

**CUSTOMER SATISFACTION IN BANKING SECTOR: A
COMPARATIVE STUDY OF PUBLIC VS PRIVATE SECTOR
BANKS**

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Abstract

The present study has been carried out with an objective to analyse the satisfaction level of customers in public and private sector banks. A sample of 200 respondents was selected from 4 banks consisting of 2 public sector and 2 private sector banks in Panipat city. To measure the satisfaction level, the study focuses on examining various factors taken into consideration while dealing with the different services rendered by the banks e.g. Availability of Customer Care Services, interest on deposits/loans, operational performance and reliability of ATMs, banks recovery method and query handling mechanism. The study finds that the customers of private sector banks are more satisfied with the customer care services and other parameters of satisfaction, which is posing a challenge to the public sector banks. Further, the study revealed that loan recovery method of private sector banks

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is more stringent as compared to public sector banks.

Introduction

The Indian banking industry has undergone major changes due to economic liberalization, globalization, managerial innovations, information technology revolution, increasing competition, changing customer requirements and financial sector reforms. With the entry of private players into retail banking and with multi-nationals focusing on the individual consumer in a big way, the banking system underwent a phenomenal change and multi-channel banking gained prominence. Now the consumers have the choice of conducting transactions either from the traditional way (through the bank branch) or through the internet. The entry of private players combined with new RBI guidelines and technological developments forced nationalized banks to redefine their core banking strategy.

Today, banks have to look much beyond just providing a multi-channel services platform for its customers. There are other pressing issues such as customer retention, cost pressures and increased competition that banks need to address in order to chalk-out a roadmap for the future. Marketing is one of the major reasons why new private and multi-national banks have been able to survive, thrive, and adapt in an increasingly competitive space. These banks were able to leverage on providing the facilities according to the needs of the customers such as ATMs, electronic mode of transactions and net banking. Now a days, banks are looking at newer ways to make the customer's banking experience more convenient, efficient, and effective. They are using new technology tools and marketing techniques to identify customer needs and are offering tailor-made products to match them. Core banking applications help a bank to shift from 'branch banking' to 'bank banking.' It means that a customer will be treated as a bank's customer than just the customer of a particular branch as against the earlier. Also, CRM solutions, if implemented and integrated, can help significantly in improving customer satisfaction level to a great extent.

Customer Satisfaction

Philip Kotler has defined Customer satisfaction as a "person's feeling of pleasure or disappointment resulting from comparing a product/service's perceived performance or outcome in relation to his or her expectations."

Thus, satisfaction is a function of perceived performance and expectations. In banking sector, customer satisfaction is basically a state of mind of the customer. It is the

ability of banking services to meet the expectations of the customer; customer delight is all about exceeding the expectations of the customers to make them highly satisfied with the performance of banking services. Today banking services are increasing on a fast pace to make the banking operations effortless for the customers. No matter what a customer's need and occupational status is, banks are providing a wide range of solutions. In today's competitive global banking landscape, banks must reinvent and re-orient themselves to compete successfully and achieve high performance.

Significance of the Study

Banks' primary objective is to meet the expectations of the customers. Only satisfying the needs & wants and delighting the customer by exceeding his expectations with unanticipated benefits can achieve this objective. Moreover, to stay ahead of the competition, it is essential to keep the customers happy. There is need to understand the market, know the characteristics of customers such as occupation, income, age and special interests, who the customers are, from where they come, when they buy, what they buy and why they buy from a particular place etc. and paying attention to effective promotional measures by competitors.

Today, there is great competition among banks to provide maximum services, which makes the people to avoid the banks which are not providing desired services. All service providers require adaptability according to the situations, so that it becomes possible to operate and compete in the new competitive world. To improve the marketing performance, online banking, customer database and customer relationship management (CRM) is required. Today's customers are becoming harder to please as they are now more aware, price conscious, demanding and can easily be approached by many competitors also with better offers. The challenge is not to produce satisfied customers, several competitors can do this but, the real challenge is to produce delighted and loyal customers. An organization would be wise, if it measures the customer satisfaction regularly, because the key to customer retention is customer satisfaction. A highly satisfied customer stays loyal longer, buys more as the organization introduces new services and upgrades existing services, talks favorable about the organization and its services and pays less attention to the price and cost of services. Most administrators do not factor the intangible assets of the bank which includes a loyal customer in addition to the highly skilled managers, technicians and consultants.

