

CUSTOMER'S EXPECTATION FROM SERVICE QUALITY OF PRIVATE AND PUBLIC SECTOR BANK: A COMPARITIVE STUDY

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Abstract Satisfaction of the customers is an invaluable asset for the modern organizations, providing unmatched competitive edge. It helps in building long-term relationship as well as brand equity. The best approach to customer retention is to deliver high level of customer satisfaction that result in strong customer loyalty. Satisfaction being a judgment, that a product or service feature or the product or service itself, provides a pleasurable level of consumption related fulfilment, is dynamic in nature. It is the result of interplay of a number of factors, which vary from one product/service category to another. The purpose of this study is to compare the public sector banks and private sector banks in terms of customer satisfaction and to study the various variables of service quality using SERVQUAL model. The work has been carried out with the objective of understanding the reasons of customer dissatisfaction and what are the opportunity areas that these banks need to focus on to strengthen their customer service practices resulting in customer delight. The research work uses both the sources of information, i.e., Primary and Secondary sources, and thereafter SERVQUAL model has been used to identify the discrepancy in the service delivery system. Finally the study concludes by giving some recommendations to improve in the area where these banks do not meet the expectations of their customers. Two-stage factor analysis was computed on 27 variables based upon the SERVQUAL model of service quality to arrive at the factors of customer satisfaction. The study revealed four factors in public sector banks and six factors in private sector banks of customer satisfaction. Further, paired sample t test was applied to test the hypothesis and compare the services provided by the public sector bank with that of private. Split half way method (Crobach coefficient α) was calculated on over all reduced variables, as well as individual factors in order to check the reliability.

Keywords: Customer Satisfaction, Private and Public Banks, Service Quality, SERVQUAL

1. INTRODUCTION

Banks play a very important role in the economic development of every modern state. Banks operate at the heart of the modern economy. Traditionally, banking had been restricted from private participation in India and public sector banks had been enjoying complete protection. This scenario has changed since 1990. The decade of 90s witnessed a sea change in the working of banking in India. Technology made tremendous impact by introducing “anywhere banking” and “anytime banking”. The financial sector now operates in a more competitive environment than before, and involves relatively large volume of international financial flows. In the wake of greater financial deregulation and global financial integration, the biggest challenge before the public sector banks is to match the market requirement rather than being promoted by Government or regulator.

New private banks have embraced technology right from the inception of their operations and therefore, they have adapted themselves to the changes in the technology easily. Deregulation, liberalization, and globalization have produced intense competition in banking industry resulting in declining margins in traditional businesses, increased cost pressures, and greater risks. Market positioning, cost of intermediation, and service delivery are likely to be determinants of the efficiency of banks with respect to their competitiveness. In the changed environment, creating new customers and retaining the existing ones have become difficult tasks for banks. To meet the competition, creating satisfaction of customers has become primary objective of each bank.

Customer satisfaction is the valued outcome of a good business practice. According to Drucker (1954), the principle purpose of a business is to create satisfied

customers. Increasing customer satisfaction leads to higher future profitability (Anderson et al., 1994), and lower costs related to defective goods and services (Anderson et al., 1997). Higher satisfaction increases willingness of buyers to pay price premiums, provide referrals, and use more of the product (Reichheld, 1996; Anderson and Mittal, 2000), and finally results into higher levels of customer retention and loyalty (Fornell, 1992; Anderson & Sullivan, 1993; Bolton & Rath, 1998). Increasing loyalty further increases future revenue (Fornell, 1992) and reduces the cost of future transactions (Reichheld, 1996; Srivastava et al., 1998). A firm's future profitability depends on satisfying customers in the present, and retained customers are viewed as revenue producing assets for the firm. Improved customer satisfaction need not entail higher costs. In fact, improved customer satisfaction may lower costs due to a reduction in defective goods, product re-work, etc. Customer satisfaction and retention that are bought through price promotions, rebates, switching barriers, and other such means are unlikely to have the same long-run impact on profitability as, when such attitudes and behaviours are won through superior products and services (Anderson & Mittal, 2000). A review of the existing literature indicates a wide variance in the definitions of satisfaction. The lack of a consensus definition limits the contribution of consumer satisfaction research. Customers may explain their satisfaction with a product or service in terms of specific aspects such as the product attributes, price, customer service, or a combination of these different features. Yi (1990) identified multiple studies conceptualizing satisfaction as an outcome resulting from a consumption experience while others conceptualize it as an evaluation of a consumption process. When a consumer claims to be satisfied with the product or service, he means that he likes the way it has performed in use. Satisfaction attitudes are retrospective evaluations of the product, based on experience. Hunt (1977) argued that consumer satisfaction with a product refers to the favourableness of the individual's subjective evaluation of the various outcomes and experiences associated with buying or using it. The present study is an attempt to explore the determinant factors of customer satisfaction with special reference to public and private banks. The study further attempts to provide dimensions of customer satisfaction for the two categories of banks. Perception of customers regarding the services used by them was taken as a measure of satisfaction in the study.

