



SERVICE QUALITY VARIABLES IN CREATING CUSTOMER LOYALTY IN PUBLIC AND PRIVATE SECTOR BANKS

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Abstract

Consumer satisfaction is central to the marketing concept for both profit and not – for profit oriented organizations. Little has been done, however, to advance its usefulness as an operational variable. This study reviews the conceptual foundation of consumer satisfaction and loyalty in the marketing context and explores theoretical and practical issues regarding its measurement.

Key Words: *Customer Loyalty, Tangibility, Satisfaction.*

INTRODUCTION

Consumer satisfaction is central to the marketing concept for both profit and not – for profit oriented organizations. Little has been done, however, to advance its usefulness as an operational variable. This study reviews the conceptual foundation of consumer satisfaction and loyalty in the marketing context and explores theoretical and practical issues regarding its measurement. In an era in which marketing searches for a measure of operating effectiveness (McNeal, 1969) and business seeks indicators demonstrating its social performance, consumer satisfaction is the single concept to serve these dual purposes (Czepiel and Rosenberg, 1977). Yet in a search of 15 marketing textbooks published since 1970. ‘Consumer satisfaction’ is mentioned in the index of only once (McCarthy, 1971). Anderson claims that ‘no satisfactory literal definition has yet been developed for consumer satisfaction or dissatisfaction in the literature of marketing’ (Anderson, 1973). In posing the question of how to measure consumer satisfaction provided by a marketing organisation, McNeal notes that the answer “is not readily apparent in the literature” and adds, “Its lack is both a gap and a dead end in marketing principles”. Given the importance of the consumer satisfaction concept, it’s under developed status is difficult to justify, while consumer satisfaction with the overall marketing system has been explored (Lingoes and pfaff, 1972, Reinhund et al, 1965, wind and Douglas, 1968), guidance for the individual firm is meager. It is the purpose of this article to examine the meaning and measurement of consumer satisfaction for the marketing organization.

REVIEW OF LITERATURE

Customer management is all about knowing and understanding the customer. It calls for a fundamental change in bank’s approach to customers and also in the bank’s culture. Flexible products, excellent service and multiple channels have limited value for a bank without an integrated customer strategy. In the present day technology environment, banks are able to comfortably capture large amount of data about customers. They should use this data to enhance Business Intelligence and deepen their relationships with their customers. This alone would enable the banks to become more responsive to customer needs (Narayanamurthy, 2003). Customers are the pivotal point around whom the entire gamut of banking revolves. Therefore, they always deserve a patient listening. Understanding the needs of the customer is an integral part of relationship building. The needs of the customer get revealed through conversation. Identification of a common area of interest may help the banker to indulge the customer in conversation. This conversation would help the banker to understand the needs of the customer (Purushothaman, 2004).² Today, with the advent of computers and ATMs, the gap between the customers and the banking personnel is widening. The bank staff is on the verge of forgetting the customer orientation. There should be a conscious effort to rebuild the customer relationship. Several organizations regularly send out questionnaires and direct mailers to their customers, analyze the feedback received and initiate appropriate action. Quantifiable determinants enable objective measurement of various parameters for customer service (Ananthakrishnan, 2004).³ the dire competition in the banking industry results mainly through

technology innovation, up gradation and modernization. The whole set of exercises are thus centered to improve customer relationship and deliver quality services to customers. For making any technology-based product or service successful, attributes that should invariably be present in such products or services should be speed, imagination and excellence in execution (Sesha Talpa Sai, 2006).⁴

OBJECTIVES OF THE STUDY

1. To establish the relationship between service quality dimensions, customer satisfaction and their loyalty in private sector and public sector banks, and
2. To make appropriate suggestions for establishment of internal relationship among service quality, level of satisfaction and loyalty.

METHODOLOGY OF THE STUDY

The methodology of the study is based on the primary data collected through well-framed and structured questionnaires to elicit the well-considered opinions of both nationalized bank customers and personnel. Simple Random Sampling method has been used to collect the responses from both bank customers and personnel. Secondary data were collected from bank bulletins, books, journals, magazines, periodicals and websites. The primary data collected through the questionnaires were analyzed using the **SPSS V-15** The following statistical tools used for data analysis .

1. One sample t-test
2. Paired normalized t-test
3. One-way analysis of variance
4. Chi-square test
5. Factor Analysis

DISCUSSIONS AND RESULTS

Factor analysis by principle component method on service quality variables derived seven predominant factors namely, tangibility, reliability, responsiveness, assurance, empathy, confidence building and technology augmentation. The perceptions of customers of these banks are analysed variable-wise using parametric t test.

