# Ensuring Customer Satisfaction in Banking Sector through Service Quality – A Study with Reference to Select Branches of State Bank of India

Dr. Rajesh Jain, Associate Professor, IMS, SAGE University, Indore

Prof. Samyak Jain, Assistant Professor, IMS, SAGE University, Indore

Prof. Alka Jain, Assistant Professor, IMS, SAGE University, Indore

**Abstract**

The banking industries are facing a rapidly changing market, new technologies, economic uncertainties, increasing competition, and especially more demanding customers. The income and business growth of the banks depends on loyal and satisfied customers. As a result, in today''s competitive environment, banks are continuously trying to retain their existing customer and attract new customers by providing better quality services. The objectives of the study are (i) to understand the concept of service quality and customer satisfaction, and to examine the relationship between them and (ii) to appraise the level of service quality and customer satisfaction in select branches of State Bank of India. Primary data have been collected through a structured questionnaire by direct interacting with 110 banking customers of SBI from different areas of Barwani district. Bar chart, cross tabulation, Chi-square test, etc. have been used for interpreting the data. The study found that the service quality of SBI bank is not so satisfactory in Barwani district. The study suggests that the banks should increase their number of ATMs, cash counting machines, and number of front desk employees to improve their quality of services.

**Key-words**: Service Quality, State Bank of India, SERVQUAL Model, Tangibility, Reliability.

## 1.      Introduction

Banking, an important segment of the service sector, plays a very crucial role in the economic development of every country. In these days of intense competition, the banks are very particular in identifying the needs of their customer and how effectively that can be met. They continuously struggle and develop new strategies to differentiate themselves from their competitors by providing their customers with high quality banking services and high technology innovative products. Although, banking sector of India has been improved gradually for the last two decades. But it is also facing lot of challenges and difficulties such as, increasing customer''s demand and awareness, increasing competition, growing population, etc. Beside these, another important challenge that the sector is facing is technological changes. As the sector is growing fast, a number of new private banks have emerged. Therefore customers are getting many options for selecting their suitable financial service provider. Due to increasing customer awareness, they would select those particular banks that can provide standard services and fulfill their expectation. In the Indian scenario, where all banks offer almost similar products and services, need based efficient customer service and the service quality can differentiate a bank.

## 2.      Review of Literature

Oppewal and Vriens (2000) used SERVQUAL model to find out the dimension which yield maximum improvement in bank''s utility among different dimension such as different service attributes, strategically important service dimensions, and overall preference for banks or banking products. Chinwuba (2013) measured the customer perceived service

quality and their satisfaction level by using SERVQUAL model through the help of 117 respondents. They found that assurance, empathy and responsiveness dimensions have positive relationship between them and no significant effect on customer satisfaction and there was a negative relationship and no significant impact between reliability and customer satisfaction. But the dimension tangibility has significant positive relationship with customer satisfaction. Mary (2014) conducted a study in Chennai city and the study found out that the customers in private sector banks are more satisfied than customers of public sector banks. There exists a strong relationship between expectation level of the customer and level of satisfaction and customer loyalty in banking sector.

## 3. Objectives of the study

The main objectives of the study are as follows:

➢ To understand the concept of customer satisfaction and service quality, and to examine the relationship between them.
➢ To appraise the level of service quality in select branches of State Bank of India.

## 4. Database and methodology Database

The study is both *exploratory* and *empirical* in nature. The explorative part of the study is based on the existing literature on the subject including books, journal, articles, etc. The empirical analysis in the study has been done on the basis of primary data which have been collected through field survey as mentioned below.

**Methodology**

For appraisal of service qualities and customers satisfaction in the banks, SBI bank has been selected as it is the largest public sector bank in India. Three semi-urban branches of SBI bank from different area of Barwani district have been considered for collection of primary data on the basis of convenient sampling method. The selected branches of SBI are; Jhanda Chouk Branch, Rupnarayanpur Branch and Niyamatpur Branch. The information related to quality of services has been collected through a structured questionnaire by direct interaction with 110 customers of SBI bank from the three selected semi-urban branches.