1.1. Customer Satisfaction: A Conceptual Framework

Early concepts of satisfaction research have defined satisfaction as a post choice evaluative judgment concerning a specific purchase decision (Churchill & Sauprenant, 1992; Oliver, 1980). Most researchers agree that satisfaction is

an attitude or evaluation that is formed by the customer comparing their pre-purchase expectations of what they would receive from the product to their subjective perceptions of the performance they actually did receive (Oliver, 1980). Further, "Satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations". (Kotler, 2000, p.36). Customer satisfaction is a collective outcome of perception, evaluation and psychological reactions to the consumption experience with a product/service (Yi, 1990).

1.2. Satisfaction Formation

In marketing literature (e.g. Churchill & Surprenant, 1982; Oliver 1980) as well as in recent information system studies (e.g. McKinney et al., 2002), the disconfirmation theory emerges as the primary foundation for satisfaction models. According to this theory, satisfaction is determined by the discrepancy between perceived performance and cognitive standards such as expectation and desires. Oliver (1980) described the process by which satisfaction judgments are reached in the expectancy disconfirmation framework. Buyers form expectations of the specific product or service before purchase and the perceived quality level influences their expectations (Khalifa & Liu 2003). Customer expectation can be defined as customer's pre-trial beliefs about a product (McKinney, et al., 2002). Expectations are viewed as predictions made by consumers about what is likely to happen during impending transaction or exchange (Zeithaml, 1988). Perceived performance is defined as customer's perception of how product performance fulfils their needs, wants, and desire (Cadotte et al., 1987). Perceived quality is the customer's judgment about an entity's overall excellence or superiority (Zeithaml, 1988). Disconfirmation is defined as customers' subjective judgments resulting from comparing their expectations and their perceptions of performance received (McKinney et al., 2002; Spreng et al., 1996).

2. SERVICE QUALITY AND GAP MODELS

The service quality has gained importance in last decade due to its unique characteristics of services involving intangibility, inseparability, variability, and sustenance. These characteristics make the process of service purchase and delivery very complex for both customer and seller. Over the last few decades, researchers have been coming up with different structured in regard to various dimensions of service quality. Technical - functional quality and image model by Gronroos (1984); GAP model (customer expectation and perception of expectations; management

perception of customer expectation and setting quality specification; difference between service quality specification and service quality delivery; difference between service delivery and communication to service delivery; difference between customer expectation and perceived service) by Parasuraman et al (1985); Attribute service quality model involving physical facilities and processes; people behaviour and professional judgment), Haywood- Farmer, 1988; Synthesized model integrates company image, external influences, and traditional marketing activities (Brogowicz et al, 1990); Performance only model (1992) suggesting service quality performance minus expectations as inappropriate and suggested performance only measurement as a better method (Cronin and Taylor, 1992); Ideal value model involves perceived ideal standard against which the experience is compared (Mattsson, 1992); Attribute and overall affect model (Dabholkar, 1996) came up with two alternative models of service quality, that is attribute model incorporating what consumer expects, customer evaluation of attributes associated with technology based self service option to form expectation; and overall affect model incorporating customers feeling towards use of technology. The P-C-P attributes (Pivotal, that is output, core, and peripheral) model by Philip and Hazlett (1997); Internal service quality involving internal customer and internal suppliers model by Frost and Kumar (2000) have been developed in order to find the determinants of the concept of service quality as well as appropriate quality measurement techniques. But SERVQUAL and SERVPERF remain widely used scales of service quality. This study proposes to test dimensionality of a widely used scale SERVQUAL and its significant dimensions in Indian context.