1. Tangibility in Banks

Tangibles include those factors that a customer can see, hear or touch and includes physical facility, equipment, the ambience of the reception room, well dressed service persons, etc.

Table No. 1.1: Service Tangibility in Banks

	Type	N	Mean	Std. Deviation	Std. Error Mean	T	Sig.
	Public sector banks	300	4.4333	.74884	.04323	3.653	.000
	Private sector banks	204	4.1814	.77615	.05434		
	Public sector banks	300	4.0700	.88376	.05102	1.664	.097
	Private sector banks	204	3.9461	.71716	.05021		
	Public sector banks	300	4.2767	.78454	.04530	1.927	.055
	Private sector banks	204	4.1422	.74569	.05221		
	Public sector banks	300	4.0833	.80740	.04662	0.942	.347
	Private sector banks	204	4.0196	.64297	.04502		
	Public sector banks	300	4.1867	.88000	.05081	1.180	.238
	Private sector banks	204	4.0931	.86312	.06043		

Source: Computed data.

From the above table it was found that in public sector banks easy accessibility of bank (mean=4.4333), private sector banks (mean=4.1814) and the t value=3.653, p=0.05 is statistically significant at 5% level. Therefore, it can be concluded that both the customers of public sectors and private sector banks agree strongly for this statement of service quality dimension. As far as the other service quality dimension for tangibility's are concerned, namely, space for uncluttered movement, well dressed and neat looking employees, physical facilities and use of advanced computer/IT for business operations, there is no significant difference in opinion between the customers of public and private sector banks.

2. Reliability in Banks

Reliability refers to the ability of a firm to perform the promised service with sincere interest dependably and accurately.

Table No. 1.2: Service Reliability in Banks

	Type	N	Mean	Std. Deviation	Std. Error Mean	T	Sig.
	Public sector banks	300	4.0233	.83573	.04825	-1.327	.185
	Private sector banks	204	4.1176	.69897	.04894		
	Public sector banks	300	3.8267	.87894	.05075	-1.610	.108
	Private sector banks	204	3.9461	.71716	.05021		
	Public sector banks	300	3.7667	.87260	.05038	-1.389	.166
	Private sector banks	204	3.8725	.78998	.05531		
	Public sector banks	300	4.0300	.85920	.04961	.402	.688
	Private sector banks	204	4.0000	.76242	.05338		
	Public sector banks	300	3.8567	.96915	.05595	-1.961	.050
	Private sector banks	204	4.0147	.75252	.05269		

Source: Computed data.

It was noted from the above table that sincere interest in solving problems in public sector banks (mean=3.8567), private sector banks (mean=4.0147), t value=-1.961 and p=0.05 is statistically significant at 5 % level and it can be concluded that the customers of private sector banks strongly agree with this statement whereas the customers of public sector banks only agree with this statement. As far as the other service quality dimension for reliability are concerned, namely, promised service, error free processing, comprehensive procedures and right service for the first time, there is no significant difference in opinion of the customers of public and private sector.

3. Responsiveness in Banks

Responsiveness is the willingness or readiness to help customers and provide prompt service.

Table No. 1.3: Service Responsiveness in Banks

	Type	N	Mean	Std. Deviation	Std. Error Mean	T	Sig.
	Public sector banks	300	4.1600	.83870	.04842	.312	.755
	Private sector banks	204	4.1373	.74990	.05250		
	Public sector banks	300	3.9033	.86205	.04977	-.175	.862
	Private sector banks	204	3.9167	.81120	.05680		
	Public sector banks	300	3.7867	1.02534	.05920	-1.612	.107
	Private sector banks	204	3.9265	.84193	.05895		
	Public sector banks	300	3.9233	.87941	.05077	-1.363	.173

	Private sector banks	204	4.0294	.82397	.05769		
	Public sector banks	300	3.7033	.95132	.05492	-.610	.542
	Private sector banks	204	3.7549	.90359	.06326		

Source: Computed data.

As far as the variables in service quality dimension for responsiveness are concerned, namely, providing correct response to customers, sending bank statements, well handling, proper response to enquiries and response to written communication, there is no significant difference in opinion of the customers of public and private sector banks. Assurance is the knowledge and courtesy of employees in an organization and their ability to inspire trust and confidence in the minds of the customers. From the table given below it was noted that safety of transactions in public sector banks (mean=4.2267) private sector bank (mean=4.3676) and t value=-2.095, knowledge about bank products in public sector banks (mean=3.7333), private sector banks (mean=4.000), t value=.06331, quick and for prompt service in public sector banks (mean=3.7833), private sector banks (mean=3.9559) and t value=-2.121, p=0.05 are statistically significant at 5% level. Therefore it can be concluded that the customers of both public and private sector banks strongly agree about safety of transactions; for knowledge about banks products, the customers of private sector banks strongly agree and the customers of public sector banks agree, and as far as quick and prompt service are concerned, both the customers of public sector banks and private sector banks agree for this.

