

## A Study on Customer Satisfaction in Retail Banking Sector (With special reference to selected Private Sector Banks in India)

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### Abstract

In present era, growing liberalization and globalization has led to the competitive environment in every country's banking sector. To survive in this competition on global scale, Indian banking sector is becoming competitive by providing better service quality and customer satisfaction to the customers. The quality of service has become an important aspect of customer satisfaction. Today, customers expect higher quality services from banks which, if fulfilled, could result in significantly improved customer satisfaction, and potentially retention levels. Thus, the study measures the comparative performance of private sector banks on Service Quality dimensions and investigates the impact on customer satisfaction in retail banking sector with special reference to selected private sector banks in India.

The result of the present study shows that all the dimensions of service quality i.e. Tangibility, Reliability, Responsiveness, Assurance and Empathy positively and significantly influence customer attitudes in terms of customer satisfaction in retail banking sector. The findings show that service quality dimensions can be used by banks to attract and maintain their customers. To survive in the competitive banking industry, banks have to develop new strategies which will satisfy their customers.

**Keywords:** Customer, Banking sector, Service quality, Satisfaction

### INTRODUCTION

Today banks play an important role in the financial and economic development of a country. An effective banking system greatly influences the growth of a country. The changing banking sector reforms with their thrust on transparency, efficiency and sustainability have created a competitive environment for Indian banks. To achieve these, banks in India have obliged to change the objective of maximizing profits to develop long-term relationship with the customers. The overall demands for banking products and services has led to the innovation of new products and a more customer friendly approach through the introduction of customized products by the banks. This sustained demand has also led to increasing pressure on the banks to be more competitive to retain customers.

Retail banking is also growing in the Indian Commercial Banking sector in recent years. The main aim of retail banks is "Banking at your doorsteps" helps to give new and better innovative products and services to the customers and thus helps the banks to improve their financial position. Banks dealing in retail banking are consequently directing their strategies towards increasing service quality level which fosters customer satisfaction and loyalty through improved service quality.

Banking industry is to compete and sustain in the global Banking environment, so the banks have started following international norms. There has been an increase in transparency in the system. The use of technology in the banking industry has changed things a lot, thus creating faster processes, addressing

customer problems in a more efficient way. Thus, by providing enhanced quality in the banking services, the banks would be able to create a whole gamut of satisfied customers which would ultimately lead to further the efficiency and performance in the banking landscape.

## REVIEW OF LITERATURE

**Dr.Biju John M, January (2017)** in the study entitled as, “Dynamics of Service Quality in the Indian Banking Sector” evaluates the level of service quality is in commercial bank in Kerala. The study also attempted to ascertain the dimensions of service quality in banks. . The work finds out that tangibility and assurance as the foremost dimensions of service quality with their key influence on the customers. But, both the parameters of responsiveness and empathy show a lower level of satisfaction among the customers. The study suggested that apart from ensuring the trust of customers, it should improve their operations in providing highly advanced technological services to the customers with easy access and instant delivery features.

**Rishi Kant & Deepak Jaiswal, (2017)** in the study entitled as "The impact of perceived service quality dimensions on customer satisfaction: An empirical study on public sector banks in India" The purpose of this paper is to determine the dimensions of perceived service quality and investigate their impact on customer satisfaction in the Indian banking context with the special reference to selected public sector banks in India. The empirical findings revealed that ‘Responsiveness’ was found to be the most significant indicator of customer satisfaction. On the other hand, ‘Image’ (Corporate image) has a positive but the least significant relationship with customer satisfaction followed by all constructs.

**Kumar and Mishra(2015)** studied the service quality dimensions based on the SERVQUAL model in effort to find the gaps in service quality of public sector banks. The authors found that the largest gap is in the dimensions of responsiveness and assurance.

**Muhammad Alia,b and Syed Ali Razab (2015)** in the study entitled as , “Service quality perception and customer satisfaction in Islamic banks of Pakistan: the modified SERVQUAL model aims to measure the relationship between service quality and customer satisfaction among the customers of Pakistani Islamic banks. A self-administered questionnaire based field survey was conducted with the help of modified SERVQUAL dimensions. Data were gathered from 450 walk-in customers of Islamic bank. Results revealed that the multidimensional service quality scale is positively and significantly associated with the one-dimensional scale of customer satisfaction.