Review of Literature

Kunjukunju (2006) in his study, "Reforms in banking sector & their impact on banking services" attempted to find out the awareness of customer on new banking services and reasons for the low level of awareness. It was found that a good number of customers were ignorant about new products/services provided by their banks and the customers of public sector banks were more unaware about the new banking services in comparison with the customers of private sector banks.

Jham and Khan (2008) in their exposition on "The customer satisfaction in the Indian banking sector" measured customer satisfaction in banking sector on the basis of sixteen variables i.e. service scope, parking space, attitude of banking staff, dissemination of information, promptness in query handling, networking of the bank, ATM facilities, Debit Card facilities, Credit Card facilities, Demand Draft facilities, Fixed Deposit schemes, Money transfer facilities, Locker facilities, D-Mat Account facilities, tele-banking and net banking services and revealed that customers have different levels of satisfaction in case of each service.

Hugar and Vaz (2008) in their study carried out SWOT analysis of customer orientation of Indian Public Sector Banks and observed that improved customer orientation will be an important factor in helping the Indian public sector banks to stand to the global competitor. It was projected that already intense competition from new generation banks and other private sector banks is likely to intensify further after 2009, if FDI limit in banking sector is raised. It was suggested that if thoughtful and timely action is taken only then public sector banks would be able to stand strong.

Nagar and Rameja (2010), in their analysis found that prompt service was the main concern for respondents for holding accounts in a particular bank. Further, it was found that entry of foreign banks has positively affected the spirit of competition in the banking scenario.

Thus it is clear that, only a few researchers examined the public and private sector banks comparatively for measuring customer satisfaction to find out the distinct factors responsible for their satisfaction. In the age of competition, present study is an attempt to know the effect of various factors on their satisfaction, attitude and decisions.

Research Objectives:

- To identify the profile of customers in selected public and private sector banks
- To know the customer satisfaction in selected public and private sector banks.

- To find out the initiatives taken by banks to improve the banking services.
- To suggest measures to improve customer satisfaction in public and private sector banks.

Research Methodology

The present study evaluates the satisfaction level of the customers with regard to banking services provided by Public & Private sector banks in Haryana. The study focuses on examining various factors taken into consideration while dealing with the different services rendered by the banks e.g. Availability of Customer Care Services, interest on deposits/loans, operational performance and reliability of ATMs, banks recovery method and query handling system. The respondents were further asked to give their responses on a measurement scale of five varying from very satisfied to very dissatisfied.

Total 200 customers from four banks i.e. 50 customers from each bank, were randomly selected from the banks of Panipat city. Two banks were from public sector i.e. State Bank of India and Punjab National Bank and two were related to private sector i.e. HDFC and ICICI Bank. The study embodied both secondary and primary data. Primary data has been collected through the questionnaire and also by observations and interviews taken from the respondents personally. The study is also supported by secondary data, which has been sought from various reference books, journals, magazines, newspapers and Internet etc. Various statistical tools like percentage and chi square test were applied for the analysis. The findings are presented in the following discussion.

Hypotheses

To compare the satisfaction levels of customers of public and private sector banks, the study aims to test the hypothesis i.e. there is significant difference in the satisfaction level of public and private sector bank customers.

Data Analysis and Findings

1. Socio-economic Profile of Respondents

The profile of the respondents with respect to demographics like gender, marital status, age, family income, educational level and occupation depicts the role of socio-economic factors in determining their living standards, awareness level about using the banking and financial services and the impact of all these factors, on the tastes and preferences for availing banking services from various public and private sector banks. The Profile of respondents showing social-economic aspects is presented in Table-1. It has been

observed that young customers prefer to open their accounts in private sector banks. Graduates have more accounts in public sector banks and post-graduates have more accounts in private sector banks. Thus, private sector banks have more demanding customers i.e. students and serving persons and public sector banks have less demanding customers like retired persons. While analyzing the income level, it is observed that persons with moderate income prefer public sector banks whereas, persons having more income prefer to have their accounts in private sector banks.

