Customer Satisfaction: A Comparative Analysis of Public and Private Sector Banks in India

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ABSTRACT

Gaining and retaining clients is increasingly crucial in light of the increased competition and constantly changing environment brought about by economic globalisation. These days, banks are placing a greater emphasis on customer service after realising that it costs significantly more to bring in new business than it does to keep current clients contentment. Consumers today want high-quality goods and services delivered quickly, therefore they favour technologically advanced banks and bank employees. In light of this, the primary challenge facing commercial banks today, and especially public sector banks in India that operated in a protected environment following nationalisation, is their ability to survive over the long term, attract quality clients, and pave the way forward by holding onto their loyal clientele. This research study aims to provide a comparison of the degree of client satisfaction with the services offered by banks in the public and private sectors. The city of Chandigarh is the study's site. This research uses a questionnaire approach. A easy sampling method has been used to select a sample of 160 customers. The primary statistical techniques are employed, and the statistical tests are carried out at the 5% and 1% level of significance. According to the study's findings, the majority of consumers prefer private sector banks over public sector ones since the former place a greater emphasis on developing relationships with their customers and have more up-to-date infrastructure.

KEY WORDS

Customer Satisfaction, Retail Banking, Service Quality, Bank's Performance.

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INTRODUCTION

Banking has existed for as long as civilization has. The Babylonians utilised their temples to lend money at higher interest rates against gold and silver that had been entrusted to them for safekeeping as early as 2,000 B.C. Historically, the primary roles of banks was lending money to people or the Government during periods of emergency. Prior to independence, the majority of banking institutions were Native American banks, sahukars, nidhis, loan offices, etc. The formation of numerous commercial banks was significantly aided in 1850 by the enactment of the Joint Stock Company Act. The Imperial Bank of India and the RBI were both founded later, in 1921 and 1935, respectively. The banking industry has since transformed into a modern, technologically advanced industry.

These days, banks offer a wide range of services, from creating savings accounts to offering internet banking, from selling insurance to offering loans, from renting out lockers to facilitating international money transfers. Their clientele spans all social strata, from the well-off to multinational corporations conducting business globally. The banks have to meet the needs of every consumer from every social category. As a result, banking has grown increasingly complicated and demands specialised knowledge.

Bank employees serve as a liaison between the bank and its clients. Since they deal with clients on a first-hand basis, they are the first to understand their true needs. As a service provider, they play a crucial role in influencing how customers view banks. Given that services can make or ruin a consumer, the majority of banks place a high priority on providing excellent service. A few service quality researchers have closely examined the relationship between customer satisfaction and service quality (Bolton and Drew, 1994; Bitner and Hubbert, 1994). These days, it's all about survival of the fittest, thus banks are competing to attract the best client who can serve them all. Keeping the current clientele and drawing in new ones has grown increasingly challenging, particularly for public sector banks (Bhatt, 1990).

In light of this, a study on how consumers view banks and a comparison of the services provided by private and public sector banks seem worthwhile. The banks will receive from this analysis a quantitative and qualitative assessment of how their clients view their services.

Earlier Studies

Academics and bank staff are actively and extensively debating the comparison of services provided by banks. Academic scholars and practitioners have performed surveys and study on the many components of services provided by banks, specifically in India and elsewhere.

Characteristics of Services

Intangibility, inseparability, heterogeneity, and perishability are the four traits that set services apart. Anne M. Smith (1990) examined how these characteristics affect customers' views of high-quality bank service. The analysis showed that rising customer demands and fiercer competition had produced an environment where quality is seen as a key strategic factor that may be used to raise client satisfaction levels, which will increase financial service companies' profitability.

Liang et al. (2004) state that there are two categories of service quality attributes: product-related and non-product-related. Customers may perceive symbolic, practical, or experiential benefits as a result of these features. The study's findings clearly demonstrated that customer satisfaction has a beneficial influences the customer's commitment to and trust in the service provider, which influences the customer's behavioural loyalty.

Sarin and Anil (2007) suggested that employees in service companies should prioritise meeting client needs. Banking should highlight the areas that need improvement and shed more light on the steps that consumers believe should be taken to raise the standard of services.

Laroche and Manning (1986) found that the most valuable aspects of banking services were the location convenience, speed of service, competency, and friendliness of bank staff.