**Asad Ilyas et.al (2013)** in their work titled “Assessing the Service Quality of Banks using SERVQUAL mode” purposed to determine the service quality of banks. This study also aimed at providing essentials and recommendations for improvements. The study instruments self administered questionnaires to 306 individuals of equal representation from each gender. The study revealed that ‘empathy’ had the highest value expectation followed by ‘assurance’ and ‘responsiveness’ and similarly on the perception side ‘reliability’ had the highest.

**H.VasanthaKumari&S.Sheela Rani (2011)** in the study entitled as, “Customer Perception of Services Quality in The Retail Banking Sector” tries to identify the perception of customers of banks through the relationship of five factors along with the demographic characteristics of customers. Factor analysis revealed five factors and results of analysis of variance (ANOVA) indicated that while age, gender, occupation have no significant effect on customer perception of service quality and income and qualification differs significantly.

**Victoria Bellou& Andreas Andronikidis(2008)** in the study entitled as , “The impact of internal service quality on customer service behaviour Evidence from the banking sector” aims to examine the effect that internal service quality has on employees’ social customer behaviour displayed, which is crucial for customers’ perception of service quality. This effect was examined both for publicly and for privately held banks. The findings indicate that employees are more likely to improve their general

performance and are more cooperative when internal service quality exists. There is significant difference with regards to cooperation and extra-role customer behaviour.

### **RESEARCH GAP**

The above review presents a treasure of knowledge and information in respect of the earlier studies on various parameters to measure the perception of customers towards retail banking. However, only few studies have covered the relationship among the perceived service quality and satisfaction levels of the respondents belonging to different demographic variables towards retail banking in private sector banks in India. This study therefore sought to investigate the impact of perceived service quality dimensions on customer satisfaction in retail banking using the SERVQUAL model.

### **OBJECTIVES OF THE STUDY**

The study has been undertaken to contribute towards the following broad objectives.

- To analyse the different demographic variables of customers and their perceptions regarding service quality in retail banking sector.
- To study the relationship between identified variables of service quality and customer satisfaction in retail banking sector.

### **HYPOTHESIS OF THE STUDY**

In order to examine the perception of the customers towards service quality dimensions in retail banking services of the commercial banks, the following hypotheses have been formulated and tested.

**H<sub>01</sub>:** There is no significant difference between demographic variables of customers and their perceptions regarding service quality in retail banking sector.

**H<sub>02</sub>:** There is no significant relationship between identified variables of service quality and customer satisfaction in retail banking sector.

## RESEARCH DESIGN AND METHODOLOGY

### RESEARCH METHODOLOGY

To achieve the objective of the study, primary data has been collected through questionnaire on 5 point Likert scale which aims to gather information related to Service quality and customer satisfaction based on certain parameters related to commercial customers.

The statistical tools employed in this study are Correlation analysis and ANOVA (Analysis of Variance). SPSS 22 was used to perform statistical analysis and reliability of the data was carried out by using Cronbach's alpha value.

### SAMPLE UNIT AND SIZE

Sampling unit was the customers of two private sector banks i.e. ICICI bank and AXIS bank who had an account in branches located in Jaipur. For purpose of our study a sample of 50 customers was drawn on the basis of simple random sampling method.

### RELIABILITY ANALYSIS

In order to test reliability, Cronbach's coefficient alpha was used as it is the most common method used for assessing the reliability for a measurement scale with multi-point items.

**Table I: Reliability Statistics**

Reliability Statistics		
Parameters	Cronbach's Alpha	N of Items
Assurance	<i>0.740</i>	4
Empathy	<i>0.737</i>	5
Reliability	<i>0.771</i>	5
Responsiveness	<i>0.736</i>	4
Tangibility	<i>0.805</i>	4
Customer Satisfaction	<i>0.845</i>	28

*Source: Output of IBM-SPSS 22*

From the above table we can see that in all the parameters Cronbach's alpha is more than 0.700 which indicates a high level of internal consistency for our scale with this specific sample.

## DATA ANALYSIS

In order to analyze the objectives of the study several statistical methods and tests were used.

The demographic profile of the respondents is analyzed on the basis of their age, gender, occupation and income group. To test the  $H_{01}$  ANOVA is used in order to analyze whether there are any significant difference in the demographic variables of customers and their service quality perceptions between the retail customers considered for the study

**$H_{01}$ - There is no significant difference between Demographic Variables of Customers and Their Perceptions Regarding Service Quality** in selected private sector banks in Retail Banking.

