Measuring Customer Satisfaction and Factors Affecting it in Banking Sector: A Case Study of Banks in Bhubaneswar City

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Abstract

With the economic growth of country being on accelerating mode, role of banking industry is also important in this growth. Today, banking is regarded as a consumer-oriented service industry and banks have started realizing that their business increasingly depends on the quality of the consumer service provided and overall satisfaction of the customer. The service quality has been regarded as the important factor in order to succeed and have endurance in banking industry, especially when there has been continuously growing competition. The purpose of this paper is to identify the factors affecting customer satisfaction in retail banking and to measure the level of customer satisfaction. This is an empirical study using mainly primary data collected through a well-structured questionnaire. It is hoped that this research paper would help the banks in improving the overall level of customer satisfaction, thereby helping the banks to retain and expand their overall customer base.

Keywords: Customer Satisfaction, Banks, Service Quality

Introduction

A bank is a financial institution that provides banking and other financial services to their customers. The banking industry in India has undergone a number of major changes in the post-independence era. More recently, liberalization, the opening up of the economy in the 1990s and the government's decision to privatize banks by reduction in state ownership has led to more competition and growth of banking sector.

Due to rapidly changing market, new technologies, economic uncertainties, heavy competition and more aware customers banks are facing huge challenges to keep their customers satisfied and retained. Many new entities domestic as well as cross border have made the process as well as operation more vigorous & intense. They have expanded geographically as well as functionally. They have been meticulous in keeping customer details, requirements, cash potentials and have become market driven & market responsive.

Nowadays banking industry is met morphing into customer centric industry. The major focus of banking industry has now become customer's satisfaction. Keeping the importance of customer satisfaction in mind, banks need to maintain stable and close relationships with their customers. There exists a strong link between

customer satisfaction & service quality. Excellent service quality is not an optional competitive strategy which may, or may not, be adopted today it is essential to corporate profitability and survival.

In this study, an attempt has been made to understand the various factors affecting customer satisfaction in the Indian retail banking scenario. The aim of the study is to measure the level of customer satisfaction among the Indian retail banking customers.

Necessity & Importance of Measuring Customer Satisfaction in Banking

Various researchers have defined customer satisfaction in different ways.

Customer satisfaction is a person's feelings of pleasure or disappointment that results from comparing a product's perceived performance (or outcome) to their expectations. (OLIVER, 1980)

Satisfaction is the consumer's response to an evaluation of the perceived discrepancy between prior expectation & the actual performance of the product as perceived after its consumption. (TSe& Wilton, 1988)

The importance of measurement of customer satisfaction lies in the fact that one key to customer retention is customer satisfaction. Customer satisfaction levels need to be judged and the application of the knowledge of customer satisfaction is imperative to establishing a long-term relationship with customers and long-term competitiveness. A highly satisfied customer generally stays longer, buys more as the company introduces new products and services and upgrades existing products and services, talks favourably to others about the company, pays less attention to competing brands, ignores small mistakes, offers product or service ideas to the company and costs less to serve than new customers.

Customers' wants, needs, and expectations change quickly. Therefore, what would have delighted and surprised them a short while back might not satisfy them at present. Banks may not be able to provide superior services to the customers unless customer expectations are known to them. Customer expectations can be known through the knowledge of satisfaction levels of customers. This necessitates the measurement of customer satisfaction level which in turn necessitates determination of the factors affecting it.

Literature Review

Customer satisfaction has been considered the essence of success in today's highly competitive banking industry. Prabhakaran and Satya (2003) mentioned that the customer is the king. Heskett et al. (1997) argued that profit and growth are stimulated primarily by customer loyalty. Gee et al. (2008) and Pfeifer (2005) pointed out that the cost of serving a loyal customer is five or six times less than a new customer.

On the other hand, dissatisfied customers will most probably switch to a different brand; this will lead to negative advertising was mentioned by (Nasserzadeh et al., 2008).

Previous researches have shown strong linkages between service quality dimensions and overall customer satisfaction (Anderson and Sullivan (1993)). Quality customer service and satisfaction are recognized as the most important factors for bank customer acquisition and retention (Jamal, 2004; Armstrong and Seng, 2000; Lassar et al., 2000).

