, providing an unmatched competitive edge. It helps in building long term relationship as well as brand equity. The best approach to customer retention is to deliver high level of customer satisfaction that result in, strong customer loyalty. Satisfaction is a judgment, that a product or service feature or the product or service itself, provides a pleasurable level of consumption related fulfillment, is dynamic in nature.

Customer satisfaction is a very important construct in today's market. An organization cannot survive in the long run if its customers are not satisfied. Customer is a very important person in the market. In fact, customers are the king of the market. Therefore, it is the utmost duty of an organization to safeguard customer interests and meet his expectations with the products/services offered. When a customer expects a certain level of service and the customers actually perceive more than that of their expectation then the customers will be satisfied and if the customer perceives less than his expectation then the customers will be dissatisfied.

Customer satisfaction constructs is more important for the survival and growth of a service industry particularly banking industry. The growth of these institutions depends upon their ability to create or attract new customers and retention of satisfied customer leads to their survival in the long run. In order to be successful, banks are competing themselves to satisfy their customers so that they can attract and retain loyal customers which ultimately helps banks to earn higher profits in the future.

The public sector banks have responded to customer needs by paying more attention to enhancement of service quality in order to retain its market position. Therefore, service quality is becoming more critical for public sector banks to retain their customer base. Delivering quality service to customers is one of the ways for public sector banks to respond and compete for success and survival.

Now, public sector banks are increasingly facing more competition, whereas foreign and private sector banks are vying with one another to win customer satisfaction, loyalty, and commitment by providing them better quality services. Service quality has become a competitive strategy in the public sector banks.

In this backdrop, a study on customer's perception about service quality in the mind of customers and an analysis over the services of public sector banks sound interesting. Such an analysis will provide banks, a quantitative estimate of their services being perceived with intricate details such as whether banks are meeting or not meeting the customer's expectations. Therefore, in this study an attempt has been made to seek answer to the research questions such as how are customers satisfied with the service provided by the banks in the study area? and what is the effect of service quality on customer satisfaction?. Hence, in the present study, an attempt has been made to analyze the effect of service quality on customer satisfaction in public sector banks in Tiruvarur district of Tamilnadu.

RESEARCH METHODOLOGY

The study explores the level of customer satisfaction with service quality of the public sector banks in Tiruvarur district of Tamilnadu. The descriptive research design has been followed to fulfill the objectives of the research.

There are 11 public sector banks functioning in the Tiruvarur district with a total of 66 branches. Among the public sector banks functioning in Tiruvarur district, Indian Overseas bank, Indian bank and State bank of India have a large number of branches. Therefore, these banks are selected for the study. They have established 20, 19 and 18 branches respectively in the district. Ten branches of each bank were selected by random sampling technique (drawing lots). Thus 30 bank branches were selected for the study.

Since the number of customers in each of the bank branches was large, the customers could not be selected on a proportional basis. Ten customers having a savings bank account or fixed deposit account or current account were selected from each of the selected branches, thus the total number of respondents from the 30 branches came to 300 respondents. Therefore, 300 customers were selected on the basis of non-probability purposive sampling method.

The study was essentially based on primary data collected from 300 bank customers who actually experienced the services provided by banks. The data were collected from the sample respondents through interview schedule. The original instrument designed by Parasuraman et.al (1988) with 22 statements in 5 categories has been incorporated in the interview schedule reflecting service quality dimensions such as tangibles, reliability, responsiveness, assurance and empathy were considered.

A five point scale was constructed to analyse the customer satisfaction by taking the variables, Location and Timeliness, Basic Amenities, Product Accessibility and Friendliness, Efficiency and Security. Scores awarded to the statements were; strongly agree-5, and Strongly disagree-1

PERCEPTION ON SERVICE QUALITY

The summary of customer' perception, expectations and service quality scores for all the service quality

dimensions such as tangibles, reliability, assurance, responsiveness, and empathy is analyzed in table 1.