**Table II: Difference between Age group and Service Quality**

Parameters		Sum of Squares	Df	Mean Square	F	Sig.
<b>Assurance</b>	Between Groups	1.587	3	.529	1.965	.132
	Within Groups	12.389	46	.269		
	Total	13.976	49			
<b>Empathy</b>	Between Groups	1.168	3	.389	1.134	.345
	Within Groups	15.789	46	.343		
	Total	16.957	49			
<b>Reliability</b>	Between Groups	2.864	3	.955	3.278	.029
	Within Groups	13.396	46	.291		
	Total	16.260	49			
<b>Responsiveness</b>	Between Groups	2.733	3	.911	2.396	.080
	Within Groups	17.487	46	.380		
	Total	20.220	49			
<b>Tangibility</b>	Between Groups	1.758	3	.586	2.012	.125
	Within Groups	13.398	46	.291		
	Total	15.156	49			

*Source: Output of IBM-SPSS 22*

### Interpretation

This table shows the output of the ANOVA analysis and whether we have a statistically significant difference between our age group means. It can see that in case of assurance null hypothesis is accepted as sig. value is **0.132** which is more than 0.05 and it has proved that **assurance is not influenced by age group of respondents.**

In case of empathy null hypothesis is accepted as sig. value is **0.345** which is more than 0.05 and it has proved that **empathy is not influenced by age group of respondents.**

In case of reliability null hypothesis is rejected as sig. value is **0.029** which is less than 0.05 and it has proved that **reliability is influenced by age group of respondents.**

In case of responsiveness null hypothesis is accepted as sig. value is **0.080** which is more than 0.05 and it has proved that **responsiveness is not influenced by age group of respondents.**

Lastly in case of tangibility null hypothesis is accepted as sig. value is **0.125** which is more than 0.05 and it has proved that **tangibility is not influenced by age group of respondents.**

### Findings

Above analysis concluded that in case of assurance, empathy, responsiveness and tangibility the null hypothesis is accepted and it proves that **there is no significant difference between age group of customers and their perception regarding Assurance, Empathy, Responsiveness and Tangibility in selected private sector banks in Retail Banking.**

Whereas in case of reliability null hypothesis is rejected and it proves that **there is a significant difference between age group of customers and their perception regarding Reliability in selected private sector banks in Retail Banking.**

**Table III: Difference between Gender and Service Quality**

Parameters		Sum of squares	Df	Mean square	F	Sig
<b>Assurance</b>	Between groups	.002	1	.002	.006	.936
	Within groups	13.974	48	.291		
	Total	13.976	49			
<b>Empathy</b>	Between groups	.002	1	.002	.005	.946
	Within groups	16.955	48	.353		
	Total	16.957	49			
<b>Reliability</b>	Between groups	.211	1	.211	.632	.430
	Within groups	16.049	48	.334		

	Total	16.260	49			
<b>Responsiveness</b>	Between groups	.020	1	.020	.047	.830
	Within groups	20.200	48	.421		
	Total	20.220	49			
<b>Tangibility</b>	Between groups	.207	1	.207	.666	.419
	Within groups	14.949	48	.311		
	Total	15.356	49			

Source: Output of IBM-SPSS 22

### Interpretation

This table shows the output of the ANOVA analysis and whether we have a statistically significant difference between our gender group means. It can be seen that in case of assurance null hypothesis is accepted as sig. value is **0.936** which is more than 0.05 and it proves that **assurance is not influenced by gender group of respondents**.

In case of empathy null hypothesis is accepted as sig. value is **0.946** which is more than 0.05 and it has proved that **empathy is not influenced by gender group of respondents**.

In case of reliability null hypothesis is rejected as sig. value is **0.430** which is more than 0.05 and it has proved that **reliability is not influenced by gender group of respondents**.

In case of responsiveness null hypothesis is accepted as sig. value is **0.830** which is more than 0.05 and it has proved that **responsiveness is not influenced by gender group of respondents**.

Lastly in case of tangibility null hypothesis is accepted as sig. value is **0.419** which is more than 0.05 and it has proved that **tangibility is not influenced by gender group of respondents**.

