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A Comparative Analysis of Public Sector Banks and Private Sector Banks in India with special reference to customer satisfaction

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Abstract

An economic globalization intensifies competition climate of constant change, winning and keeping customers has become all the more important. Nowadays banks have realized that cost of attracting a new customer was much more than retaining existing customers, These days customers demand for top quality services and products served with minimum wait time, so customers prefer techno- savvy banks as well bankers. The study was conducted in Bhavnagar city. This study is based on questionnaire method. A sample of 200 customers has been selected using convenient sampling method.. This study concluded that private sector banks are more preferred by majority of the customer as they emphasize more upon relationship building with their clients and are better equipped with modern infrastructure as compared to public sector banks. The statistical tests are conducted at 5% and 1% level of significant the main statistical tools are used

Keywords: retail banking, service quality, Customer satisfaction.

Introduction

The banking business is as old as civilization itself. As early as 2000 B.C., the Babylonians used their temples to borrow higher interest rates than the gold and silver they had left behind so that they could be safely stored. In ancient times, important banking activities related to the provision of loans to individuals or government in times of crisis. The banking institutions in the pre-independence period mainly consisted of Native banks, sahuakar, nidhis, loan offices etc. In 1850, the passing of a joint venture company played a key role in the establishment of many commercial banks. Later in 1921, the Imperial Bank of India and in 1935 the RBI was established. The banking business has already converted many folders into the latest techno savvy form. Banks these days offer a variety of services ranging from opening a savings account to an online banking account, offering loans on the sale of insurance, and offering exchanges for transfers abroad. Their customers come from all walks of life from the paid team to Multi-National Corporation with its global business operations. Banks should satisfy all customers in different social groups. Banking is therefore more complex and requires specialized skills. The people who work in the banks act as a bridge between the bank and the customer. They are people who deal directly with customers and are the first to know what a customer really needs. As a Service provider their role is very

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Important in shaping the bank's vision in the minds of customers. since services can make or-break a customer, much emphasis is placed on service delivery by most banks.

Review of Literature

Anne M Smith (1990) studied the four distinctive aspects of services - dissatisfaction, segregation, diversity and corruption and how they affect customer perceptions of quality service from banks. Research has shown that strengthening competition and increasing customer expectations has created a situation where quality is considered a major change in strategies to improve customer satisfaction and thus have a beneficial impact on financial service providers.

According to Liang et al (2004), service quality attributes are of two types; one is related to the product, and the other is not related to the product. These qualities can create the impression of symbolic, practical or experience benefits among customers. The results of the study strongly highlight the fact that customer satisfaction positively affects customer trust and commitment to the service provider, which in turn affects customer integrity.

Sarin and Anil (2007) recommended that employees in service organizations should work with a focus on customer satisfaction. Banking should identify areas that need to be improved and continue to shed light on the steps so that customers can see that they need to be accepted in order to improve the quality of services.

According to Laroche and Manning 1986, local usability, speed of service, efficiency and friendliness of bank employees received high scores on the highest value in banking operations.

Giiger's (1975) conducts research to determine customer needs. The customer experience of the bank and the perception that customers had banks were studied and customers evaluated the range of services the banks had to offer, the effectiveness of various advertisements and other ways to promote sales.

Lewis and Birmingham (1991) studied the needs, attitudes and behaviors of the youth financial services market and found that the youth market differed in terms of needs and behavior.

Objectives of the Study

To examine the expectations and the level of satisfaction of the customers towards the services rendered by public and private sector banks.

To study the preferences and priorities toward types of services provide by the public and private sector banks.

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To identify the banking sector that is largely availed by the customers.

Research Hypothesis

H₀: All the selected attributes effect customer satisfaction equally.

H₀: There is no difference in satisfaction level of customers in public and private banks.

H₀: The selected attributes of customer satisfaction are uncorrelated.

Methodology and Research Design

The study has been conducted in Bhavnagar city having a population of more than nine lakhs. Bhavnagar is known as one of the best experiments in urban planning and modern architecture in the 21st century in India.

Period of the Study

The present research study is related to "Customer Satisfaction: A Comparative study of Public and Private Sector Banks in India". The survey lasted for about six months.

Data Collection

This study is based on questionnaire methods. Primary data were collected from men and women respondents living in Bhavnagar city. People from all walks of life were contacted. The total number of respondents was 160. The researchers have covered customers from six banks, three each from public sector and private sector. Under Public sector banks State Bank of India, Punjab National Bank and Canara Bank were selected and ICICI, HDFC and Axis Bank were selected among Private Sector Banks.

Sampling

A sample of 200 customers has been selected using convenient sampling method. The data has been interpreted satisfactorily whenever and wherever needed.

Analysis and Findings

Correlation among Attributes Selected for Measuring Customer Satisfaction

Table 3 shows correlation of attributes viz. services offered by teller, relationship with manager, branch facilities, statement facility, loan services mutual fund services and enquiry

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on telephone for measuring customer satisfaction. Table 3 shows that all the attributes are correlated.