3. LITERATURE REVIEW

Parasuraman, Zeithaml, & Berry (1988) attempted to develop SERVQUAL to assess perception of customer about service quality in service and retail organization. They came up with five dimensions namely tangibles, reliability, responsiveness, assurance, and empathy.

Parasuraman, et al. (1991) investigated the impact of organizational barriers to deliver high quality service performance with the help of customer perceptions and expectations. The model developed by Parasuraman et al., (1988) was used and tested in which five gaps involving marketing information gap, standard gap, service performance gap, communication gap, and service quality gap were studied.

The results have shown that Gap 3 (service performance gap) and 4 (communication gap) were significant in explaining Gap 5, that is service quality. Cronin and Taylor (1992) investigated conceptualization and measurement of service quality. An alternative method of operationalizing

relationship, significance of relationship, perceived service quality, customer satisfaction and purchase intentions were studied. 22 items of SERVQUAL were taken and unweighted measure of performance was compared with SERVQUAL, weighted SERQUAL, and weighted SERVPERF. The sample size of 660 respondents was taken across the various industries. The result of factor analysis has shown that SERVPERF scale measures more of variance in service quality than alternative scales. It has been observed that both service quality and satisfaction affect purchase intentions. SERVQUAL had a good fit in two industries of four, whereas SERVPERF had an excellent fit in all four industries.

Parasuraman et al., (1996) have undertaken with the objective to summarize the evidence about behavioural consequences at individual customer level. The sample size of respondents was 1316. The results have shown that increased level of service quality leads to positive loyalty and readiness to pay more for the service, and decreased intentions to switch. Angur, Natarajan & Jahera (1999) studied various measures of service quality in a developing country, specifically the performance of alternative measure proposed by Cronin and Taylor (1992). 22 expectation, performance, and importance statements were used. 143 respondents were covered. The results have shown that SERVPERF measure and SERVQUAL measures have same convergent validity. SERVQUAL gaps show greater variability across banks and greater diagnostic information than SERVPERF scale. But SERVPERF has higher discriminating validity, and SERVPERF explains more variance in overall service quality than SERVQUAL. But at the same time average difference in variance explained is so small that is negligible.

Sureshchandar, Rajendran & Anantharaman (2003) conceptualized service quality as a multidimensional construct having five dimensions namely, core service (content of the service), service delivery (human elements such as reliability, responsiveness, assurance, empathy moment of truth and critical incident and recovery), non-human elements (process, procedures, systems and technology), tangibles (equipment, machinery, signage, and employee appearance, and social responsibility (well being of society). The results have shown significant difference between service quality offered by public, private, and foreign banks in terms all the five factors of service quality. Technological factor was found to be contributing more than human elements. Rai (2009) identified tangibility (seating, lighting, signage, and parking), competence (knowledge and ability), responsiveness (willingness and adherence), safety (confidence), communication (content and quality), and understanding customers (approach towards customer) as important dimensions of service quality.

Pal and Choudhury (2009) found out four dimensions of service quality namely customer – orientedness (prompt service, courteousness, knowledge, operating hours,

personal attention, ability to understand) competence (responsiveness, right service, dependability, service timing, safety), tangibles (physical facilities and materials) and convenience (branch location and ATM location).

Hazra and Srivastava (2009) used 22 item SERVQUAL scale and identified four factors involving assurance: empathy, reliability, tangibles and security. Customer commitment, satisfaction, and trust have been identified as separate factors. Empathy was found to be the most valued dimension of service quality and impacting customer loyalty to a company, willingness to pay, customer commitment and customer trust.

Kumar, Kee, and Charles (2010) undertook a study involving 22 item of SERVQUAL with additional 4 items relating to the dimension of convenience. The response was taken related to expectations and perceptions of the customer. The analysis has shown service quality consisted of four dimensions involving tangibility, reliability, convenience and competence. Competence and convenience were found to be relatively dominating factor as compared to tangibility and reliability. These two dimensions were found to be reducing 72 percent of overall service quality gap.

Monica Bedi (2010) indicated difference in customer perception of service quality in public and private sector banks. In majority of the factors, private sector banks were perceived to have high service quality. Private sector banks were found to be more satisfied than public sector bank customer. High propensity to switch was found in public sector bank customers than private sector bank customers. Product convenience, assurance, reliability, responsiveness, and product availability were identified as predictors of customer satisfaction in private sector banks, whereas responsiveness, product convenience, assurance, reliability and empathy were found as significant predictors in public sector banks.