### Findings

Above analysis concluded that in case of assurance, empathy, responsiveness and tangibility the null hypothesis is accepted and it proves that **there is no significant difference between gender group of customers and their perception regarding Assurance, Empathy, Responsiveness and Tangibility in selected private sector banks in Retail Banking**.

Whereas in case of reliability null hypothesis is rejected and it proves that **there is a significant difference between age group of customers and their perception regarding Reliability in selected private sector banks in Retail Banking**.

Table IV: Difference between Occupation Profile and Service Quality

Parameters		Sum of Squares	Df	Mean Square	F	Sig.
Assurance	Between Groups	2.206	4	.551	2.108	.095
	Within Groups	11.770	45	.262		
	Total	13.976	49			
Empathy	Between Groups	2.650	4	.663	2.084	.099
	Within Groups	14.307	45	.318		
	Total	16.957	49			
Reliability	Between Groups	1.909	4	.477	1.497	.219
	Within Groups	14.351	45	.319		
	Total	16.260	49			
Responsiveness	Between Groups	2.525	4	.631	1.605	.189
	Within Groups	17.695	45	.393		
	Total	20.220	49			
Tangibility	Between Groups	.342	4	.086	.260	.902
	Within Groups	14.814	45	.329		
	Total	15.156	49			

Source: Output of IBM-SPSS 22

### Interpretation

This table shows the output of the ANOVA analysis and whether we have a statistically significant difference between our occupation profile means. It can see that in case of assurance null hypothesis is accepted as sig. value is **0.095** which is more than 0.05 and it has proved that **assurance is not influenced by occupation profile of respondents**.

In case of empathy null hypothesis is accepted as sig. value is **0.099** which is more than 0.05 and it has proved that **empathy is not influenced by occupation profile of respondents**.

In case of reliability null hypothesis is accepted as sig. value is **0.219** which is more than 0.05 and it has proved that **reliability is influenced by occupation profile of respondents**.

In case of responsiveness null hypothesis is accepted as sig. value is **0.189** which is more than 0.05 and it has proved that *responsiveness is not influenced by occupation profile of respondents.*

Lastly in case of tangibility null hypothesis is accepted as sig. value is **0.902** which is more than 0.05 and it has proved that *tangibility is not influenced by occupation profile of respondents.*

### Findings

Above analysis concluded that in case of assurance, empathy, reliability, responsiveness and tangibility the null hypothesis is accepted and it proves that *there is no significant difference between occupation profile of customers and their perception regarding Assurance, Empathy, Reliability, Responsiveness and Tangibility in selected private sector banks in Retail Banking.*

**Table V: Difference between Income group and Service Quality**

Parameters		Sum of Squares	Df	Mean Square	F	Sig.
Assurance	Between Groups	.988	3	.329	1.166	.333
	Within Groups	12.988	46	.282		
	Total	13.976	49			
Empathy	Between Groups	1.058	3	.353	1.021	.392
	Within Groups	15.899	46	.346		
	Total	16.957	49			
Reliability	Between Groups	1.013	3	.338	1.019	.393
	Within Groups	15.247	46	.331		
	Total	16.260	49			
Responsiveness	Between Groups	.343	3	.114	.265	.850
	Within Groups	19.877	46	.432		
	Total	20.220	49			
Tangibility	Between Groups	.108	3	.036	.110	.954
	Within Groups	15.048	46	.327		
	Total	15.156	49			

Source: Output of IBM-SPSS 22

### Interpretation

This table shows the output of the ANOVA analysis and whether we have a statistically significant difference between our income level group means. It can be seen that in case of assurance null hypothesis is accepted as sig. value is **0.333** which is more than 0.05 and it proves that ***assurance is not influenced by income level group of respondents.***

In case of empathy null hypothesis is accepted as sig. value is **0.392** which is more than 0.05 and it has proved that ***empathy is not influenced by income level group of respondents.***

In case of reliability null hypothesis is accepted as sig. value is **0.393** which is more than 0.05 and it has proved that ***reliability is influenced by income level group of respondents.***

In case of responsiveness null hypothesis is accepted as sig. value is **0.850** which is more than 0.05 and it has proved that ***responsiveness is not influenced by income level group of respondents.***

Lastly in case of tangibility null hypothesis is accepted as sig. value is **0.954** which is more than 0.05 and it has proved that ***tangibility is not influenced by income level group of respondents.***

### Findings

Above analysis concluded that in case of assurance, empathy, reliability, responsiveness and tangibility the null hypothesis is accepted and it proves that ***there is no significant difference between income level group of customers and their perception regarding Assurance, Empathy, Reliability, Responsiveness and Tangibility in selected private sector banks in Retail Banking.***

### DESCRIPTIVE STATISTICS

In this research paper descriptive statistics have been used to summarize the general characteristics of the respondents. The below table shows the mean score and standard deviation of different identified variables of service quality and customer satisfaction.