TABLE 1
PERCEPTION ON SERVICE QUALITY

Dimension	Perception		Expectation		
	Mean Score	Mean Score (%)	Mean Score	Mean Score (%)	Service Quality Score
Tangibles	16.97	60.61	24.18	86.34	-7.21
Reliability	18.33	52.37	32.01	91.46	-13.68
Assurance	13.25	47.32	24.82	88.64	-11.57
Responsiveness	12.24	43.71	25.25	90.18	-13.01
Empathy	16.48	47.09	29.34	83.83	-12.86
Average (N=300)	77.27	50.18	135.60	88.06	-58.33

Source: Primary data

Table 1 shows the difference between customers' expectations and perceptions of the service quality provided by the public sector banks in the study area. Out of a maximum score of 154, the average expectation and perception score obtained by the respondents for overall service quality was 135.60 and 77.27. The difference between expectation and perception score was -58.33, which indicates a wide service quality gap perceived by the respondents.

The highly perceived Service Quality Factors among the customers is Reliability since its mean score is 18.33. The second Service Quality Factor perceived by the customer's is Tangibles since their mean score is 16.97. The next three Service Quality Factors perceived by the customers is Empathy, Assurance and responsiveness since their mean scores are 16.48, 13.25 and 12.24 respectively. However, the highest negative gap score was found in reliability (mean score of --13.68) followed by Responsiveness (mean score of -13.01). Empathy, Assurance and Tangibles was -12.86, -11.57 and -7.21 respectively.

Table further revels that the respondents have secured negative mean gap score for all five service quality dimensions such as Tangibles, Reliability, Responsiveness, Assurance and Empathy. Therefore, it can be inferred from the table that the customers have high expectation whereas their perceived low towards the quality of service provided by the study units. The banking services provided by the public sector banks is not upto the expectations of customers in the study area.

BANK-WISE OVERALL PERCEPTION ABOUT SERVICE QUALITY

The bank-wise overall perception of the respondents about the service quality of the public sector banks is shown in table 2.

TABLE 2
BANK-WISE OVERALL PERCEPTION ABOUT OVERALL SERVICE QUALITY

Public sector banks	No. of Respondents		
	Low	Medium	High
Indian Overseas bank (N=100)	54 (33.13)	26 (27.37)	20 (47.62)
Indian bank (N=100)	44 (26.99)	42 (44.21)	14 (33.33)
State bank of India (N=100)	65 (39.88)	27 (28.42)	08 (19.05)
Total	163 (100.00)	95 (100.00)	42 (100.00)

Source: Primary data; figures in the bracket is a percentage to the total

Table 2 exhibits that out of 163 respondents who perceived low level about overall service quality, 39 per cent, 33 per cent and 27 per cent of the respondents are customers of State Bank of India, Indian overseas bank and Indian bank respectively. Out of 95 respondents who perceived moderate level 44 per cent, 28 per cent and 27 per cent of the respondents belong to Indian bank, State Bank of India and Indian overseas bank. Among the respondents who perceived high level, 48 per cent, 33 per cent and 19 per cent of the respondents are the customers of the Indian overseas bank, Indian bank and State bank of India respectively. Therefore, it can be inferred from the table that irrespective of the bank, the majority of the customer perceives low level and among the bank customers of the State Bank of India perceives poor service quality when compared to Indian bank and Indian overseas bank.

In order to find out whether there is a significant difference between the level of perception of the customers about service quality in selected public sector banks, a null hypothesis are framed and tested with the help of the chi - square test. The result is shown in table 3.

Null hypothesis

Irrespective of the banks, all the customers perceive the same level of perception about service quality.