Vigg Silky, Mathur Granma and Holani Umesh (2007) stated that Innovative services,

Network, Access, Technicalities, Behaviour, Comfort and Image are some of the factors responsible for customer satisfaction. Results have also revealed that there is no significant difference in the customer satisfaction of public and private sector banks.

Hummayoun Naeem, Asma Akram and Iqbal Saif (2009) investigated the impact of service quality on customer satisfaction in the Pakistani banking sector. Results of the analysis indicated that service quality was proved to be a strong predictor of customer satisfaction in case of the foreign bank as compared with the public sector bank. The study concluded that service quality, if managed effectively, can contribute significantly towards customer satisfaction.

Uma Sankar Mishra, Bibhuti Bhusan Mishra, Saroj Kanta

Biswal and Bidhu Bhusan Mishra (2010) concluded that the major reasons for dissatisfaction with public sector banks is the rigid policy, while for the private banks it is mostly service related factors like service charges, interest rates on loans & term deposit and matching to customer's attitude.

Ushad Subadar Agathe (2010) advocated that there are increasing urgent needs for bankers to meet customer expectations for faster and better service with the number of bank branches growing across the island leading to more price competition. The study also showed that those falling in the highest income groups are more likely to be unsatisfied with the banks' services. It highlighted the need for bankers to gear customer service and quality improvement efforts towards components of reliability and responsiveness.

Kajal Chaudhary and Monika Sharma (2011) attempted to analyze how efficiently Public and Private sector banks have been managing NPA. The study recommended that the bank staff involved in sanctioning the advances should be trained about the proper documentation and charge of securities and motivated to take measures in preventing advances turning into NPA. Public banks must pay attention on their functioning in order to compete private banks.

Surabhi Singh and Renu Arora (2011) research results indicated that the customers of nationalized banks were not satisfied with the employee behaviour, ambience, and infrastructure, while respondents of private and foreign banks were not satisfied with high charges, accessibility, and communication. The study suggested that training on stress management and public dealing should be imparted to the employees of nationalized banks.

4. RESEARCH METHODOLOGY OBJECTIVE

The objective of this descriptive research is to explore the major factors responsible for retail banking based on respondents' perception on various parameters of SERVQUAL model. The study also tries to examine whether there is any difference between the perception of customers of private banks when compared to public sector bank, what are the areas where the banks need to focus more in order to minimize the discrepancies and increase customer loyalty through better retail banking. A set of service quality parameters, drawn from SERVQUAL model (Parasuraman et al., 1984, 1988) have been used to understand customer satisfaction with respect to public and private sector banks. The SERVQUAL method from Valarie A. Zeithaml, A. Parasuraman, and Leonard L. Berry is a trusted technique that can be used for performing a gap analysis of an organization's service quality performance against customer service quality needs. SERVQUAL takes into account the perceptions of customers of the relative importance of service attributes. This allows an organization to prioritize and to use its resources to improve the most

critical service attributes. The methodology is based on 5 key dimensions:

1. Tangibles: Appearance of physical facilities, equipment, personnel, and communication materials.
2. Reliability: Ability to perform the promised service dependably and accurately.
3. Responsiveness: Willingness to help customers and provide prompt service.
4. Assurance: Knowledge and courtesy of employees and their ability to convey trust and confidence.
5. Empathy: The firm provides care and individualized attention to its customers.

In the “age of customers”, delivering quality service is considered an essential strategy for success and survival in today’s competitive environment (Dawkins and Reichheld 1990; Parasuraman et al., 1985; Reichheld and Sasser, 1990; Zeithaml et al., 1990)

The paper seeks to identify the areas where initiatives can be taken by the banks in order to instil a customer centric culture. Therefore the gap between customer’s expectation and perception related to public and private sector banks has been studied. This study will be helpful for professionals working in banks, academicians, and students of management courses.

