ISSN (Print) 2321-3280
ISSN (Online) 2319-4618

International Journal of Reviews, Surveys and Research (IJRSR)

Current Issue - Volume 3 Issue 2 May 2014

(Approved and Registered with Govt. of India)

A COMPARATIVE STUDY OF PUBLIC AND PRIVATE SECTOR BANKS OF INDIA IN REGARDS TO CUSTOMER SATISFACTION

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INTRODUCTION

In India the Banking is very old like its civilization. The existence of banking system in India can be traced in Vedic period. The year 1786 marked the beginning of the establishment of formal banks in India. In this era, two banks, namely, general bank of India and bank of Hindustan came into existence. Both the banks, however, had to be declared defunct soon.

The beginning of nineteenth century was marked by tremendous growth of trading activities in India. This was especially true in case of Calcutta (now called Kolkata), which became the hub of trade in India during that period. Rise in trade paved way for establishment of the bank of Bengal (modern day State Bank of India) in Calcutta in 1806. By the mid of 19th century, many foreign banks like credit lyonnais had also started their operations in Calcutta. Allahabad Bank became the first fully owned Indian bank with its establishment in 1865.

The banking sector in India was regulated to a certain extent in 1935 with reserve bank of India (RBI) being bestowed with the responsibility to act as a regulator. After the independence of the country in 1947, the government of India realized that 'laissez faire' policy cannot be continued for an important sector like banking. Hence, reserve bank of India was nationalized in 1948 and was empowered to 'regulate, control and inspect the banks in India'. However, in spite of empowerment of RBI, banks in India, except the state bank of India in 1806) continued to be owned and operated by private persons till their nationalization in

1969 and further in 1980. nationalize of bank was a historic step and the same work wonder for India as nationalized banks took banking to all parts of the country, including remote villages. Nationalization of banks, thus, can be described as a stepping stone for the development of banking in India. If nationalization of banks motivated people to restart to banking, liberalization, privatization and globalization policy adopted by India in 1991 gave them wider choices to satisfy their financial needs. Today, banking industry of India is one of the most dynamic, vibrant and deep rooted one. The total deposits of scheduled commercial banks of India stood at Rs. 257122 crore in 2007-08. Their assets are estimated to be worth Rs. 582075 crore and profits 3420261 lacs. Overwhelmed with the progress of banking in India, Prime Minister Dr. Man Mohan Singh has categorically stated that one sector, in which India has outperformed its key economic rival china has been banking.

At this backdrop, a study on bank's perception in the mind of customers and comparative analysis of services of private and public sector bank sounds interesting. Such analysis will provide the banks with a quantitative and qualitative estimate of their services as perceived by their customers.

LITERATURE REVIEW

It is not only customary but also absolutely necessary for a researcher to review the existing literature. By doing so, he/she may put greater emphasis on those aspects of research problem which have not been duly covered by earlier researchers. Moreover, it facilitates the comparison between the earlier findings and findings of the present research study. Some important studies conducted in India and abroad are discussed in subsequent paragraphs.

Narayana & Brahmanandam (1990) in their study, “A Study of Customer Services in Commercial Banks” have studied customer services in banks by analysing physical facilities, reputation of bank, complaints and suggestion system, staff behaviour besides their diverse services like account operations, cheque operations, draft and money transfer operations etc. The authors have concluded that the banks which are good in the said services are enjoying more satisfied customers in comparison to the banks which are lagging in the same.

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Reichheld and Sasser (1990) in their study, "Zero Defection: Quality Comes to Service" have examined relationship between customer retention and profitability and found out that customer retention helps in improving profitability of a concern. They have suggested a "Zero Defection of Profitable Customers" approach to attain higher profitability.

Levesque Terrence, Mc Dougall, Gordon H.G. (1996), in their study "Determinants of Customer Satisfaction in Retail Banking", have examined the impact of service delays on customers experience and their subsequent reaction. The author has found a positive correlation in between the service delays and unpleasant customer experience. The customer's reaction to delays, however, differs. Whereas, some customers switchover the service provider, others spread negative word of mouth. A few customers, however, remained intact with the provider on account of its good track record in the past.

Mylonakis, J., P.G. Mlliaries, G.J. Siomkos (1998) in their study, "Marketing-Driven Factors Influencing Savers in the Hellenic Bank Market" have analyzed the factors which influence the choice of a bank. It has been concluded that convenience, bank's reputation or image, quality of services, range of products, interest rates and fees (prices), as well as responsiveness to consumer's needs are some important factors. Prime location and bank's ability to meet consumer's changing needs are also very relevant.