## 5. Customer Satisfaction

The dictionary meaning of „customer‟ is a person who buys goods and services. So, customer services involve three entities i.e., seller, buyer and goods/services. Customer service is, therefore, encapsulation of all these entities for the mutual benefits so as to increase the value of all the participants in the process of buying and selling. business well. Perfect and smiley customer service definitely improves customer satisfaction. Measuring service quality is a better way to dictate whether the services are good or bad and whether the customers will or are satisfied with it. As per Parasuraman, Zeithmal and Berry (1985) the service quality may be expressed as:

*Service quality=Perception - Expectation*

## 6. Relation between Customer Satisfaction and Service Quality

Customer satisfaction and service quality are inter-related. The higher the service quality, the higher is the customer satisfaction. Many agree that in the banking sector, there are no recognized standard scales to measure the perceived quality of a bank service. Service quality is one of the important areas of business especially for service industries like bank to retain their customer and to attract new one. Poor customer service could cause a banking business loss of

millions of dollars and also „its credibility".

## 7.  Appraisal of Service Quality and Customer Satisfaction in SBI Bank

In this section for appraising the service quality, three branches of SBI bank have been considered from semi-urban areas of Barwani district. The information related to quality of services has been collected through direct interview with the 110 customers of SBI by filling up the questionnaire.

### 7.1  Demographic Profile of the Respondent

The demographic profile of the respondents are summarized below:

### a.  Branch wise distribution of the Customers

The Table 1 in below shows that 45.50% respondents are from Sainath Colony branch, 32.70% are from Jhanda Chouk branch and remaining from M.G. Road branch.
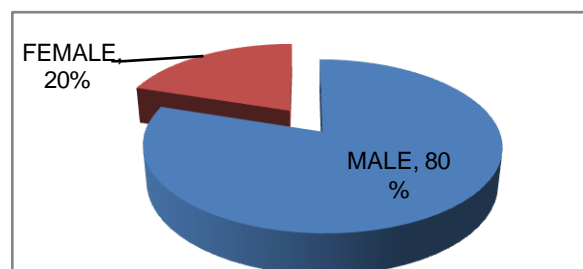
**Table 1**

| SBI BANK- NAME OF THE BRANCH | NO. OF CUSTOMER | PERCENTAGE |
|---|---|---|
| Jhanda Chouk Branch | 36 | 32.70% |
| Sainath Colony Branch | 50 | 45.50% |
| M.G. Road Branch | 24 | 21.80% |
| **Total** | 110 | 100% |

(Source: Field survey by the Researcher

### b.  Gender of the Respondents

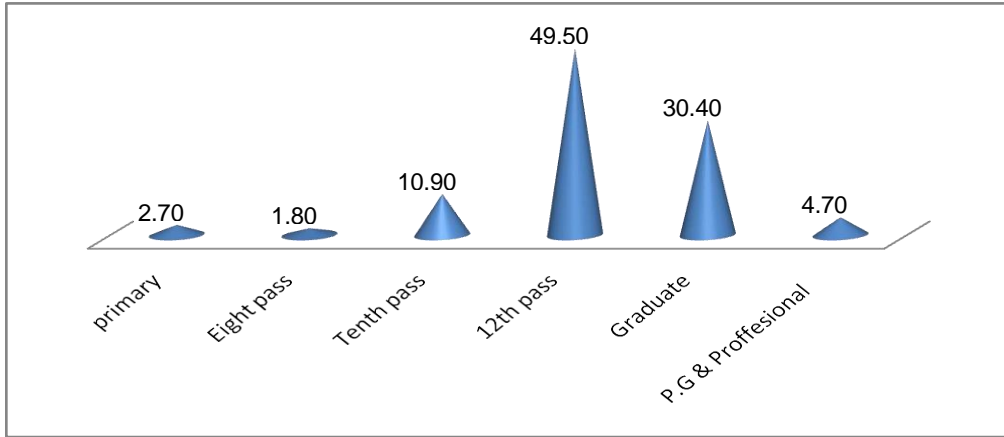**Exhibit 2: Gender wise distribution of the customers**



(Source: Field survey by the Researcher)

Exhibit (2) indicates that for SBI bank (80%) most of the respondents are male.