For the study, Primary Data has been collected from the field with the help of a

Questionnaire having 27 variables based on the SERVQUAL model, which uses Likert scale for measuring the responses. Pilot test was performed on 50 respondents to decide on the 27 variables. A structured direct survey method has been followed for data collection. The total number of respondents surveyed was 500,250 from public sector bank, and 250 from private sector bank. Major public sector bank from where data has been collected were SBI, PNB, and UBI, while in private sector, major banks taken under consideration are ICICI, HDFC, and AXIS banks. The sampling technique used is Judgmental sampling in Delhi and NCR

The Likert scale used for the study is: Strongly Disagree – 1, Disagree – 2, Can’t Say – 3, Agree – 4, and Strongly Agree – 5

5. DATA ANALYSIS TOOLS

The major statistical tools used in this study are Factor analysis and paired sample, t-test, split half reliability method for testing the reliability.

Factor analysis: Factor analysis is by far the most often used multi-variate technique of research studies,

specially pertaining to social and behavioural sciences. It is a technique applicable when there is a systematic interdependence among a set of observed or manifest variables and the researcher is interested in finding out something more fundamental or latent which creates this commonality. For instance, we might have data, say, about an individual’s income, education, occupation and dwelling area, with which we want to infer some factors (such as social class) which summarize the commonality of all the said four variables. The technique used for such purpose is generally described as factor analysis. Factor analysis, thus, seeks to resolve a large set of measured variables in terms of relatively few categories, known as factors. This technique allows the researcher to group variables into factors (based on correlation between variables) and the factors so derived may be treated as new variables (often termed as latent variables) and their value derived by summing the values of the original variables which have been grouped into the factor. The meaning and name of such new variable is subjectively determined by the researcher. Since the factors happen to be linear combinations of data, the coordinates of each observation or variable is measured to obtain what are called factor loadings. Such factor loadings represent the correlation between the particular variable and the factor, and are usually placed in a matrix of correlations between the variable and the factors. The detailed outcome of the factors is explained in the following table.

The *t-test* is based on *t*-distribution and is considered an appropriate test for judging the significance of a sample mean or for judging the significance of difference between the means of two samples in case of small samples when population variance is not known (in which case we use variance of the sample as an estimate of the population variance). In case two samples are related, we use *paired sample t-test* (or what is known as difference test) for judging the significance of the mean of difference between the two related samples. It can also be used for judging the significance of the coefficients of simple and partial correlations. The relevant test statistic, *t*, is calculated from the sample data and then compared with its probable value based on *t*-distribution at a specified level of significance for concerning degrees of freedom for accepting or rejecting the null hypothesis. It may be noted that *t*-test applies only in case of small samples when population variance is unknown. The detailed result of the paired sample t test is given in the following tables.

Split Half Reliability Method: This method is used in the case of multiple item scale. A high correlation indicates that the internal consistency of the construct leads to greater reliability. Another measure which is used to test the internal consistency of the multiple item scale is coefficient alpha (α), commonly known as Cronbach alpha. The Cronbach alpha

5.1 Interpretation

Table 1: KMO and Bartlett's Test of Private Sector Banks

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.816
Bartlett's Test of Sphericity	Approx. Chi-Square	5.950E3
	Df	351
	Sig.	.000

Table 2: Result of Factor Analysis in Private Sector Banks

Rotated Component Matrixa

	Component					
	1 Service Interaction ($\alpha=.910$)	2 Proficiency ($\alpha=.617$)	3 Timely Services ($\alpha=.433$)	4 Infrastructure ($\alpha=.520$)	5 Advancement in Service ($\alpha=.552$)	6 Vigilance and atm Facility ($\alpha=.260$)
Greeting manner	-.228	.414	-.105	-.213	-.096	-.257
Queuing time	.407	-.003	.003	.078	.583	-.075
Instruction carry out time	.789	.099	.068	.138	-.204	.120
Please to be assisting	.091	.144	.002	-.258	-.191	.629
Additional product Offered	.009	.826	.224	.004	-.057	.107
No wait service	.036	.590	.390	-.056	-.180	-.096
Cleanliness	.572	.110	.107	.324	.132	.134
Space availability	-.035	.072	.044	.786	.072	-.138
Information brochure	.842	.045	.178	.083	.236	.028
ATM location	-.064	.076	-.009	.083	.101	.712
Appearance	-.435	.396	.226	.215	-.273	.309
Handling complain	.697	.103	.077	-.052	-.262	.043
Sorting of complain	-.032	.051	.574	-.361	.014	.407
Complain sorting time	.015	.797	-.059	.149	.203	.106
Follow up	.905	.175	.068	-.115	.111	-.062
Guidance	.492	.063	-.267	-.175	.532	.280
Friendly attitude	.824	-.237	-.168	.146	.292	-.071
Fast service	.715	-.297	.068	-.273	-.065	-.231
Respond to need	-.057	-.692	.119	-.206	.094	-.255
Valued customer	-.660	-.550	.135	-.057	-.030	-.126
Availability to the customer	.143	.220	-.152	.636	-.481	.113
Well cared facilities	.730	-.494	-.067	-.087	.313	-.156
Knowledge of product	.948	-.074	-.085	-.025	.209	.004
Other product Offering	.772	.446	.123	.025	.276	.005
Solving questions	.788	-.246	-.415	.047	.238	.060
Call handling	.555	.600	.481	.029	.116	.019
Quickly connected to right person	.051	.042	.818	.095	-.021	-.066

