COMPARATIVE STUDY OF CUSTOMER SATISFACTION IN PUBLIC SECTOR AND PRIVATE SECTOR BANKS IN INDIA (A Case Study of Meerut Region of U.P.)

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ABSTRACT
With the introduction of liberalization policy and RBI's easy norms several private and foreign banks have entered in Indian banking sector which has given birth to cut throat competition amongst banks for acquiring large customer base and market share. Banks have to deal with many customers and render various types of services to its customers and if the customers are not satisfied with the services provided by the banks then they will defect which will impact economy as a whole since banking system plays an important role in the economy of a country, also it is very costly and difficult to recover a dissatisfied customer. Since the competition has grown manifold in the recent times it has become a herculean task for organizations to build loyalty, the reason being that the customer of today is spoilt for choice. It has become imperative for both public and private sector banks to perform to the best of their abilities to retain their customers by catering to their explicit as well as implicit needs. Many times it happens that the banks fail to satisfy their customer which can cause huge losses for banks and there the need of this study arises.

The purpose of this research article is to examine the customer satisfaction among group of customer towards the public sector & private sector banking industries in India. Study is cross sectional and descriptive in nature. The researcher tries to makes an effort to clarify the Customer Service satisfaction in Indian banking Sector. Descriptive research design is used for this study, where the data is collected through the questionnaire. The information is gathered from the different customers of the two banks, viz., PNB and HDFC Bank located in the Meerut Region, Uttar Pradesh. Hundred bank respondents from each bank were contacted personally in order to seek fair and frank responses on quality of service in banks. The service quality model developed by Zeithaml, Parasuraman and Berry (1988) has been used in the present study.

The analysis clearly shows that there exists wide perceptual difference among Indian (public sector) banks regarding overall service quality with their respective customers, when compared to Private sector banks. Whereas the said perceptual difference in private banks is narrow.

Key words: Customer Satisfaction, Customer service, Banking, Service quality.

INTRODUCTION
Businesses need to attract and establish a customer market and would need to retain it through satisfaction. That is the key to its business performance (Johnson et al. 2000). In order to attain this goal, a company should have a high satisfaction rate from its clients. The increasing competition, whether for profit and non-profit purposes, is forcing the business sectors to pay much and more attention to satisfying customers (Management library, 2008). Researchers suggest that increased levels of customer satisfaction and loyalty are frequently attributed or linked to positive outcomes for a firm (Colgate, 1999). Measurement of the rate of customer satisfaction is also a measurement of how products and services supplied by a company meet or surpass customer expectation. It is seen as a key performance indicator. This is due to the fact that one of the factors needed in order to attain high competency and also high competitiveness is a high market share through an increased, established and well-sustained customer or client population. Industries are beginning to understand the concept that their customers, the ones who purchase their products and use their services, are the primary drivers of their position on the profitability ladder. Satisfaction is a multidimensional construct which has been conceptualized as a prerequisite for building relationships and is generally described as the full meeting of one's expectations (Oliver, 1980), and is a feeling or attitude of a customer towards a product or service after it has been used (Jhan and Khan, 2008).

Industries also recognize that the support of the customer requires a complex infrastructure which should not only design, produce, and distribute a product or service which can be used by the customer without fear of defect, it should also contain a mechanism whereby the customer is effectively supported (Lowenstein, 1997). Anderson and colleagues (19940, found out that firms with higher reported satisfaction levels also show significantly higher returns. They say that an annual 1% increase in customer satisfaction is worth an 11.4% improvement in current return on investment. Basically, customer satisfaction is a psychological state; carefulness should then be taken when measuring it. Competitors that are prospering in the new global economy recognize that measuring customer satisfaction is a key. It has been a growing trend today, for banks to move away from a transactional based marketing approach to a relationship-based approach that has its core the recognition of the lifetime value of the customer. Satisfaction with banking services has been an area of growing interests to researchers.
and managers.