**c.        Educational qualification of the Respondents**

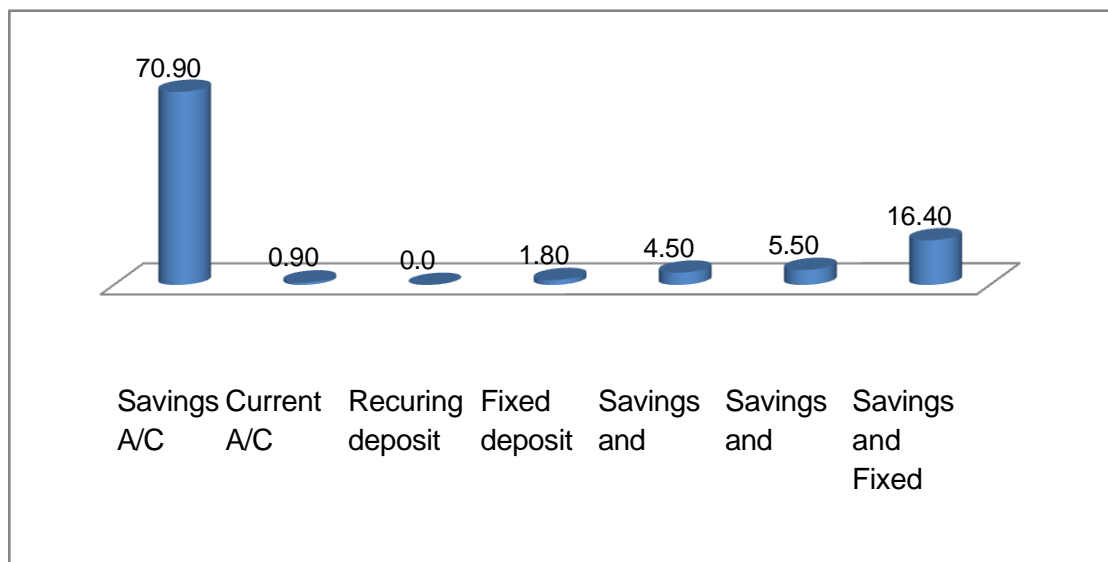**Exhibit 3 : Educational qualification of the Respondents**



(Source: Field survey by the Researcher)

Exhibit (3) shows that most of the customers are „12 th" pass (49.50%) and „graduate" (30.40%), and few are „primary level educated" and „eight pass" and Post Graduate (PG) and Professional.

**d.        Type of account selected by the Respondents**

**Exhibit 4: Type of account selected by the customers**

| A/C | A/C | Recuring deposit A/C | Recuring deposit and Fixed deposit A/C | deposit A/C |
|---|---|---|---|---|

(Source: Field survey by the Researcher)

From the above Exhibit (4) it can be said that most of the respondents (70.90%) have only Savings Account with SBI and very few of them have Current Account (0.90%) and Fixed Deposit Account (1.80%). 16.40% of the respondents have both Saving and Fixed deposit Account.