The service quality variables identified by Parasuraman et al., (1994) are reliability, responsiveness, competence, accessibility, courtesy, assurance, security, understanding and tangibility. In the present study, the service quality in retail banking is studied using variables drawn from the reviews (Verma and Vohra 2000; Mushtag A Bhatt, 2005;MISTRY 2013; Darwar 2013).

Research Methodology

The major aim of the study was to identify the factors that affect the levels of customer satisfaction in retail banking.

Objectives

The study was conducted by keeping the following objectives in mind:

1. To measure customer satisfaction level in retail banking

2. To identify the major factors of customer satisfaction in retail banking

A systematic and coherent approach has been adopted for the research study. SERVQUAL, later called RATER, is a quality management framework and is used in this study. It was developed in the mid-1980s which highlights the main components of high quality service. The SERVQUAL originally identified 10 elements of service quality, but later, these were collapsed into five factors - that create the acronym RATER.

1. Reliability: The ability to perform the promised service dependably and accurately.

2. Assurance: The knowledge and courtesy of employees and their ability to convey trust and confidence.

3. Tangibility: The appearance of physical facilities, equipment, personnel and other materials.

4. Empathy: The provision of caring, individualized attention to customers

5. Responsiveness: The willingness to help customers and provide prompt service

For identifying the satisfaction factors, the respondents were asked to rate their bank on various categories. All the items were put on a five-point Likert scale ranging from strongly agree (1) to strongly disagree (5).

Sample and Sample Size

The selected respondents represented a balanced mix of various demographic factors (age, gender, education levels, and employment status, income groups). For the data collection, sample of 60 customers who have their bank account with different banks in Bhubaneswar city on convenience basis.

Table: 1 Demographic Analysis

PARAMETERS	NO. OF RESPONDENTS	PERCENTAGE
GENDER		
Male	37	61.67 %
Female	23	38.33 %
TOTAL	60	100 %
AGE GROUP		
Less than 25	14	23.33 %
25-40	16	26.67 %
40-55	21	35 %
Above 55	9	15 %
TOTAL	60	100 %
OCCUPATION		
Service	23	38.33 %
Self-Employed	5	12 %
Student	6	10 %
Business	14	23.33 %
Others	12	20 %
TOTAL **QUALIFICATION**	60	100 %
Illiterate	0	0 %
Under Graduate	6	10 %
Graduate	33	55 %
Post Graduate	17	28.33 %
Others	4	6.67 %
TOTAL	60	100 %

ANNUAL INCOME		
Below 200,000	13	21.66 %
Between 200,000-500,000	12	20 %
Between 500,000-10,00,000	15	25 %
Above 10,00,000	20	33.33 %
TOTAL	60	100 %

Analysis & Findings

The demographic details of respondents on the various parameters like Gender, Age group, Education , Occupation and Income group was described in Table:1 as follows:

Interpretation

Table No.1 indicates the descriptive analysis for demographic information indicates that among the analysed samples (N= 60), consists of 61.67% of males & 38.33% females. In terms of age group 23.34% were less than 25 years, 26.67% were between 25-40 years, 35% i.e. maximum of them lied between 40-55 years & only 15% were above 55 years. Education status of the respondents indicates that 10%of the respondents were undergraduate, 55% were graduates, 28.33% were postgraduates & 6% fell in the others category. There were 38.33% in service, 12% were self- employed, 23% were into business, 10% were students & rest 20% were others. Income profile of the respondents shows that 21.66% earned below2,00,000, 20% were between 2 to 5 lakhs, 25% earned between 5 to 10 lakhs & majority of respondents i.e. about 33% earned above 10 lakhs. The main idea behind doing a demographic analysis is to get a clear profile of the banking users.

TABLE 2: Service Quality Factors

Sr. No	Service Quality	Attributes
1.	Reliability	When my bank promises to do something by a certain time, it does so
		When I have problem, my bank shows sincere interest in solving it.
		My bank delivers error free records.
		My bank has competitive interest rates & fair service charges.
2.	Assurance	The behaviour of employees in my bank instil confidence in me
		Employees in my bank are consistently courteous with me.
		I feel safe in my transactions with my bank.
		Employees in my bank have the knowledge to clarify my questions.
		My bank uses modern looking equipment & latest technology.
		Materials associated with service (withdrawal forms, a/c opening forms etc.) are easy to use & are readily available in my bank.