2. Availability of Customer Care Services

Results regarding availability of customer care services provided by the banks (Table – 2) reveals that maximum 44% respondents are strongly satisfied with the customer care services provided by ICICI bank followed by 40% respondents from HDFC bank. Maximum 42% of the respondents are also found satisfied with the services provided by PNB. Highest 36% respondents expressed no opinion regarding services provided by SBI bank. However, 18% respondents from SBI & PNB are found dissatisfied from customer care services.

The Chi-square value i.e. 21 resulting from d.f.(r-1)(c-1) at 5% level of significance is less than the calculated value i.e. 25.306, hence null hypothesis is accepted. It means there is no significant difference between the customer care services provided by various banks.

3. Interest on Fixed Deposit Accounts

Satisfaction regarding interest on deposit accounts provided by banks (Table – 3), shows that highest 60% respondents are strongly satisfied with the rate of interest provided by ICICI bank followed by the respondents of SBI bank (50%). Similarly, 50% respondents are also found satisfied with interest rate provided by PNB. Though 20% respondents from PNB expressed no opinion. While 8% respondents from HDFC bank are found strongly dissatisfied.

The Chi-square value 21 (5% level of significance) is less than calculated value (22.461), hence null hypothesis is accepted. It means there is no significant difference between interest rate provided on deposit accounts by selected banks.

4. Interest Rate on Loan/Credit

Table – 4 regarding interest rate on loan/credit charged by banks depicts that highest 44% respondents are strongly satisfied with the interest rate charged by ICICI bank followed

by SBI bank. Maximum 68% respondents are found satisfied with interest rate charged on credit by PNB. Highest 22% respondents of SBI are found to be dissatisfied with the interest rate charged on loan/credit. Only 2% respondents are strongly dissatisfied with the interest rate charged by SBI, HDFC & ICICI bank. Thus, customers of ICICI and SBI are found to be satisfied with the rate of interest on deposit accounts as well as loans/credit.

The Chi-square value i.e. 21 at 5% level of significance being less than calculated value i.e. (3.424), the null hypothesis is accepted.

5. Operational Performance and Reliability of ATMs

So far as operational performance and reliability of ATMs (Table – 5) is concerned, it has been found that maximum 70% respondents are strongly satisfied with the performance & reliability of ATMs provided by SBI bank followed by HDFC bank (42%). 36% respondents are satisfied with the ATMs facilities provided by ICICI bank. 14% respondents are neutral regarding the performance & reliability of ATMs in case of ICICI bank, which is closely followed by HDFC bank. Maximum 36% respondents are dissatisfied with the performance & reliability of ATMs provided by PNB bank. Thus, SBI being the largest public sector bank has been found effective in terms of operational performance and reliability of ATMs.

The Chi-square value at 5% level of significance being less than calculated value i.e. 41.852, hence null hypothesis is accepted. It means there is no significant difference between the operational performance & reliability of ATMs provided by public and private banks.

6. Bank's Recovery Method

Table – 6 shows the recovery method adopted by banks. Findings reveal that maximum 32% respondents are strongly satisfied with recovery method adopted by PNB followed by SBI bank Highest 56% respondents are satisfied with bank's recovery method in case of SBI & ICICI bank. Maximum 18% respondents from HDFC bank are neither satisfied nor dissatisfied. Only 10% respondents are dissatisfied with the recovery method adopted by SBI & ICICI bank. However, 16% respondents are also found strongly dissatisfied with the recovery method adopted by ICICI bank. Thus, private sector banks lead in providing better facilities but at the same time their recovery method is also stringent.

The Chi-square value i.e. 21 at 5% level of significance being less than calculated value i.e. 22.264, hence null hypothesis is accepted.