Regression

Table 4 shows multiple correlations between branch facilities and services by teller (0.699), relation with manager (0.799), mutual fund services (0.581) and telephone enquiry (0.541). This table shows that branch facility is positively correlated with teller services, relationship with manager, mutual fund services, and telephone enquiry thus contributing to customer satisfaction.

The conclusion

The time spent by the customer and the relationship officer or his manager is very important. According to current data 68% of clients have had their chief executive officer / manager for more than 2 years. The study further confirms Tyler and Stanley's findings, 2001 that clients are more important in their relationship with relationship management / manager than bank injured. Therefore the marketing of relationships should be emphasized and special training should be provided to all employees of the banking company, making them aware of the true meaning and application of this concept. Table 2 shows the t tests performed for the sample. According to each table all prices outside the statement center and loan services are important. According to Hypothesis H₀ all selected attributes generate customer satisfaction equally while the findings of the current study show that customer relationships with the manager / customer relations officer (mean = 27.57) create greater customer satisfaction. Hypothesis H₀ therefore does not address these factors and another hypothesis H₁ is adopted.

In addition, this study shows that private bank executives precede public banks in developing relationships with their customers and thus find their satisfaction. This may be due to the fact that today the largest clients in India are banking and private sector banks compared to public sector banks. Most respondents were of the opinion that public sector banks were lagging behind in the use of modern technology and techno savvy workers. According to Hypothesis H₀ there is no difference in the level of customer satisfaction in public and private banks but the findings of the current study show that private banking banks offer better services in terms of combined funding, telecommunications resolution, branch facilities, publisher services and above all customer and manager relationships. Therefore H₀ hypothesis is rejected and another H₁ hypothesis is accepted.

This study shows that if the structures in the branch are viz. infrastructure, environment, decoration, living space, signage, etc. adequate, not only leading to customer satisfaction but also to the overall improvement of branch operations and whether it be the services of auditors, managers, loan services or mutual fund services. If all the signs are there it will direct the customer to the right desk without wasting their time which helps the service officer to visit customers on time and meet their needs. Table 3 shows the combination of symptoms namely. services provided by the publisher, relationship with the manager, branch

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facilities, statement space, fund services loan services and telephone inquiries to measure customer satisfaction. According to hypothesis H₀ all selected attributes of customer satisfaction are inconsistent while our findings show that all attributes other than loan services are compatible. Therefore H₀ hypothesis is rejected and another H₁ hypothesis is accepted.

Research Study Limits

The researcher believes that the results of this study may be limited in terms of multitasking because it focuses on one city only and this eliminates the opportunity to make comparisons with other parts of the world.

The study sample had only 160 respondents due to time intervals.

Question papers are mostly filled with customers in front of bank officials, so it is possible that respondents may refrain from giving negative feedback for fear of retaliation.

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Table 1: Results of Reliability Test

Variables	Cronbach Alpha
Services by teller	0.67
Relation with Manager	0.89
Branch Facility	0.80
Statement facility	0.65
Loan Services	0.83
Mutual Services	0.72
Telephone Enquiry	0.67

Table 2: Independent sample t-test showing the effect of banking services on customer satisfaction

Variables	Mean		Standard Deviation		t-value
	Pub Sector	Pvt Sector	Pub Sector	Pvt Sector	
Services by Teller	22.15	23.27	2.89	3.51	2.20**
Relation with Manager	26.87	27.57	4.69	4.55	0.958**
Branch Facility	21.15	22.70	4.02	4.75	2.224**
Statement Facility	16.67	16.30	2.83	3.45	-0.750
Loan Services	27.67	26.40	2.29	4.57	-2.230
Mutual Fund Services	22.26	22.70	2.89	4.60	0.720**

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Telephone Enquiry	14.15	14.85	2.89	3.05	1.486**
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** Significance at 0.01 levels

* Significance at 0.05 levels

Table 3: Correlation of attributes selected for measuring customer satisfaction

	Services by Teller	Services by Manager	Branch Facility	Statement Facility	Loan Services	Mutual Fund Services	Telephone Enquiry
Services by Teller	1						
Relation with Manager	.759**	1					
Branch Facility	.699**	.799**	1				
Statement Facility	.370**	.640**	.475**	1			
Loan Services	.192*	.240**	.287**	.146	1		
Mutual Fund Services	.489**	.536**	.581**	.273**	.503**	1	
Telephone Enquiry	.370**	.525**	.541**	.317**	.256**	.368**	1

** Correlation significant at 0.01 levels

* Correlation significant at 0.05 levels

Table 4: Linear regression of attributes selected for measuring customer satisfaction

Variables	R	R2	Adjusted R Square	Standardized Coefficient	T	Sign
				Beta		
Services by Teller	0.699	0.488	0.485	0.195	2.767	0.000**
Relation with Manager	0.799	0.639	0.636	0.476	5.149	0.969
Statement Facility	0.475	0.226	0.221	0.002	0.039	0.870
Loan Services	0.287	0.082	0.076	0.008	0.164	0.006**
Mutual Fund Services	0.581	0.337	0.333	0.168	2.811	0.004**

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Telephone Enquiry	0.541	0.006**	0.289	0.154	2.925	0.000**
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** Correlation significant at 0.01 levels

* Correlation significant at 0.05 levels