### 7.2    Analysis of the Service Quality and Customer Satisfaction by using SERVQUAL Model

In this section, we have analysed the primary data collected from 110 customers of three branches of SBI bank through questionnaire designed on the basis of the five parameters of SERVQUAL model. We have collected the customer‟s feedback in five point likert scale regarding their satisfaction level out of the services provided by SBI to examine the customer‟s satisfaction in regards to the quality of services. Chi-Square tests have been done to compare between the desired level and perceived level of satisfaction of the respondents regarding the five parameters. The findings of the analysis have been summarized below:

**a)       Tangibility**

For collecting the information regarding the „Tangibility‟ or physical infrastructure of the bank eleven (11) sub-parameters or questions were set up. The findings are as follows:

**(i)            Sub-parameter - 1: Availability of sufficient number of counter in the Banks**

Availability of sufficient numbers of counters in the banks is an important factor of service quality. A Chi-Square test has been done to examine whether there is any significant difference between the desired level and perceived level of the customers regarding the availability of sufficient number of counters in the banks.

**Chi Square test Hypothesis -1**

Ho – There is no significant difference between desired level and perceived level regarding sufficient number of counter available in the branches.

H1 – There is a significant difference between desired level and perceived level regarding sufficient number of counter available in the branches.

Table 3 and 4 describe the table of cross tabulation test and Chi-Square test result.

Table 3 : Cross tabulation table of desired level and perceived level of Sufficient number of counter available in the branches

| Name of the Bank | | | | Desired tangibility Sufficient number counter available | | Total |
|---|---|---|---|---|---|---|
| | | | | Highly satisfied | Satisfied | |
| **SBI** | Perceived tangibility Sufficient number counter available | Highly satisfied | Count | 27 | 2 | 29 |
| | | | % of Total | 24.5% | 1.8% | 26.4% |
| | | Satisfied | Count | 34 | 12 | 46 |
| | | | % of Total | 30.9% | 10.9% | 41.8% |
| | | Not Decided | Count | 16 | 7 | 23 |
| | | | % of Total | 14.5% | 6.4% | 20.9% |
| | | Dissatisfied | Count | 10 | 2 | 12 |
| | | | % of Total | 9.1% | 1.8% | 10.9% |
| | **Total** | | Count | 87 | 23 | 110 |
| | | | % of Total | 79.1% | 20.9% | 100.0% |

**Table 4 : Chi-Square Tests**

| Name of the Bank | | Value | df | Asymp. Sig. (2-sided) |
|---|---|---|---|---|
| **SBI** | Pearson Chi-Square | 5.582[a] | 3 | .134 |
| | Likelihood Ratio | 6.364 | 3 | .095 |
| | Linear-by-Linear Association | 1.693 | 1 | .193 |
| | N of Valid Cases | 110 | | |

In the above table 4, for SBI, Pearson Chi-Square value is 0.134, which is greater than 0.05 at 5% level of significance. So, we accept the Null Hypothesis (Ho). Now we can say that for SBI there is no significant difference between the desired level and perceived level regarding sufficient number of counter available in the branches. Hence, we may conclude that SBI bank has sufficient number of counter available for providing smooth services to the customer and the bank has met the customer‟s expectation level. In the same way, we have done Chi-Square tests for the other ten (10) sub-parameters of Tangibility". The findings of the Ch-Square test of all the eleven (11) sub-parameters are summarized in the following table

**Table 5: Summary Table of the Chi Square tests of the parameter 'Tangibility'**

| Sl no. | Hypothesis | P value | Remarks |
|---|---|---|---|
| 1 | Ho= There is no significant difference between desired level and perceived level relating to sufficient number of counter available in the bank. | 0.134 | Ho accepted |
| 2 | Ho= There is no significant difference between desired level and perceived level regarding availability of cash depository machine in the branch. | 0.496 | Ho accepted |