7. Query Handling System

Table – 7 showing the satisfaction level regarding the query handling mechanism by banks revealed that maximum 24% respondents are strongly satisfied with query handling system applied by HDFC bank, closely followed by ICICI bank (22%). 28% respondents are satisfied with the query handling system of PNB bank. Maximum 18% respondents from SBI expressed no opinion. Highest 42% respondents of ICICI bank are found dissatisfied with the query handling system, followed by 36% respondents from PNB. While 26% respondents are strongly dissatisfied with the query handling in case of HDFC bank followed by SBI. Thus Query handling system of Private sector banks has been found more effective than public sector banks.

The Chi-square value 21 resulting from d.f. (r-1) (c-1) at 5% level of significance is greater than calculated value i.e. 19.217, hence, null hypothesis is rejected. It means there is significant difference between the query handling system adopted by public & private sector banks.

**Table – 1
Profile of Respondents**

	Public Sector Banks		Private Sector Banks	
	SBI N=50	PNB N=50	ICICI N=50	HDFC N=50
	Frequency of respondents	Frequency of respondents	Frequency of respondents	Frequency of respondents
<u>Gender:</u>				
Male	38	45	40	43
Female	12	05	10	07
<u>Martial Status</u>				
Married	29	25	23	32
Unmarried	21	25	27	18

<u>Age Group (yrs.)</u>				
Up to 25	Nil	12	27	03
26-40	26	18	12	21
41-55	16	15	11	26
Above 55	08	05	Nil	Nil
<u>Educational Level</u>				
Matriculate	00	06	00	07
Under Graduate	08	08	13	09
Graduate	29	21	10	21
Post-graduate etc.	13	15	27	13
<u>Occupation</u>				
Student	00	13	18	10
Businessman	18	15	04	16
Service	30	22	28	24
Retired person	02	00	00	00
<u>Family Income p.a.(INR)</u>				
Up to Rs. 1,00,000	00	00	18	00
Rs. 1,00,001-2,00,000	11	17	07	12
Rs. 20,0001-4,00,000	27	16	07	18
Above Rs. 4,00,000	12	17	18	20

Source: Primary Data.

Table – 2

Availability of Customer Care Services

Frequencies					
Bank	Strongly satisfied	Satisfied	Neither satisfied nor dissatisfied	Dissatisfied	Strongly dissatisfied
SBI	15(30)	5(10)	18(36)	9(18)	3(6)
PNB	10(20)	21(42)	8(16)	9(18)	2(4)
HDFC	20(40)	9(18)	14(28)	6(12)	1(2)

ICICI	22(44)	9(18)	9(18)	8(16)	2(4)
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(Figures in brackets shows the percentage)

Value of Chi-Square: 25.306

Table – 3
Interest on Fixed Deposit Accounts

Frequencies					
Bank	Strongly satisfied	Satisfied	Neither satisfied nor dissatisfied	Dissatisfied	Strongly dissatisfied
SBI	25(50)	17(34)	5(10)	2(4)	1(2)
PNB	13(26)	25(50)	10(20)	1(2)	1(2)
HDFC	24(48)	13(26)	5(10)	4(8)	4(8)
ICICI	30(60)	14(28)	3(6)	2(4)	1(2)

(Figures in brackets shows the percentage)

Value of Chi-Square: 22.461

Table – 4
Interest Rate on Loan/Credit

Frequencies					
Bank	Strongly satisfied	Satisfied	Neither satisfied nor dissatisfied	Dissatisfied	Strongly dissatisfied
SBI	15(30)	14(28)	9(18)	11(22)	1(2)
PNB	9(18)	34(68)	6(12)	1(2)	0(0)
HDFC	10(20)	52(50)	10(20)	4(8)	1(2)
ICICI	22(44)	19(38)	6(12)	2(4)	1(2)

(Figures in brackets shows the percentage)

Value of Chi-Square: 33.424

Table – 5
Operational Performance and Reliability of ATMs

Frequencies					
Bank	Strongly satisfied	Satisfied	Neither satisfied nor dissatisfied	Dissatisfied	Strongly dissatisfied
SBI	35(70)	5(10)	2(4)	6(12)	2(4)
PNB	10(20)	13(26)	4(8)	18(36)	5(10)
HDFC	21(42)	15(30)	6(12)	6(12)	2(4)
ICICI	13(26)	18(36)	7(14)	8(16)	4(8)