Table VI: Descriptive Statistics

Descriptive Statistics			
Parameters	Mean	Std. Deviation	N
Assurance	4.0650	.53407	50
Empathy	3.7920	.58827	50
Reliability	3.8200	.57605	50
Responsiveness	3.5900	.64238	50
Tangibility	4.3250	.55616	50
Customer Satisfaction	3.6643	.39076	50

Source: Output of IBM-SPSS 22

In the present study to test the H<sub>02</sub>, correlation analysis is used to analyze the extent of relationship between **Identified variables of service quality and customer satisfaction**.

**H<sub>02</sub>: There is no significant relationship between identified variables of service quality and customer satisfaction in Retail Banking Sector.**

Table VII: Correlation Analysis

		Assurance	Empathy	Reliability	Responsiveness	Tangibility
Customer Satisfaction	Pearson Correlation	.599**	.580**	.441	.414	.690**
	Sig. (2-tailed)	.000	.000	.009	.010	.000
	N	50	50	50	50	50

Source: Output of IBM-SPSS 22

### Interpretation

The above table revealed that there is a significant relationship between all the identified variables of **Service quality** and **Customer Satisfaction**. It has found that **Tangibility** has highest **Pearson correlation 'r' value 0.690** and **sig value (p value) is 0.000** which indicates that there is a statistically significant positive correlation between **tangibility** and **customer satisfaction**.

In case of *Assurance* the **Pearson correlation 'r' value 0.599** at **sig. Value (p value) is 0.000**. This being less than the alpha level of significance of 0.05, implies that there is a statistically significant positive correlation between *assurance* and *customer satisfaction*.

*Empathy* has **Pearson correlation 'r' value 0.580** and **p value (sig value) is 0.000** which indicates that there is a statistically significant positive correlation between *empathy* and *customer satisfaction*.

*Reliability* has **Pearson correlation 'r' value 0.441** and **p value (sig value) is 0.009** which indicates that there is a statistically significant positive correlation between *reliability* and *customer satisfaction*.

*Responsiveness* has **Pearson correlation 'r' value 0.414** and **p value (sig value) is 0.010** which indicates that there is a statistically significant positive correlation between *responsiveness* and *customer satisfaction*.

### Findings

Above analysis concluded that there is a statistically significant impact of all identified variables of service quality on customer satisfaction. In other words we can say that if private sector retail banking enhances their quality of services so ratio of satisfaction level of customer can also uplift accordingly because there is **positive correlation** come in the analysis.

## CONCLUSION

Banks in India, especially private sector banks have to considerably enhance their services in order to meet the demands and challenges of the changing business and banking environment. Customer satisfaction is a critical business requirement. While, service quality is essential in today's competitive market. The objective of this study was to find out customer satisfaction on service quality dimensions. Study revealed that all identified variables of service quality i.e. assurance, empathy, reliability, responsiveness and tangibility have a statistically significant positive correlation with customer satisfaction.

This study further showed that tangibility, assurance and empathy have high Pearson correlation value with significant effect. It means that in private sector retail banking customers are highly satisfied in terms of tangibility, assurance and empathy. Whereas in case of reliability and responsiveness have low Pearson correlation value with significant effect. The differences on the basis of age were significant for reliability. Analysis shows that there is no significant difference between employment particulars of customers and their perception regarding all identified variables of service quality in Retail Banking. Different income groups do not vary significantly for their perception of all identified variables of service quality. It has found that there is no significant difference between gender of customers and their perception regarding Assurance, Reliability, Responsiveness and Tangibility in selected private sector banks in Retail Banking whereas opinions of customers regarding Empathy is significantly different between male and female in Private Sector Banks.

The findings of the study showed that service quality dimensions can be used by banks to attract and maintain their customers. To survive in the competitive banking industry, banks have to develop new strategies which will satisfy their customers.

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