GENERAL BANKING SCENARIO IN INDIA
The general banking scenario in India has become very dynamic now-a-days. The picture of Indian banking was completely different as the Government of India initiated measures to play an active role in the economic life of the nation. Another Work done by Parasuraman, Zeithaml and Berry (Leonard L) between 1985 and 1988 provides the between the customers expectation of performance and their perceived experiences of performance. This provides the measure with a satisfaction Gap which is objective and quantities in nature. According to Garbrand customer satisfaction equals perception of performance divided by expectation of performance. So we can recognize where we need to make changes to create improvements and determine if these changes, after implemented, have led to increased customer satisfaction. If you cannot measure it, you cannot improve it.-Lord William Thomson Kelvin (1824-1907).The Indian banking system is characterized by a large number of banks with mixed ownership. The commercial banking segment comprises 27 public sector banks in which the Government has majority ownership, 40 private sector banks, and 33 foreign banks. In 1991, by comparison, public sector banks share of the total assets of the banking system was a little over 90 percent. The Reserve Bank of India was nationalized on January 1, 1949 under the terms of the Reserve Bank of India (Transfer to Public Ownership) Act, 1948. In 1949, the Banking Regulation Act was enacted which empowered the Reserve Bank of India (RBI) to regulate, control, and inspect the banks in India.”

The Banking Regulation Act also provided that no new bank or branch of an existing bank could be opened without a license from the RBI, and no two banks could have Common directors. By the 1960s, the Indian banking industry had become an important tool to facilitate the speed of development of the Indian economy. The Government of India issued an ordinance and nationalized the 14 largest commercial banks with effect from the midnight of July 19, 1969. A second dose of nationalization of 6 more commercial banks followed in 1980. The stated reason for the nationalization was to give the government more control of credit delivery. With the second dose of nationalization, the Government of India controlled around 91% of the banking business of India. Later on, in the year 1993, the government merged New Bank of India with Punjab.

RESEARCH METHODOLOGY
OBJECTIVES OF THE STUDY
1. To determine the perceptions of customers regarding the service quality in banks.
2. To study and compare the perceptions of the customers in and public (PNB) & private (HDFC) banks. The study provides a comparative analysis of the performance of PNB & HDFC banks in Meerut Region.

RESEARCH DESIGN
Descriptive research design has been used for this study and a survey has done for fact-finding inquiries of different kinds. The data is collected through the questionnaire. The information is gathered from the different customers of the two banks, viz., Punjab National bank and HDFC Bank located in the Meerut Region, Uttar Pradesh. Hundred bank respondents from each bank were contacted personally in order to seek fair and frank responses on quality of service in banks.

The service quality model developed by Zeithamal, Parsuraman and Berry (1988) has been used in the present study. The main assumption of the model is that service quality is multidimensional concept. These dimensions contribute to the assessment of the service quality in any setting. The statements in the construct are one-dimensional and performance based, which incorporate the statements of ‘SERVQUAL’ model that can be used as measurement (Cronin & Taylor, 1992). The 24 statements have been grouped under five dimensions. In order to ascertain the perception of service quality, Likert’s 10-point scale has been used for its suitability to estimate the range and variations in the perceptions.

SCOPE OF THE STUDY
Present study has been restricted to time period from April 2012 to June 2012 in Meerut region, PNB & HDFC banks of Meerut region has been taken as a representative unit of private banks public sector banks. A survey of 100 people each from both the banks has been conducted who are the general people of the banks. Professors, businessmen, Engineers and persons from self employed category, etc, have been surveyed.

DATA COLLECTION
Primary Data were collected using the questionnaire and personal contact approach. The respondents were approached personally on order to seek fair and frank responses on quality of service. Secondary data has been collected from the internet, published reports and the fact sheets of PNB Bank and HDFC Bank. For analysis of the data, weighted Mean had been used.