TABLE 3
CHI-SQUARE TEST RESULT

Variables	Chi-Square Test – Value	Table value 5% level	Table value 1% level	H_0 Accepted / Rejected	Significance
Tangibles	6.63	9.49	13.28	Accepted	Not significant
Reliability	6.68	9.49	13.28	Accepted	Not significant
Assurance	30.3	9.49	13.28	Rejected	Significant
Responsiveness	41.3	9.49	13.28	Rejected	Significant
Empathy	37.4	9.49	13.28	Rejected	Significant
Overall service quality	14.3	9.49	13.28	Rejected	Significant

**Significant at 5% level and 1% level

Table 3 reveals that the calculated chi-square test value is less than the tabulated value at 5 per cent and 1 per cent level of significance for tangibles and reliability. Therefore, the null hypothesis is accepted, hence, it can be concluded that there is no significant difference between the level of perception about tangibles and reliability of selected public sector banks. In case of assurance, responsiveness, empathy and overall service quality, the calculated value chi-square is greater than table value. Hence, the null hypothesis is rejected, therefore it can be concluded that there is a significant difference level of perception about assurance, responsiveness empathy and overall service quality among the selected public sector banks in the study area.

DEMOGRAPHIC VARIABLES AND LEVEL OF PERCEPTION

To find out whether there is a significant difference between demographic variables such as sex, age, educational qualifications, occupation and income and level of perception of the respondents about service quality, a null hypothesis is framed and test with the help of ANOVA test.

Null hypothesis

There is no significant difference between demographic variables (sex, age, educational qualifications, occupation and income) and level of perception about service quality.

TABLE 4
ANOVA TEST

Variable		Sum of Squares	Df	Mean square	F	Result
Sex and level of perception	Between groups	3679	2	1839.50	1.51	Not significant
	Within groups	3643	3	1214.33		
	Total	7322	5			
Age and level of perception	Between groups	1839.5	2	919.75	1.52	Not significant
	Within groups	5458.5	9	606.50		
	Total	7298	11			
Educational qualification and level of perception	Between groups	1839.5	2	919.75	0.94	Not significant
	Within groups	8770.5	9	974.50		
	Total	10610	11			
Occupation and level of perception	Between groups	1839.5	2	919.75	1.16	Not significant
	Within groups	7152.5	9	794.72		
	Total	8992	11			
Income and level of perception	Between groups	2452.66	2	1226.33	2.27	Not significant
	Within groups	3245.33	6	540.89		
	Total	5698.00	8			

Table 4 shows that gender, age, educational qualification, occupation and income have no significant difference in perception of the respondents about service quality, which means that the customer are not differently perceived by females and males, age, educational qualifications, occupation and income.

CUSTOMER SATISFACTION

The overall mean score secured by the respondents for five variables selected for measuring customer satisfaction with the services of public sector banks in the study area is shown in table 5.

TABLE 5
OVERALL MEAN SCORE

S.No	Variable	Mean Score	Mean Score (%)
01	Location and Timeliness	12.37	49.48
02	Basic Amenities	2.56	25.60
03	Product Accessibility and Friendliness	22.18	49.29
04	Efficiency	3.13	31.30
05	Security	6.81	68.10
	Overall (N=300)	46.42	46.42

Source: Primary data

Table 5 shows the overall mean score obtained by the respondents for overall customer satisfaction. The overall mean score secured by the respondents was 46.42 per cent. The respondents have secured low mean score of 25.60 per cent and 31.30 per cent for basic amenities and efficiency of the services. The respondents have secured 49.48 per cent, 49.29 per cent and 68.10 per cent for location and timeliness, product accessibility and friendliness and security of the banks. It can be inferred from the table that the customers are very much dissatisfied with the basic amenities and efficiency of the services in the public sector banks in the study area.

OVERALL LEVEL OF SATISFACTION

The overall level of satisfaction of the respondents taken together on location and timeliness, basic amenities, product accessibility and friendliness, efficiency and security are shown in table 6.