| | | | |
|---|---|---|---|
| 3 | Ho = There is no significant difference between desired level and perceived level relating to sufficient number cash countingmachine. | 0.014 | Ho rejected |
| 4 | Ho = There is no significant difference between desired level and perceived level relating to sufficient number of ATM machine in the bank. | 0.121 | Ho accepted |
| 5 | Ho = There is no significant difference between desired level and perceived level relating to sufficient space to serve customer with reasonable comfort in the branch of this bank. | 0.015 | Ho rejected |
| 6 | Ho = There is no significant difference between desired level and perceived level relating to availability of bank slip, Challan and pamphlets. | 0.000 | Ho rejected |
| 7 | Ho= There is no significant difference between desired level and perceived level relating to adequate staff at the bank to meet customer requirements in the bank | 0.024 | Ho rejected |
| 8 | Ho = There is no significant difference between desired level and perceived level relating to bank has sufficient passbook up to date machine. | 0.117 | Ho accepted |
| 9 | Ho= There is no significant difference between desired level and perceived level parking facilities in the bank premises. | 0.13 | Ho accepted |
| 10 | Ho = There is no significant difference between desired level and perceived level relating to seating facilities, drinking water and toilet facilities are convenient. | 0.357 | Ho accepted |
| 11 | H0= There is no significance difference between desired level and perceived level relating to E-corner facilities in the bank. | 0.137 | Ho accepted |

(Source: Compiled by Researcher)

**Table 6: Consolidated result of the Chi-Square tests for Tangibility**

| SBI Bank | |
|---|---|
| Accept | 7 |
| Reject | 4 |
| Total | 11 |
| | |

(Source: Compiled by Researcher)

The above table (6) shows that regarding tangibility, seven (7) hypotheses have been accepted and four (4) hypotheses have been rejected. The acceptance of the hypothesis means that there is no significant difference between the desired level and perceived level among the customers regarding any particular service. That means, the customers are satisfied with the services if the hypothesis are accepted and vice-versa. Again, rejection of hypothesis means that there is a significant difference between the desired level and perceived level among the customer i.e. the customers are not getting the expected services regarding this parameter of *'Tangibility'*.

**b)        Reliability**

As the same way, we have also done Chi-Square tests for the seven (7) sub-parameters of

Reliability" also and got the findings which are summarized in the following table:

**Table 7:  Summary Table of the Chi Square tests of the parameter 'Reliability'**

| Sl.no | Hypothesis | P value | Remarks |
|---|---|---|---|
| 1 | Ho= There is no significance difference between desired level and perceived level relating to bank rendersservice as promised. | 0.215 | Ho accepted |

| | | | |
|---|---|---|---|
| 2 | Ho = There is no significance difference between desired level and perceived level relating to standard time taken to process transaction . | 0.004 | Ho rejected |
| 3 | Ho = There is no significance difference between desired level and perceived level relating to staffs are sincere in solving customer problems. | 0.483 | Ho accepted |
| 4 | Ho= There is no significance difference between desired level and perceived level relating to level of services are same at all times of day . | 0.035 | Ho rejected |
| 5 | Ho= There is no significance difference between desired level and perceived level relating to accurate information are provide on website. | 0.000 | Ho rejected |
| 6 | Ho = There is no significance difference between desired level and perceived level relating to banks insist error free records. | 0.082 | Ho rejected |
| 7 | Ho = There is no significance difference between desired level and perceived level relating to customers can feel a sense of security during the transaction process. | 0.000 | Ho rejected |

(Source : Compiled by the Researcher)

**Table 8: Consolidated result of the Chi-Square tests for Reliability**

| SBI Bank | |
|---|---|
| Accept | 2 |
| Reject | 5 |
| Total | 7 |

(Source : Compiled by the Researcher)

The above table (8) shows that for SBI, two (2) hypotheses have been accepted and five (5) hypotheses have been rejected and for all rejected hypothesis, desire level of the customer is greater than the perceived level regarding the parameter *'Reliability'*.

**c)**     **Responsiveness**

In this case, we have also selected six (6) Sub parameter and also have done Chi-Square tests for that of „Responsiveness" and got the findings which are summarized in the following table.