computes the average of all possible split half reliabilities for a multiple item scale. This coefficient demonstrates whether

the average score of all split half of reliabilities converge to a certain point or not. The coefficient alpha does not address validity.

5.2 Factor Analysis

Discussion of Table 1 and Table 2

A principal components factor analysis with varimax rotation was performed on the 27 items that assessed the perceived service quality of the retail banking. Out of 27 items, two items were removed due to low scoring. The statistical test result (KMO =0.816, Bartlett’s Test of Sphericity 5.950E3, Significance 0.000) indicated that the factor analysis method was appropriate. Thus, the 25 items were reduced to six factors with Eigen values greater than 1.0, which were retained for subsequent analysis. The resultant factor structure explained 70.471 of the item variance. The six factors and the loadings are listed in Table 2. All factors having the value above 0.5 were selected from the rotated component matrix forming six factors in case of private banks. The overall reliability of this construct was very good (Cronbach’s coefficient alpha = 0.853), while the reliability coefficients for six factors ranged from 0.260 to 0.910 indicating a complete internal consistency among the items of each factors.

Factor 1, which was labelled as “Service interaction”, was composed of twelve items (Coefficient alpha = 0.910). It accounted for 30.516 percent of total variance. This factor was dominated by items such as instruction carry out time, cleanliness, information brochure, handling complain, friendly attitude, fast service ,valued customer ,well cared facilities, knowledge of product (factor loading=0.948), other product offering solving questions, the knowledge of product and follow variables had highest factor loading, i.e., 0.948 and 0.905, while items like valued customer had negative factor loading (-0.660) indicating that customers were not valued in the private banks.

Factor 2 comprised of five items that related to the “proficiency” of the services (Coefficient alpha = 0.617). It accounted for 14.602 of total variance, the items included in this factor were: additional product offered to the customer, no wait service, complain sorting time, respond to need and call handling—where additional product offered and

complain sorting time had highest factor loading, i.e., 0.826 and 0.797 respectively, while items like respond to the need had negative factor loading (-0.692) indicating that private bank officials were not prompt enough in responding to the need of the customers.

Factor 3 was labeled as “timely service” that included two items. It accounted for the additional 7.103 percent of the total variance. The two items (Coefficient alpha = 0.433) were sorting of complain and quickly connected to the right person (factor loading = 0.818). These characteristics helped to establish the image of the bank and influences customer expectations.

Factor 4 was “infrastructure” that contains two items. It accounted for the additional 6.259 percent of the total variance. The two items (Coefficient alpha = 0.520) were space availability (factor loading = 0.786) and availability of the bank officials (factor loading = 0.636) when needed by the customer.

Factor 5 was interpreted as “Advancement in services” and contains two items. It accounted for the additional 6.113 percent of the total variance. The two items (Coefficient alpha = 0.552) are queuing time (factor loading =0.583) and guidance (factor loading = 0.532) given to the customer.

Factor 6 was interpreted as “vigilance and ATM facility” which included two items. It accounted for the additional 5.879 percent of the total variance. The two items (Coefficient alpha = 0.2600) were bank official are pleased to assist the customer (factor loading = 0.629) and ATM locations (factor loading = 0.712).