Sr. No.	Service Quality	Attributes	Mean	Standard Deviation	Rank
3.	Tangibility	My bank's physical facilities and amenities are satisfactory.			
		My bank also provides phone banking & online banking facilities.			
4.	Empathy	The employees of my bank understand my specific need.			
		My bank has operating hours convenient to all its customers.			
		My bank gives me individual attention.			
		My Bank offers special counter & services for its privileged customers			
5.	Responsiveness	Employees of my bank give me prompt & quick service.			
		Employees of my banks are always willing to help me.			

Based on in-depth literature review, an exhaustive list of 18 items was identified as shown in Table II. Based on these 18 attributes, a well-structured questionnaire was prepared. For identifying the satisfaction factors, the respondents were asked to rate their bank on these 18 items. The mean and standard deviation was computed for their ratings.

TABLE: 3 Ranking

Sr. No.	Service Quality	Attributes	Mean	Standard Deviation	Rank
1.	Reliability	When my bank promises to do something by a certain time, it does so	1.45	0.71115237	1
		When I have problem, my bank shows sincere interest in solving it.	1.78333	0.87011713	4
		My bank delivers error free records.	2.650	1.30352611	12
		My bank has competitive interest rates & fair service charges.	1.666667	0.80299984	2
2.	Assurance	The behaviour of employees in my bank instil confidence in me	2.333	1.09644233	10
		Employees in my bank are consistently courteous with me.	2.116667	0.99328345	9
		I feel safe in my transactions with my bank.	1.850	0.88382551	6
		Employees in my bank have the knowledge to clarify my questions.	2.916667	1.20506671	15

3.	**Tangibility**	My bank uses modern looking equipment & latest technology.	3.00	1.28036879	17
		Materials associated with service (withdrawal forms, a/c opening forms etc.) are easy to use & are readily available in my bank.	2.66667	0.95241998 4	13
		My bank's physical facilities and amenities are satisfactory.	3.40	1.21736075	18
		My bank also provides phone banking & online banking facilities.	1.916667	0.94594330	8
4.	**Empathy**	The employees of my bank understand my specific need.	2.60	0.97845646	11
		My bank has operating hours convenient to all its customers.	1.88333	0.81162999 46	7
		My bank gives me individual attention.	2.80	1.09843405	14
		My Bank offers special counter & services for its privileged customers	2.966667	1.14471940	16
5.	**Responsive ness**	Employees of my bank give me prompt & quick service.	1.716666 7	0.77017491	3
		Employees of my banks are always willing to help me.	1.83333	0.87152900 25	5

Findings

In the above analysis various attributes have been ranked on the basis of their mean. Attributes having lowest mean have been ranked at the very first rank and the one with highest mean has been ranked the least. In this paper we have found that a customer gives highest importance to the reliability dimension. Within that reliability dimension they give maximum focus on how banks fulfil their promise, whether bank has competitive interest rates and service charges and how much interest they show to do work. Those three attributes have scored the first and second & fourth rank respectively which can be seen in the above table. Then the next important dimension is the responsiveness of bank employees. It includes promptness in giving service & willingness to help customers which have been ranked in 3rd and 5th position. Customer gives third preference to assurance dimension, which includes attributes like safety of transaction, consistency in service positioned at 6th & 10th. It is also seen that operating hours of bank and phone, online banking facilities are important for customers.

Conclusion

As we have stated that the concentration is made on the key factors which influence the customer satisfaction levels, we have identified those dimensions and are reported. These factors were identified on the basis of the ordered ranks. The result of this study provides evidence that the SERQUAL

dimensions are useful tool to predict over all service performance of banks. In this paper we have found that a customer gives highest impotence to reliability dimension, second to the responsiveness and third to assurance dimension. Tangibility is the least focused dimension for the customers. The results give a detailed picture about the attributes, such as promptness of service, interest of the bank employee in serving the customers, care and concern, operating hours, service charges & interest rates of the bank and are the most important key factors to be considered in achieving high end customer satisfaction.

So, banks should give more focus on increasing reliability, responsiveness and assurance. For which they can give training to their employee which will help them to give excellent service to customers thereby raising the satisfaction levels.

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