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In both private and public sector banks in India, the degree of customer satisfaction and a few marketing tactics were investigated by Aurora and Malhotra (1997). Six variables have been identified as critical to client satisfaction in public sector banks: price, routine operations, technology, environmental factors, situational considerations, and interactive interactions. However, with banks in the private sector,

They discovered seven components in all, with the situational factor ranking last and the staff factor ranking first. Researchers in private sector banks have looked into the promotional factor as an alternative to the price factor. Private sector bank customers are often more satisfied than those in the public sector. The most important recommendations are to properly train and develop bank employees, conduct frequent market surveys, personalise services, work to prevent long lines inside the bank, and provide a welcoming environment tactics in public sector banks.

Customer Needs

Geiger (1975) conducted research to determine the demands of the target audience. Customers' perceptions of banks and their social position were investigated, as well as their assessment of the services the banks provided, the efficacy of various forms of advertising and other sales promotion, and the customers' other habits and their desire to save. Results showed that happy consumers are generally more upbeat than dissatisfied with what their banks have to offer.

When Lewis and Birmingham (1991) examined the attitudes, needs, and behaviour of the adolescent market for financial services, they discovered that there are differences in the demands and behaviour of this demographic.

In a study on customer choice factors for choosing financial institutions in the United States, Boyd et al. (1994) discovered that loan interest rates and reputation, together with savings rates, are more significant than drive-in service, modern facilities, and personnel friendliness. However, Rajagopla Nair (1994) found that in his research on rural

Bank marketing discovered that the two main requirements for deposits made by rural clients are security and liquidity, and that interest rates on demand and fixed deposits are in no way a factor in rural bank depositors' decision to place their savings with commercial banks.

Undergraduates' preferences for banks to select from were investigated by Huu Phuong Ta and Kar Yin Har (2000) in Singapore.

The study selected five banks and nine criteria for choosing them, and then used the Analytic Hierarchy Process to organise the choice problem into a three-level hierarchy. The results showed that Undergraduates place more emphasis on the bank service's product and pricing aspects.

According to Hallowell Roger's (1996) research on bank customer satisfaction, banks should only focus on and provide services to clients whose requirements they can profitably address more effectively than those of their rivals. Customers will be maintained for extended periods of time, purchase a variety of products, and refer the bank to their friends and family who could provide the bank's stockholders with better returns.

About 90% of respondents, according to Meidan (1976), deposited money at the branch that was closest to both their home and place of employment. When choosing a bank, convenience—specifically, location was shown to be the most crucial consideration.

In order to find out how consumers in all Indian banks perceive their expectations, Dutta et al. (2009) performed a survey. Foreign banks were discovered to be the most favoured banks, followed by private and public banks.

Objectives of the Study

1. To determine which banking sector is more frequently used by clients.
2. To assess consumer satisfaction and expectations regarding the services provided by banks in the public and private sectors.

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3. To research consumer priorities and preferences for the various services offered by banks in the public and private sectors.

Research Hypothesis

H_1: All the selected attributes effect customer satisfaction equally.

H_{01}: All the selected attributes effect customer satisfaction differently.

H_{02}: There is no difference in satisfaction level of customers in public and private banks.

H_2: There is significant difference in the satisfaction level of customers in public and private sector banks.

H_{03}: The selected attributes of customer satisfaction are not correlated.

H_3: Few of the selected attributes of customer satisfaction are correlated.

Methodology and Research Design

The following design and technique were used for the study:

Subject Matter

With a population of almost nine lakh, the survey was carried out in Chandigarh. It is well known that Chandigarh as one of India's greatest twentieth-century attempts with contemporary architecture and urban planning.

Study Period

"Customer Satisfaction: A Comparative study of Public and Private Sector Banks in India" is the topic of the current study. There was a six-month duration to the survey.

Data Collection

The methodologies used in this study are questionnaire-based. Primary data were gathered from Chandigarh city residents who were respondents, both male and female. A wide range of people were contacted. There were 160 responders in all. Six banks were examined by the researchers, three of which served the public and private sectors. ICICI, HDFC, and Axis Bank were chosen among private sector banks, and State Bank of India, Punjab National Bank, and Oriental Bank of Commerce were chosen under public sector banks.

Analysis and Findings

Reliability Analysis

Reliability was assessed on every item in this study. Internal consistency was measured using Cronbach's Alpha as a reliability test. The reliability test is displayed in Table 1 with all values over the 0.60 level (Walsh, 1995). Thus, it may be said that the defined constructs are reliably measured by the items.