REVIEW OF LITERATURE
Customer satisfaction
Customer satisfaction, a term frequently used in marketing is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as “the number of customers or percentage of total customers, whose reported experience with a firm, its
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products, or its services (ratings) exceeds specified satisfaction goals, Customer satisfaction is the primary mental state of customer which comprise by two thing (1) expectation before purchase (2) perception about performance after purchase (Oliver 1997) according to the many authors customer satisfaction is feelings of customer in the process that what has been received against what was accepted including expectation and perception about purchase decision and need and want associated with purchase decision.

**Definition of Satisfaction**
Satisfaction means a feeling of pleasure because one has something or has achieved something. It is an action of fulfilling a need, desire, demand or expectation. Every rational customer compares the cost (price) and benefit (utility) of any product or services. Customers compare their expectations about a specific product/services and its actual benefits. This comparison results into three types of customers: dissatisfied customers (expectations are more than actual performance of the service); satisfied customers (actual benefits realized from services are equal to or more than expectations); indifferent customers (actual performance and expectation are exactly equal). Westbrook (1981) reported that overall satisfaction is the outcome of customer’s evaluation of a set of experiences that are linked with the specific service provider. It is observed that organization’s concentration on customer expectations resulted into greater satisfaction (Peters and Waterman, 1982).

It is said that satisfaction is a function of customer’s belief about fair treatment (Hunt, 1991). Customer satisfaction has become important due to increased competition as it is considered very important factor in the determination of bank’s competitiveness (Bartell, 1993; Haron et al. 1994). Satisfaction is a post purchase evaluative judgment associated with a specific purchase decision (Churchil and Suprenant, 1992). The customer satisfaction is indispensable for the successful survival of any organization. Continuous measurement of satisfaction level is necessary in a systematic manner (Chakravarty et al.1996; Chitwood, 1996; Romano and Sanfillipo, 1996).

To measure customer satisfaction with different aspects of service quality, Parasuraman, Valerie Zeithaml and Berry developed a survey research instrument called SERVQUAL. It is based on the premise that the customers can evaluate a firm’s service quality by comparing their perceptions of its service with their own expectations. SERVQUAL is seen as a measurement tool that can be applied across broad spectrum of service industries. In its basic form, the scale contains 24 perception items and a series of expectation items, reflecting the five dimensions of service quality. Their findings suggest that, in reality, SERVQUAL scores measure only two factors: intrinsic service quality (resembling what is termed functional quality) and extrinsic service quality (which refers to the tangible aspects of service delivery and "resembles to some extent what Gronroos refers to as technical quality").

**SERVQUAL Scale**
Parasuraman et al., (1988, 1991) developed SERVQUAL instrument to measure the dimensions of service quality that is frequently used by researchers. It consists of 24 items that are compiled into five dimensions: tangibility; reliability; responsiveness; assurance and empathy. This study applied five dimensions of service quality that are explained as under:

- **Reliability—** This dimension shows the consistency of services towards performance and dependability.
- **Tangibles—** It shows the physical aspects of the services as physical facilities, appearance of personnel and tools & equipment used for provision of services.
- **Responsiveness—** It reflects the willingness or readiness of employees to provide quick services to customers.
- **Assurance—** This dimension indicates the employees’ knowledge, courtesy and their ability to incorporate trust and confidence.
Figure 1.1 reflects expectation-outcome experiences of customers among bank customers. Customer satisfaction leads to better profitability by retaining existing customers and to attract new ones. Every organization deploys a reasonable amount to have satisfied customers. Satisfied customer leads to delighted customers that eventually create the sense of brand loyalty among customers. The sequence of customer satisfaction in reference to satisfied customers, delighted customers and loyal customers can be expressed in figure 1.2.
For actual survey respondents, instructions are also included, and each statement is accompanied by a seven-point scale ranging from "Strongly Agree--5" to "Strongly Disagree 1". Only the end points of the scale are labeled; there are no words above the number 2 through 4.