TABLE 6
OVERALL LEVEL OF SATISFACTION

Level of satisfaction	No. of Respondents		
	Low	Medium	High
Indian Overseas bank (N=100)	53 (30.64)	35 (42.68)	12 (26.67)
Indian bank (N=100)	58 (33.53)	26 (31.71)	16 (35.56)
State bank of India (N=100)	62 (35.84)	21 (25.61)	17 (37.78)
Total	173 (100.00)	82 (100.00)	45 (100.00)

Source: Primary data; Figure in the bracket is percentage of total

Table 6 reveals that out of 300 respondents the majority of the respondents expressed low satisfaction, 27 per cent and 15 per cent of the respondents experienced moderate and high level of satisfaction with banking services. Out of 173 respondents who revealed low level of satisfaction, nearly 36 per cent, 34 per cent and 31 per cent of the respondents are the customers of State bank of India, Indian bank and Indian overseas bank. Therefore, it can be inferred from the table that the State bank of India customers are highly dissatisfied followed by Indian bank and Indian overseas bank in the study area.

SERVICE QUALITY ON CUSTOMER SATISFACTION

The perception of service quality may have its own influence on the customer satisfaction. In order to analyze the impact of service quality on customer satisfaction among the customers, the multiple regression analysis has been administered. The fitted regression model is

$$Y= a+b_1x_1+b_2x_2+b_3x_3+b_4x_4+b_5x_5+e$$

Y=customer satisfaction Index any the customers

Whereas

X_1 - Score on Tangibles among the customers
X_2 - Score on Reliability among the customers
X_3 - Score on Assurance among the customers
X_4 - Score on Responsiveness among the customers
X_5 - Score on Empathy among the customers

$b_1, b_2 …. b_n$ - Regression co-efficient of independent variables
a - Intercept and
e - Error term

For empirical analysis, the researcher used service quality as an independent variable and customer satisfaction as a dependent variable. Testing of hypothesis is performed through regression analysis. The result of regression analysis is given in Table 7.

Null hypothesis

The greater the service quality of the bank, the higher will be the customer satisfaction.

TABLE 7
SERVICE QUALITY AND ITS IMPACT ON CUSTOMER SATISFACTION

Service Quality	Regression Co-efficient among customer								
	Indian overseas bank			Indian bank			State bank of India		
	R	R^2	F Statistic	R	R^2	F Statistic	R	R^2	F Statistic
Tangibles	0.99**	0.98	1568	0.87**	0.76	101.33	0.89**	0.80	128
Reliability	0.92**	0.84	168	0.99**	0.98	1568	0.99**	0.99	3168
Assurance	0.99**	0.98	3168	0.74**	0.55	39.11	0.99**	0.99	3168
Responsiveness	0.98**	.97	1034.67	0.99**	0.99	3168	0.99**	0.98	424.67
Empathy	0.99**	0.99	3168	0.71**	0.51	33.31	0.99**	0.99	3168

**Significant at five per cent and one per cent level

Table 7 revealed that the coefficient values attached to each service quality dimension in multiple regression analysis on customer satisfaction. The above table indicates a strong relationship between the service quality and customer satisfaction in all the banks. R2 value is indicating that service quality is a strong predictor of customer satisfaction. The analysis reveals the importance of Service quality is customer satisfaction. The 'F' statistics reveal the validity of fitted regression models. The results of the empirical analysis indicate that if service quality is monitored carefully, this can improve customer satisfaction.

CONCLUSION

The result of the study indicates that customers perceived service quality as poor in all service quality dimensions of tangibles, reliability, responsiveness, assurance and empathy. In this regard, all the dimensions show a gap between perceived service and expected service. The study further reveals that customers have low levels of satisfaction with the location and timeliness, basic amenities, the efficiency of the banks. The study also reveals that the overall satisfaction of the customer is poor in select public sector banks in the study area. The study indicates that there is a strong relationship between the service quality and customer satisfaction in all the banks and service quality is a strong predictor of customer satisfaction. Understanding how customers perceive the service quality is vital for managerial purposes of the service companies. It is of paramount importance to banks particularly because they deliver undifferentiated products and the way they deliver their services ultimately affects their success and growth. Hence, the bank managers are advised to formulate appropriate marketing strategy to satisfy their customers.

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