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

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Comparison between Public and Private Sector Banks Showing the Effect of Banking Services on Customer Satisfaction

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**
	14.15	14.85	2.89	3.05	1.486**

Given that table 2's descriptive statistics indicate a noteworthy distinction in every variable between public and private banks, it was determined to determine the significance of the discrepancies. An independent sample t-test was used for this reason. When there are two experimental conditions and distinct participants, this test is employed. Were put in charge of every circumstance. Table 2 demonstrates that there is a substantial correlation between each variable and the bank's ownership. Table 2 demonstrates that customers are receiving better services from private sector banks in terms of teller services and management relationships. It also demonstrates that, in comparison to public sector banks, private sector banks have superior infrastructure facilities. Table 2 indicates that client satisfaction has increased with banks in the private sector as opposed to inquiries in the public sector. Therefore, it may be concluded that private banks have better customer satisfaction rates than state banks. Table 2 further suggests that a customer's level of satisfaction is mostly influenced by their interactions with bank management and senior employees. Banks regarding phone and mutual fund services inquiries. Therefore, it may be concluded that private banks have better customer satisfaction rates than state banks. Table 2 further suggests that a customer's level of satisfaction is mostly influenced by their interactions with bank management and senior employees.

Correlation among Attributes Selected for Measuring Customer Satisfaction

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

In order to gauge customer satisfaction, Table 3 presents the correlation between many variables, including the services provided by the teller, the relationship with the management, branch and statement facilities, loan services, mutual fund services, and phone inquiries. Table 3 demonstrates the correlation between each attribute.

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Regression

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

Variables	R	R Square	Adjusted R Square	Standardized Coefficient Beta	T	Sign
Services by Teller	0.699	0.488	0.485	0.195	2.767	0.006**
Relation with Manager	0.799	0.639	0.636	0.476	5.149	0.000**
Statement Facility	0.475	0.226	0.221	0.002	0.039	0.969
Loan Services	0.287	0.082	0.076	0.008	0.164	0.870
Mutual Fund Services	0.581	0.337	0.333	0.168	2.811	0.006**
Telephone Enquiry	0.541	0.293	0.289	0.154	2.925	0.004**

Table 4 displays several associations between telephone inquiries (0.541), mutual fund services (0.581), branch facilities and services by teller (0.699), and relationship with manager (0.799). This table demonstrates the favourable correlation between branch facilities and telephone inquiries, mutual fund services, teller services, and manager relationships. hence enhancing client satisfaction.

DISCUSSION AND CONCLUSION

It matters a great deal how long a consumer spends with his manager or relationship officer. According to the most recent data, 68% of the clients have had their relationship officer or manager for longer than two years. The results of Tyler and Stanley's (2001) study, which indicate that consumers provide greater weight was placed on their interpersonal connection with the manager or relationship officer than the bank they represented. Relationship marketing should therefore be prioritised, and all corporate employees of the bank should receive specialised training to educate them on the true significance and application of this idea. The results of the sample's t-test are displayed in Table 2. All figures in the table, with the exception of the loan services and statement facility, are important. While the results of the current study indicate that the relationship between customers and managers/customer relationship officers (mean = 27.57) has the greatest impact on customer happiness, Hypothesis H_{01} states that all of the selected variables have an equal impact on customer satisfaction. As a result, hypothesis H_1 is rejected for these reasons, and hypothesis H_{01} is accepted.

Additionally, this study demonstrates that managers of private banks are more adept than those of public banks at building relationships with clients and gaining their pleasure. This is explained by the fact that, in India today, a greater proportion of customers bank with private sector banks than with public sector banks. The majority of responders belonged to the believe that the usage of contemporary technologies and tech-savvy employees is lacking in public sector banks. Hypothesis H_1 states that customer satisfaction levels in public and private banks are equal; however, recent research indicates that private sector banks offer superior services, particularly in the areas of mutual funds, phone-based query resolution, branch facilities, teller services, and customer relations (all the significant t-values taken) with the management. As a result, hypothesis H_{02} is disproved and hypothesis H_2 is accepted.

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According to this research, having adequate infrastructure, ambiance, décor, seating areas, signage, and other amenities in a branch not only improves customer satisfaction but also the branch's overall efficiency when it comes to teller, manager, loan, and mutual fund services, among other services. If every sign on the property is when it is in place, it will quickly send the customer to the appropriate desk, assisting the service representative in meeting the demands and arriving at the appointed time. In order to measure client satisfaction, Table 3 correlates the following attributes: telephone inquiries, branch and statement facilities, manager relationships, loan services, mutual fund services, and teller services. Hypothesis H_{03} states that each of the chosen qualities however our results indicate that all the characteristics, with the exception of loan services, are associated. of customer satisfaction are uncorrelated. As a result, hypothesis H_{03} is disproved and hypothesis H_3 is accepted.

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