### 1. Tangibles
1. Banks (refer to Media -Print & TV or the appropriate service business throughout the questionnaire) will have modern-looking equipments.
2. Employees at banks will be tidy in appearance.
3. The physical facilities at admirable banks will be visually pleasing.
4. The ATM's of this bank are technologically well equipped
5. Tangible Materials (e.g., brochures or statements) associated with the service will be visually attractive in an excellent bank.
6. The ATM's of this bank are adequate in numbers
7. The internet banking services of this bank are widespread.

### 2. Reliability
8. Banks will act upon the service right the first time.
9. When banks promise to do something by a certain time, they will do so.
10. When customers have a trouble, excellent banks show a sincere interest in solving it.
11. Banks will make available their services at the time they assure to perform so.
12. Banks persist on error free proceedings.

### 3. Responsiveness
13. Employees of banks will enlighten customers exactly when service will be performed.
14. Employees of banks will give quick service to customers.
15. Employees of banks are always enthusiastic to help customers.
16. Employees of banks are never too active to act in response to customer requests.

### 4. Assurance
17. The activities & behavior of employees of banks will instill coolness in customers.
18. Customers of banks will feel safe & secure in their transactions & dealing.
19. Employees & staff of banks are constantly courteous & polite with customers.
20. Employees of banks are having the knowledge to answer customer questions.

### 5. Empathy
20. Banks will give customers individual attention.
21. Banks will have operating hours convenient to all their customers.
22. Banks will have employees who give customers personal attention.
23. Employees of Banks will understand the specific needs of their customers.

These findings do not undermine the value of Zeithaml, Parasuraman, and Berry's achievement in identifying some of the key underlying constructs in service quality, but they do highlight the difficulty of measuring customer perceptions of quality. Anne Smith notes that the majority of researchers using SERVQUAL have omitted from, added to, or altered the list of statements purporting to measure service quality.

### ANALYSIS AND INTERPRETATION
With reference to the objective of the study, the major areas of questioning and analysis concerned perceptions of service quality and its dimensions: responsiveness, assurance, reliability, tangibility and empathy. As declared, perceptions were considered on a five point strongly agree to strongly disagree scale.

### OVERALL SERVICE QUALITY
The analysis of Table-1 shows that there exists broad perceptual distinction between Indian (Public sector) banks concerning generally service quality with their respective customers, whereas the said perceptual distinction in private banks is narrow.

The mean of PNB (142.48) when compared to mean of HDFC (167) shows that there is a major difference in the quality of service being delivered by PNB with the quality of service as perceived by their respective customers. In other words, service quality delivered by banks such as HDFC is higher than that of PNB.

### OVERALL SERVICE QUALITY

<table>
<thead>
<tr>
<th>Servqual Dimension</th>
<th>PNB Mean</th>
<th>HDFC Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Responsiveness</td>
<td>20.04</td>
<td>27.8</td>
</tr>
<tr>
<td>2. Assurance</td>
<td>26.08</td>
<td>27.36</td>
</tr>
<tr>
<td>3. Reliability</td>
<td>27.72</td>
<td>32.44</td>
</tr>
<tr>
<td>4. Tangibility</td>
<td>46.68</td>
<td>48.76</td>
</tr>
<tr>
<td>5. Empathy</td>
<td>21.96</td>
<td>30.64</td>
</tr>
<tr>
<td>Overall Service Quality</td>
<td>142.48</td>
<td>167</td>
</tr>
</tbody>
</table>
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DIMENSION-WISE ANALYSIS

RESPONSIVENESS: The data in Table-1 illustrate that there are important perceptual differences on the responsiveness dimension of service quality with their customers. PNB (20.04) shows that the bank is far below the perceptions of their customers on the said dimension when compared with HDFC (27.08). The element wise analysis of this dimension shows that SBI is falling below the perceptions of their customers on communicating to the customer regarding performance of service, employees providing prompt services and willingness to help customer.