Mittal and Lassar (1998) in their study, "Why Do Customer Switch? The Dynamics of Satisfaction Versus Loyalty" have examined the relationship between consumer satisfaction and consumer loyalty. Two different concepts of service quality i.e. "Technical Quality and Functional Quality" have been used and two services i.e. "Health Care and Car Repair" are selected. Intent has been to select a service with high interpersonal contact opportunity between the customer and the service provider (health care) and another with the relatively low opportunity (car repair). It has been found that the relationship between satisfaction and loyalty is asymmetrical; while dissatisfaction nearly guarantees switching, satisfaction does not ensure loyalty. The drivers of "Loyalty beyond Satisfaction" are different from what drives dissatisfaction versus satisfaction. The potency of technical quality (the

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quality of work performed) and functional quality (the quality of the service) in delivering satisfaction and loyalty differs. For a low contact service (car repair), technical quality is needed to obtain satisfaction and the functional quality is needed to drive loyalty beyond satisfaction.

Huseyin Arasli (2003) in his study, "Customer Perception of Bank Service Quality in Developing Country: Some Evidence From the Turkish Republic of Northern Cyprus" has conducted a survey of 260 customers of selected banks in Turkish Republic of Northern Cyprus and examined customer's perception in respect of service quality. He has observed that better service quality is necessary for customer satisfaction. He has found that "as service quality improves, customer satisfaction increases which in turn leads to customer loyalty and customer retention and positive words to others for the enterprise". Pertaining to his study, he has concluded that the expectations of customers have not been met by the banks. The customers expect safety, politeness and helping attitude from staff which has been found missing. Banks are focusing more on new customers. Liquidation of several banks resulted in shifting of customers to sound banks and this resulted in making financial soundness of banks as one of the important criterion for selecting a bank.

Nalini (2006) in her study, "A Service Quality Model for Customers in Public Sector Banks" has opined that entry of new private sector banks in the banking industry of India has lead to higher utilisation of technology, improved customer service and better products.

Duffy, Miller and Bexley (2006) in their study, "Banking Customer's Varied Reactions to Service Recovery Strategies" conducted a study on service recovery in US retail banking to examine the link between satisfaction and various recovery strategies. It has been found in the study that the degree of customer satisfaction is strongly influenced by the type of recovery strategies used by the bank. The study has further indicated that recovery efforts are best directed towards empathic listening and fixing the problem rather than apologizing or making atonement.

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Jaiswal K.S and Neetu Singh (2007) in their study, "Retail Banking: Indian Scenario", have elaborated that customer retention and customer share are the two very important aspects for a concern apart from attracting new customers. Customer share is the ratio of a customer's purchase of a category of products or services from supplier X to the customer's total purchase of products or services of that category from all suppliers. This, thus, discard dead or nearly dead accounts from customer retained category. The authors have also elaborated upon demographics, value, attitude, belief, knowledge, needs and motivation as a base for designing CRM and successful marketing.

OBJECTIVES OF THE STUDY

1. To compare the services of different banking sectors which are largely offered by them.
2. To check the expectations and the level of satisfaction of the customers towards the services rendered by public and private sector banks.

RESEARCH HYPOTHESIS

In the light of above objectives the present study is intended to test the following hypotheses:

H_0: There is no difference in satisfaction level of customers in public and private banks.

H_1: There is significant difference in the satisfaction level of customers in public and private sector banks.

RESEARCH METHODOLOGY

The present study aims at assessing the customer satisfaction of the public and private banks operating in key service sector industries of India. Under Public sector banks State Bank of India, Punjab National Bank and Central bank of India were selected and ICICI, HDFC and Axis Bank were selected among Private Sector Banks. To accomplish the objectives of the study, the research has made use of both primary as well as secondary data. The primary data have been collected with the help of a structured questionnaire addressed to the customers of the selected service organizations. The customers of the selected organizations included in the sample have been chosen on the basis of the judgment and

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convenience of the researcher. In all, 400 customers have constituted the sample needed to get a bird's eye view of customer satisfaction practices being adopted by the selected organizations. Since the customer base of these selected service organizations is enormous, the researcher has chosen 200 customers of each of them means 200 from private sector banks and 200 from public sector banks to see how they rate the satisfaction of their organizations. Secondary data has been gathered from the published annual reports of selected companies and various published and unpublished government reports, magazines, newspapers etc. The data so collected has been analyzed with the help of statistical software package SPSS using various statistical techniques such as mean, standard deviation, coefficient of variation, analysis of variance and so on and presented using appropriate statistical tables, figures and charts etc. The prominent statistical techniques used in the study and their explanation follows:

ANALYSIS AND FINDINGS

Reliability test was examined on all the factors by Cronbach's Alpha test. It was adopted to check the internal consistency. It is clear from the reliability test with all values greater than threshold of 0.60 (Walsh, 1995). The selected items are reliable from the reliability test results.