4. Assurance in Banks

As far as the other two statements for assurance aspect of service quality are concerned, namely, instilling confidence and availability of staff at all counters, there is no significant difference in opinion of the customers of the public and private sector banks.

Table No. 1.4: Service Assurance in Banks

Type	N	Mean	Std. Deviation	Std. Error Mean	T	Sig
Public sector banks	300	4.2267	.74193	.04284	-2.095	.037
Private sector banks	204	4.3676	.74088	.05187		
Public sector banks	300	4.0233	.79471	.04588	-1.196	.232
Private sector banks	204	4.1078	.75471	.05284		
Public sector banks	300	3.8967	.94638	.05464	-1.846	.066
Private sector banks	204	4.0490	.85244	.05968		
Public sector banks	300	3.7333	.93727	.05411	-3.180	.002
Private sector banks	204	4.0000	.90429	.06331		
Public sector banks	300	3.7833	.96929	.05596	-2.121	.034
Private sector banks	204	3.9559	.77715	.05441		

Source: Computed data.

5. Empathy in Banks

Empathy refers to the caring and individualized attention the firm provides to its customers.

Table No. 1.5: Service Empathy in Banks

Type	N	Mean	Std. Deviation	Std. Error Mean	T	Sig
Public sector banks	300	3.4733	1.20032	.06930	-1.013	.312
Private sector banks	204	3.5784	1.05454	.07383		
Public sector banks	300	3.7367	1.00533	.05804	-3.330	.001
Private sector banks	204	4.0098	.72933	.05106		
Public sector banks	300	3.8000	.92168	.05321	-2.501	.013
Private sector banks	204	3.9951	.75916	.05315		
Public sector banks	300	3.7100	.97420	.05625	-1.719	.086
Private sector banks	204	3.8529	.82327	.05764		
Public sector banks	300	3.5967	1.05405	.06086	-1.556	.120
Private sector banks	204	3.7304	.76297	.05342		

Source: Computed data.

From the above table it was found that the convenient operating hours of public sector banks (mean=3.7367) private banks (mean=4.0098), and t value=-3.330, p=0.05, approachable managers in public sector banks (mean=3.8000) private sector banks (mean=3.9951), and t value=-2.501, p=0.05 are statistically significant at 5% level. Therefore it can be concluded that the customers of private sector banks strongly agree for convenient operating bank hours whereas the customers of public sector banks only agree for this and for the statement, approachable managers, both the customers of public sector banks and private sector banks agree towards this statement. As far as the other three statements for empathy aspect of service quality are concerned, namely, parking space, individualized attention and apologize for mistakes, there is no significant difference in opinion of the customers in the public and private sector banks.

6. Confidence building in Banks

Confidence building is creating trust in customers about the operations of the organization and ensures the security of financial stability, safety, liquidity and profitability of investment by the customers.

Table No. 1.6: Service Confidence building in Banks

Type	N	Mean	Std. Deviation	Std. Error Mean	T	Sig.
Public sector banks	300	3.9433	.90342	.05216	-.164	.870
Private sector banks	204	3.9216	.86173	.06033		
Public sector banks	300	3.7767	.96777	.05587	1.448	.148
Private sector banks	204	3.8824	.93423	.06541		
Public sector banks	300	3.3800	1.10135	.06359	-.003	.998
Private sector banks	204	3.4265	1.09161	.07643		
Public sector banks	300	3.6567	1.05316	.06080	.676	.500
Private sector banks	204	3.5735	.77491	.05425		

Source: Computed data

As far as confidence building aspect of service quality is concerned, namely, assurance of safety, liquidity and profitability of investment, loyal and personalized customer relationship, customer centric counseling when

approached for loans (credit counseling), and financial stability of the bank disclosed through advertisement, there is no significant difference in opinion of the customers in the public and private sector banks.

7. Technology Augmentation in Banks

Technology augmentation refers to the constant and consistent up gradation of technology by an organization for rendering technology related services to their customers.