Table-1: Perceptions of Customers about banks Responsiveness

<table>
<thead>
<tr>
<th>Servqual Dimension</th>
<th>PNB Mean</th>
<th>HDFC Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Always willing to help customers</td>
<td>4.28</td>
<td>7.72</td>
</tr>
<tr>
<td>2. Never too busy to respond to customers requests</td>
<td>5.36</td>
<td>6.08</td>
</tr>
<tr>
<td>3. Telling customers exactly when service will be performed</td>
<td>5.12</td>
<td>7.52</td>
</tr>
<tr>
<td>4. Giving prompt service to customers</td>
<td>5.28</td>
<td>6.48</td>
</tr>
<tr>
<td>Responsiveness (1+2+3+4)</td>
<td>20.04</td>
<td>27.08</td>
</tr>
</tbody>
</table>

ASSURANCE: The perceptual variation between PNB (26.08) and HDFC (27.36) in Table 2, customers are low as is evident from the mean. The respondents of PNB and HDFC have given almost equal rating on assurance dimension to both the banks. The factor wise analysis illustrates that HDFC is greater than the perceptions of their customers as far as trust worthiness and courteous with customers. While PNB is greater than HDFC in feeling safe in transacting with the bank and having sufficient knowledge in answering questions to the customers.

Table-2: Perceptions of Customers about banks Assurance

<table>
<thead>
<tr>
<th>Servqual Dimension</th>
<th>PNB Mean</th>
<th>HDFC Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Feeling safe in their transactions</td>
<td>7.28</td>
<td>7.04</td>
</tr>
<tr>
<td>6. Having knowledge to answer customers questions</td>
<td>6.16</td>
<td>5.76</td>
</tr>
<tr>
<td>7. Consistently courteous with customers</td>
<td>6.08</td>
<td>7.92</td>
</tr>
<tr>
<td>8. Behavior of employee will instill confidence in customers</td>
<td>6.56</td>
<td>6.64</td>
</tr>
<tr>
<td>Assurance (5+6+7+8)</td>
<td>26.08</td>
<td>27.36</td>
</tr>
</tbody>
</table>

RELIABILITY: The breakdown of reliability dimension of service quality shows major variations in the observation of PNB with their respective customers. PNB (27.27) in Table 3, shows that they fall below the expectations of their customers in delivering quality services, whereas HDFC (32.44) is greater than the perceptions of their customers in this dimension. The factor wise analysis of reliability explains that PNB is far below the perceptions of their relevant customers as far as keeping promise, Interest in solving problem, and providing service at promised time are concerned.
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Table-3: Perceptions of Customers about banks Reliability

<table>
<thead>
<tr>
<th>Servqual Dimension</th>
<th>PNB Mean</th>
<th>HDFC Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>9. Performing service right the first time</td>
<td>6.4</td>
<td>6.68</td>
</tr>
<tr>
<td>10. Provide service at promised time</td>
<td>5.24</td>
<td>6.92</td>
</tr>
<tr>
<td>11. Promise to do in time</td>
<td>5.12</td>
<td>6.36</td>
</tr>
<tr>
<td>12. Interest in solving the problem</td>
<td>4.72</td>
<td>6.68</td>
</tr>
<tr>
<td>13. Error free records</td>
<td>6.24</td>
<td>6.0</td>
</tr>
<tr>
<td>Reliability (9+10+11+12+13)</td>
<td>27.72</td>
<td>32.44</td>
</tr>
</tbody>
</table>

**TANGIBILITY**: The data in Table-4 fetch to light the distinction in the perceptions of the banks—PNB and HDFC with their relevant customers on tangibles. The data tells that banks such as HDFC (47.74) are exceeding the perceptions of their customers when compared to PNB. While PNB with a mean of (46.32) falls undersized the perceptions of their customers on this dimension of service quality when evaluated to HDFC. The element wise breakdown of tangibility shows severe short fall of perceptions among banks like PNB on up to date up to date equipment, physical facilities available in a bank, neat appearance, materials in banks and internet facility as perceived by their relevant customers. While PNB have outperformed HDFC regarding numbers of ATM’s available.