(Figures in brackets shows the percentage)

Value of Chi-Square: 41.852

Table – 6
Bank's Recovery Method

Frequencies					
Bank	Strongly satisfied	Satisfied	Neither satisfied nor dissatisfied	Dissatisfied	Strongly dissatisfied
SBI	13(26)	28(56)	1(2)	5(10)	3(6)
PNB	16(32)	24(48)	6(12)	2(4)	2(4)
HDFC	6(12)	26(52)	9(18)	4(8)	5(10)
ICICI	7(14)	28(56)	2(4)	5(10)	8(16)

(Figures in brackets shows the percentage)

Value of Chi-Square: 22.264

Table – 7

Query Handling Mechanism

Frequencies					
Bank	Strongly satisfied	Satisfied	Neither satisfied nor dissatisfied	Dissatisfied	Strongly dissatisfied
SBI	6(12)	7(14)	9(18)	17(34)	11(22)
PNB	4(8)	14(28)	7(14)	18(36)	7(14)
HDFC	12(24)	6(12)	7(14)	12(24)	13(26)
ICICI	11(22)	3(6)	6(12)	21(42)	9(18)

(Figures in brackets shows the percentage)

Value of Chi-Square: 19.217

Suggestions

On the basis of findings of the study, the following suggestions are offered for the improvement of services and performance of public and private sector banks. These suggestions would be useful in improving operational effectiveness and delivery of satisfaction to the customers.

(a) For public Sector Banks

- The bank officials of public sector banks should be polite and humble in their attitude while dealing with the customers. The staff should be open minded in knowing the problems & queries raised by the customers and offering solutions for the same.
- Majority of the customers complained about the lack of customer care services in public sector banks and thus, immediate need is to take concrete steps for providing complementary customer care services.
- Public sector banks take long time in completing the banking transactions, it is suggested to increase the speed of working for timely completion of banking transactions.
- The working of the online banking and ATMs in public sector banks is not proper in comparison with private sector banks. Therefore, it is suggested to improve the functioning of online banking and ATMs with safety and security. The customer's feedback mechanism should be set up at various ATM locations.

- Customers also complained about the absence of banking staff during peak working hours. Therefore it is suggested to take strict steps for removing absenteeism during working hours in public sector banks.
- Majority of the customers complained about lack of modern facilities in some public sector Banks. Therefore, need of the hour is to initiate measures to provide modern facilities to consume customers immediately.
- It is also suggested to improve the Bank's performance of their administrative staff by imparting training and development programmes having focus on their operational performance in customer services.

(b) For Private Sector Banks

- The officials of the private sector banks should improve their attitude while dealing with the customers. It is suggested to be humble, polite and effective in dealing with customer's queries.
- The internet services need to be improved and the banks should initiate measures to make e-payment easier by implementing online transactions system.
- Though the customers of private sector banks have more access to electronic functions, but it is suggested to improve the feedback mechanism of the websites to deal with customer complaints more speedily and satisfactorily.
- Due to global financial crisis, the customers of private sector banks suggested that the private sector banks should disclose their involvement in the derivative products on weekly basis for the protection of investors and customers interests.
- It is also suggested that the safety of customers' deposits in private banks should be ensured by the government so that private sector banks can survive even during liquidity crisis.
- Though, the private sector banks lead in providing modern services, but it is suggested that they should involve the customers for using modern services by conducting awareness programmes from time to time.
- The recovery method needs to be made customer friendly.

Conclusion

From the above analysis it is clear that private sector banks have been successful in attracting young and qualified customers from higher income groups. Customers of private sector banks are more satisfied with the customer care services & other parameters of satisfaction which is posing a challenge to the public sector banks. In a competitive banking environment in order to retain and widen the customer base, both the banks should give more importance to customer relationships along with offering better services. Above suggestions if implemented in true spirit will help a long way in improving the operational performance of both public & private sector banks, thereby leading to more satisfied and loyal customers.

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