**Table 9: Summary Table of the Chi Square test of the parameter 'Responsiveness'**

| sl.no | Hypothesis | P value | Remarks |
|---|---|---|---|
| 1 | Ho = There is no significance difference between desired level and perceived level relating to your request are handle promptly. | 0.003 | Ho rejected |
| 2 | Ho= There is no significance difference between desired level and perceived level relating to bank alerts the customer after their every transaction through SMS promptly. | 0.001 | Ho rejected |

| | | | |
|---|---|---|---|
| 3 | Ho= There is no significance difference between desired level and perceived level relating to response in case of emergency and seriousness. | 0.434 | Ho accepted |
| 4 | Ho = There is no significance difference between desired level and perceived level relating to bank delivers the information and product at proper time. | 0.0183 | Ho rejected |
| 5 | Ho= There is no significance difference between desired level and perceived level relating to banks performs the services right the first time. | 0.011 | Ho rejected |
| 6 | Ho = There is no significance difference between desired level and perceived level relating to sincerity of bank staff to answer when you have doubts and queries. | 0.025 | Ho rejected |

(Source : Compiled by the Researcher)

**Table 10: Consolidated result of Responsiveness**

| SBI Bank | |
|---|---|
| **Accept** | 1 |
| **Reject** | 5 |
| **Total** | 6 |

The above table (10) shows that for the bank SBI one (1) hypothesis have been accepted and five (5) hypothesis have been rejected and as same way all five hypothesis are rejected. It means SBI have not been able to satisfy the customers regarding the parameter Responsiveness.

**d)     Assurance**

For the parameter Assurance four (4) sub parameter or questions were setup and we have done Chi-Square tests on that. The findings of the Ch-Square test are summarized in the following table.

**Table 11: Summary Table of the Chi Square test of the parameter 'Assurance'**

| sl.no | Hypothesis | P value | Remarks |
|---|---|---|---|
| 1 | Ho= There is no significant difference between desired level and perceived level employee of the bank have knowledge to answer customer"s questions. | 0.034 | Ho rejected |
| 2 | Ho = There is no significant difference between desired level and perceived level relating to staff behavior with customers are polite and friendly. | 0.026 | Ho rejected |
| 3 | Ho = There is no significant difference between desired level and perceived level relating to employees are always willing to help you. | 0.013 | Ho rejected |
| 4 | Ho= There is no significant difference between desired level and perceived level relating to bank can honor their commitment. | 0.006 | Ho rejected |

**Table 12: Consolidated result of the parameter 'Assurance'**

| SBI Bank | |
|---|---|
| Accept | 0 |
| Reject | 4 |
| Total | 4 |

The above table (12) describe that for SBI bank all of the hypothesis have been rejected, it means that SBI have not been able to satisfy the customers of the parameter of „Assurance". So we can say that for the selected branches of SBI, the customers are not getting better quality of service regarding the parameter of *'Assurance'*.

**e) Empathy**

In the same way, we have also set up and done Chi-Square tests for the five (5) sub-parameters of „Empathy". The findings of the Ch-Square test of all the five (5) sub-parameters are summarized in the following table

**Table 13: Summary table of chi square test of the parameter 'Empathy'**

| sl.no | Hypothesis | P value | Remarks |
|---|---|---|---|
| 1 | Ho= There is no significant difference between desired level and perceived level relating to provisions of financial advice. | 0.402 | Ho accepted |
| 2 | Ho= There is no significant difference between desired level and perceived level relating to staffs try to determine what are the clients specific objectives. | 0.519 | Ho accepted |
| 3 | Ho = There is no significant difference between desired level and perceived level relating to helpdesk , call center of bank operate 24 hours. | 0.118 | Ho accepted |
| 4 | Ho = There is no significant difference between desired level and perceived level relating to bank‟s operating hour are convenient to their customer. | 0.107 | Ho accepted |
| 5 | Ho = There is no significant difference between desired level and perceived level relating to employees give personal attention to their customer . | 0.426 | Ho accepted |

(Source: Compiled by the Researcher)

**Table 14: Consolidated result of the parameter 'Empathy'**

| SBI Bank | |
|---|---|
| Accept | 5 |
| Reject | 0 |
| Total | 5 |

The above table (14) indicates that for SBI, all and five (5) hypotheses have been accepted and none (0) of the hypothesis have been rejected. It means that SBI has been able to satisfy the customers for 100% of the sub-parameters (5 out of 5) of „Empathy". So we can say that the customers of SBI are highly satisfied with the service quality regarding the parameter *'Empathy'*.