Table 1: Independent sample t-test showing the effect of banking services on customer satisfaction

Variables	Mean		Standard Deviation		t-value
	Public Sector	Private Sector	Public Sector	Private Sector	
Strategic intent	22.15	23.27	2.89	3.51	2.20**
Product availability	26.87	27.57	4.69	4.55	0.958**
Prices of the services	21.15	22.70	4.02	4.75	2.224**
Location of the bank	16.67	16.30	2.83	3.45	-0.750
Timely delivery of the n Services	27.67	26.40	2.29	4.57	-2.230
Extra Services	22.26	22.70	2.89	4.60	0.720**

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Source: Customer Survey
**Significance at 0.01 levels
* Significance at 0.05 levels

The results of table 1 show a significant difference between public and private banks in all the variables, it was decided to examine whether the differences are significant or not. For this purpose independent sample t-test was performed. This test is used when there are two experimental conditions and different subjects were assigned to each condition. Table 1 shows there are significant relationship between all the variables and the ownership of bank. The results revealed that customers are more satisfied with the private sector banks than the public sector banks. Hence it can be inferred that customer satisfaction is higher in private banks than in public banks. Table 1 tells that customer satisfaction is largely dependent upon products availability in the banks rather than locations of the bank.

Table 2: Correlation of attributes selected for measuring customer satisfaction

	Strategic intent	Product availability	Prices of the services	Location of the bank	Timely delivery of the n Services	Extra Services
Strategic intent	1					
Product availability	.759**	1				
Prices of the services	.699**	.799**	1			
Location of the bank	.370**	.640**	.475**	1		
Timely delivery of the n Services	.192*	.240**	.287**	.146	1	
Extra Services	.489**	.536**	.581**	.273**	.503**	1

Source: Customer Survey

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** Significance at 0.01 levels
* Significance at 0.05 levels

Table 2 shows correlation of attributes viz. strategic intent, latest and tailored products availability, prices of the services, location of the bank, timely delivery of the services and extra services likely late hours bank opening, preferred to classic customers for measuring customer satisfaction. Table 2 shows that all the attributes are correlated.

Table 3: Linear regression of attributes selected for measuring customer satisfaction

Variables	R	R Square	Adjusted R Square	Standardized Coefficient Beta	T	Sign
Strategic intent	0.699	0.488	0.485	0.195	2.767	0.006**
Product availability	0.799	0.639	0.636	0.476	5.149	0.000**
Prices of the services	0.475	0.226	0.221	0.002	0.039	0.969
Location of the bank	0.287	0.082	0.076	0.008	0.164	0.870
Timely delivery of the n Services	0.581 0.541	0.337 0.293	0.333 0.289	0.168 0.154	2.811 2.925	0.006** 0.004**

Source: Customer Survey

** Correlation significant at 0.01 levels
* Correlation significant at 0.05 levels

Table 3 shows multiple correlations between prices of the services and strategic intent (0.699), different and tailored products availability in the bank (0.799) and extra services (0.581). This table shows that prices of services is positively correlated with strategic intent, products availability, and extra services which contributing to customer satisfaction.

CONCLUSION & SUGGESTIONS

The time that a customer spends for availing the services with the bank is

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very important whether that is less or more. Relationship marketing should be emphasized upon and special training should be provided to all the corporate staff members in the bank, making them aware about the actual meaning and use of this concept. Table 2 shows the t-test conducted for the sample. As per table all the values except location of the bank and timely delivery of the services are significant. Further, this research shows that private banks are ahead of public banks in strategic intent that is they consider the customers while making new policies and services for winning their satisfaction. This can be attributed to the fact that today larger customers base in India is banking with Private sector banks as compared to Public sector banks. Most of the respondents were of the view that public sector banks are lagging behind in use of modern technology and techno savvy staff. According to Hypothesis H_0 there is no difference in satisfaction level of customers in public and private banks but the findings of this study shows that private sector banks are providing better services in terms of extra services like home facility, 24*7 hours facility etc, query resolution through telephone, prices of the services and above all availability of the multiple products (all the significant t-values taken). Thus hypothesis H_0 is rejected and alternative hypothesis H_1 is accepted.

This study shows that if the facilities in the branch infrastructure, décor, sitting facility, signage, etc. are adequate, it not only leads to customer satisfaction but overall improvement in working of the branch as well whether it is availability of latest products, strategic intent, timely delivery of services. If all the signage are in place it will direct the customer to right desk without wasting their time which further helps the service officer in attending the customers in time and cater to their needs. Table 3 shows correlation of attributes viz. strategic intent of the bank, availability of latest products, prices of the services, location of the bank, timely delivery of services and extra facilities like late hours bank opening, products mixing according to customers needs for measuring customer satisfaction.

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