Table No. 1.7: Service Technology Augmentation in Banks

Type	N	Mean	Std. Deviation	Std. Error Mean	T	Sig.
Public sector banks	300	3.6367	.98040	.05660	.164	.870
Private sector banks	204	3.6225	.89865	.06292		
Public sector banks	300	3.4233	1.03329	.05966	-1.448	.148
Private sector banks	204	3.5539	.93220	.06527		
Public sector banks	300	3.9267	.86629	.05002	.003	.998
Private sector banks	204	3.9265	.83015	.05812		
Public sector banks	300	3.6067	.95306	.05502	-.676	.500
Private sector banks	204	3.6667	1.01548	.07110		

Source: Computed data.

As far as the technology augmentation aspect of service quality is concerned, namely, uninterrupted network for e-banking, net banking, mobile banking and ATM provides quick and prompt service to customers, any time banking facility and ease of online fund transfer, there is no significant difference in opinion of the customers in the public and private sector banks.

8. Customer Loyalty in Banks

When a customer is fully satisfied with the services provided by a bank, he stays as customer for a fairly longer period of time. This is known as customer loyalty. The table given below shows the loyalty attitude of customer in public and private sector banks.

Table No. 1.8: Customer Loyalty in Banks

Type	N	Mean	Std. Deviation	Std. Error Mean	T	Sig.
Public sector banks	300	4.2000	.80550	.04651	-.832	.406
Private sector banks	204	4.2598	.77278	.05411		
Public sector banks	300	3.9767	.86329	.04984	-2.940	.003
Private sector banks	204	4.1863	.65436	.04581		
Public sector banks	300	3.6900	1.11567	.06441	1.043	.297
Private sector banks	204	3.5931	.86881	.06083		
Public sector banks	300	3.5233	1.17219	.06768	4.436	.000
Private sector banks	204	3.0441	1.21688	.08520		

Source: Computed data.

From the above table it was found that one of the statement pertaining to customer loyalty, I will recommend others to become customer of this bank, in public sector banks (mean=3.9767) private banks (mean=4.1863), and t value=-2.940, p=0.05, and the statement 'I will not switch to any other bank' in public sector banks(mean=3.5233) private sector banks (mean=3.0441), and t value=4.436, p=0.05 are statistically significant at 5% level.

Therefore it can be concluded that the customers of private sector banks strongly agree for recommending others to become customers of their bank whereas the customers of public sector banks only agree for this and for the statement “I will not switch to any other bank”, both the customers of public sector banks and private sector banks agree towards this statement. As far as the other two statements for customer loyalty are concerned, namely, I am proud to be a customer of this bank and I will continue to be a customer even if the bank increases its fees, interest charges and commission rates, there is no significant difference in opinion of the customers in the public and private sector banks.

FINDINGS

- The R^2 value in public sector banks indicates that the service quality dimensions has 8.9 percent variation on customer satisfaction; whereas in private sector banks the R^2 value (10.5 percent) has a greater variation on customer satisfaction than the public sector banks.
- The factors that influence customer satisfaction in public sector banks are tangibility, reliability and confidence building. In case of private sector banks, tangibility, responsiveness, assurance and technology augmentation influence.

SUGGESTIONS AND CONCLUSION

The results of the present study shows that from tangibility aspect of service quality is concerned, both the customers of public sector banks and private sector banks have strongly agreed that their banks are easily accessible. The customers of private sector banks have strongly agreed that their banks show sincere interest in solving problems from reliability point of view of service quality. As far as assurance is concerned both the customers of public sector and private sector banks have reported that their banks assure safety of transactions and the customers of private sector banks have strongly agreed that their bank employees have complete knowledge about bank products. Convenient operating bank hours from empathy point of view of service quality dimension, private sector bank customers have strongly agreed for this. There is no significant difference in opinion among the customers of public sector and private sector banks about confidence building and technology augmentation aspect of service quality.

The expectations of the customers of public sector banks are more than that of the private sector banks in all respects except for queries and redressal, interest rates for loan and customer relationship management and the customers of private sector banks are more satisfied than the customers of public sector banks. The customers of private sector banks have strongly agreed that they will recommend others to become customers of their bank and said that they will not switch over to any other bank. Therefore it is concluded that the customers of private sector banks are more satisfied than the customers of public sector banks and there is a strong bondage between expectations, level of satisfaction and customer loyalty in banks. The customer satisfaction of bank services depends upon the service quality, technology and customer relationship management between bankers and customers. The demographic variables of customers are very crucial in determining the quality of services offered by the public and private sector banks. The general conclusion indicates that the service charges are fluctuating between public and private sector banks. It is concluded that the prospective customers in both public and private sector banks expect maximum service quality at a minimum cost in the day-to-day banking transactions.

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