Table 4: Perceptions of Customers in relation to banks Tangibility

<table>
<thead>
<tr>
<th>Servqual Dimension</th>
<th>PNB Mean</th>
<th>HDFC Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>14. Tidy in appearance</td>
<td>6.04</td>
<td>7.02</td>
</tr>
<tr>
<td>15. Physical Facility</td>
<td>5.68</td>
<td>6.76</td>
</tr>
<tr>
<td>16. Innovative Equipment</td>
<td>7.00</td>
<td>7.08</td>
</tr>
<tr>
<td>17. Internet banking services</td>
<td>5.48</td>
<td>7.72</td>
</tr>
<tr>
<td>18. ATM Technically equipped</td>
<td>8.24</td>
<td>7.84</td>
</tr>
<tr>
<td>19. ATM’s in sufficient numbers</td>
<td>7.56</td>
<td>4.08</td>
</tr>
<tr>
<td>20. Material in banks</td>
<td>6.32</td>
<td>7.24</td>
</tr>
<tr>
<td>Tangibility (14+15+16+17+18+19+20)</td>
<td>46.32</td>
<td>47.74</td>
</tr>
</tbody>
</table>

**EMPATHY**: The data analysis of Table-5 relate the factor that banks such as PNB (21.96) stand away from their customers regarding delivery of quality services when compared with HDFC (30.64). There exists a wide gap between the perceptions of banks such as PNB and their customers as is evident from there mean.
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Table-5: Perceptions of Customers about banks Empathy

<table>
<thead>
<tr>
<th>Servqual Dimension</th>
<th>PNB Mean</th>
<th>HDFC Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>21. Giving customers personal attention</td>
<td>5.76</td>
<td>7.02</td>
</tr>
<tr>
<td>22. Giving customer individual attention</td>
<td>6.00</td>
<td>7.08</td>
</tr>
<tr>
<td>23. Convenient operating hours</td>
<td>4.24</td>
<td>8.24</td>
</tr>
<tr>
<td>24. Able to understand the specific needs of the customers</td>
<td>5.96</td>
<td>7.04</td>
</tr>
<tr>
<td>Empathy (21+22+23+24)</td>
<td>21.96</td>
<td>30.64</td>
</tr>
</tbody>
</table>

CONCLUSION:
The Researcher found in their research the highest customer satisfaction is demonstrated in the responsiveness area such as willingness to help customer, friendly attitude of staff, followed by the reliability area such as customer guidance, customer support and other hand, the moderate satisfactions are in the tangibles area, such as infrastructure facilities, decor, followed by empathy area such as banks business timing and return on investment.

Due to the wide variation of the responses, both public and private banks need to consider the weak areas in order to meet customer requirements. This study derives its basis from various research findings and is also in line with empirical findings with respect to customer satisfaction by other researchers.

To outline, the outcome of the research lead us to the following conclusion and guiding principle for implication in both public sector & private sector banks:

1. To be successful in banking sector, banks must provide service to their customer that at least meets or better if exceeds their expectations, and the present study will provide some sort of guidelines to the policy makers (managers) of banks to take appropriate decision to improve the quality of services in Indian banking.

2. The customer satisfaction in terms of service quality is a relational marketing paradigm. The relationships are mostly viewed from the perspective of the firm providing services. For service firm in our case the banks, building strong relationship is important for improving customer satisfaction through service quality.

3. Public sector banks like PNB fall much below the perceptions of their customers on all dimensions of service quality. Private Banks such as HDFC bank are exceeding the perceptions of their customers on all dimensions of service quality.

4. The development of new product should be according to the customer need. A regular service should be given to the customer through the department website, Brochures and other by conducting regular survey, the result can be used by the department to come up with a new excellent product such as quality of printing or documentation for delighting their customer.

5. Although overall both public and private sector bank customers are satisfied with their banks but due to wide difference of response, both public and private sector banks should concentrate on their weak areas in order to meet their customer expectations and this study provides sort of guidelines to managers of banks to take suitable decisions to get more satisfied responses from their customers.

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