## 8. Conclusion

The study found that in today"s competitive environment, service quality plays an important role for the long term sustainability of the banks. As a result, to cope up this changing market condition banks have to retain old customers and have to attract new customers by providing better quality of services. It has been evident from the study that there is a strong relationship between the customer satisfaction and service quality. To ensure customer satisfaction the banks have to improve their service quality as per the customer"s expectation. The specific conclusions regarding the five parameters of service quality are as flows:

**(i)** The appearance of physical facilities, equipment, personnel and communication materials in relation to „*Tangibility'* are not so strong in SBI Bank to satisfy their customer.

**(ii)** Service quality of SBI bank is not so *reliable, accurate, secured and faithful* to satisfying their customers.

**(iii)** In case of *'Responsiveness'* service quality of this bank could not meet their customer"s expectation level.

**(iv)** Regarding *'Assurance'* the feedback of customers of the banks is not good. Lack of assurance has been found for the bank.

**(v)** Regarding *'Empathy',* SBI provide excellent services which have increased the customer"s satisfaction.

## 9. Recommendations

Some recommendations are given below for betterment of the services in State Bank of India.

**(i)** Now a day"s technology is modernizing day by day therefore SBI Bank have to up to date there technology as per modern era, and banks have to install sufficient number of cash counting machine in every branches. The bank should ensure availability of bank slip, challan and pamphlets to serve customers in a better way.

**(ii)** The bank should increase its staff to give personal attention to the customers and serve quickly.

**(iii)** The bank should ensure that the employees are behaving politely and friendly with the customers.

**(iv)** There are a huge number of customers in SBI bank. So the bank should increase its number of staff to serve the customers quickly, should improve seating facility to customers and increase the space inside the bank for providing smooth services to the customers.

**(v)** Better and faster technology, swanky branches and best product/service offering are necessary but not sufficient for customer satisfaction. Hence, there is a need to transform the mindset of the staff through greater knowledge and enhanced communication skills.

## 10. References

1. Agarwal, J. (2009). Customer satisfaction in Indian Banking Services- A Study in Aligarh District. *International Journal of Computing and Business Research*, Vol.3 Issue 1, 4-5.

2. Chinwuba, M. S. and Egene, S. (2013). Evaluating customer – Perceived Service Quality And Customer Satisfaction in The Nigerian Banking Industry, *Far East Journal of Psychology and Business,* Far East Research Center, Vol-11(3), 34- 46.

3. Gronroos, C (1984). A Service Quality Model and Its Marketing Implications, *European Journal of Marketing*, 18, 36-44.

4. Jani, A. S. (2012), A study of Customer Perception on the use of E-Technology in the Retail Banking Sector: A Comparative study of Public Sector and Private Sector Banks, *Indian Journal of Marketing*, Vol: 42, No: 1, 46-58.

5. Mary S. S. (2014). A Comparative Study on the Customer Satisfaction in Private Sector and Public Sector Banks with Reference to Chennai City, *International Journal of Business Quantitative Economics and Applied Management Research*, Vol 2, 42-43.

6. Rahaman, M. M., Abdullah, M and Ataur (2011). Measuring Service Quality using SERVQUAL Model: A Study on PCBs (Private Commercial Banks) in Bangladesh, *Business Management Dynamics*, 05-11.

7. Seth, Deshmukh, Vrat (2004). Service quality models: A Review, *International Journal of Quality and Reliability Management* Vol. 22, 915-923.

8. Vasantha, H. and Rani, S.S. (2011). Customer Perception of Services Quality in the Retail Banking Sector, *European Journal of Business and Management*, 3, 18-23.