Discussion of Table 3 and Table 4

A principal components factor analysis with varimax rotation was performed on the 27 items that assessed the perceived service quality of the retail banking. Out of 27 items, none of the items were removed due to low scoring. The statistical test result (KMO =0.917, Bartlett’s Test of Sphericity 1.149E4, Significance 0.000) indicated that the factor analysis method was appropriate. Thus, the 27 items were reduced to four factors with Eigen values greater than 1.0, which were retained for subsequent analysis. All factors

Table 3 : Public Sector Banks Bartlett’s

Test of Sphericity

KMO and Bartlett’s Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.917
Bartlett’s Test of Sphericity	Approx. Chi-Square	1.149 E4
	Df	351
	Sig.	.000

Table 4: Factor Analysis of Public Sector Banks

Rotated Component Matrix ^a				
	Component			
	1	2	3	4
	COMPETENCE ($\alpha=.978$)	CUSTOMER FOCUS AND ORIENTATION ($\alpha=.628$)	EXPEDIENCY ($\alpha=.904$)	COMPLAIN FOLLOW UP
Greeting manner	.637	.606	.214	-.105
Queing time	.693	.608	.213	-.095
Instruction carry out time	.740	.367	.389	-.066
Please to be assisting	.735	.590	.046	-.032
Additional prod Offered	.856	.310	.307	.078
No wait service	.826	.511	.081	.070
Cleanliness	.867	.306	.282	.117
Space availability	.836	.099	.367	.240
Information brochure	.826	.462	.158	.130
ATM location	-.346	-.513	-.146	.171
Appearance	.774	.490	.188	.185
Handling complain	.665	.003	.463	.372
Sorting of complain	.633	.408	.362	.391
Complain sorting Out time	.660	.424	.408	.307
Follow up	.147	.164	.010	.795
Guidance	.486	.778	.008	.097
Friendly attitude	.376	.832	.073	.099
Fast service	.359	.783	.306	.184
Respond to need	.494	.676	.275	.277
Valued customer	.325	.593	.504	.252
Availability to the customer	.344	.776	.351	.141
Well cared facilities	-.148	-.653	.025	-.132
Knowledge of product	-.171	-.833	-.167	-.153
Other product Offering	.324	.096	.840	.057
Solving questions	.261	.212	.875	.010
Call handling	.211	.780	.459	.034
Quickly connected to right person	.190	.537	.508	-.143

having the value above 0.5 were selected from the rotated component matrix forming four factors in case of public sector banks. The resultant factor structure explained 82.005 of the item variance. The four factors and the loadings are listed in Table 4. The overall reliability of this construct was very good (Cronbach's coefficient alpha = 0.943), while the reliability coefficients for four factors ranged from 0.628 to 0.978, indicating complete internal consistency among the items of each factors.

Factor 1, which was labelled as "Competence", was composed of eleven items (Coefficient alpha = 0.978) and

accounted for 32.675 percent of the variance. This factor was dominated by items such as instruction carry out time, cleanliness, space availability, information brochure availability, handling complain, follow up, friendly attitude, fast service, valued customer, well cared facilities, knowledge of product, other product offering, solving questions, where items like cleanliness and additional product offered to the customer and had highest factor loading, i.e., 0.867 and 0.856 respectively.

Factor 2 comprised of eleven items that related to the "customer focus and orientation" of the services (Coefficient

Table 5: Paired Samples Statistics: Private Banks and Public Sector Banks

		Mean	N	Std. Deviation	Std. Error Mean
	EMPATHY				
Pair 1	Greeting manner of private banks	3.67	250	1.584	.100
	Greeting manner of public sector banks	2.49	250	.937	.059
Pair 2	Queuing time of private sector banks	3.03	250	.775	.049
	Queuing time of public sector banks	2.49	250	.937	.059
Pair 3	Instruction carry out time of private banks	4.10	250	.561	.036
	Instruction carry out time of public sector banks	2.39	250	.985	.062
Pair 4	Pleased to be assisting the customer of private banks	3.93	250	.400	.025
	Pleased to be assisting the customer of public sector banks	1.85	250	1.399	.088
Pair 5	Additional product Offered of private banks	4.62	250	.833	.053
	Additional product Offered of public sector banks	2.41	250	1.003	.063
Pair 6	No wait service	3.75	250	.605	.038
	No wait service of public sector banks	2.54	250	.978	.062
	TANGIBILITY				
Pair 7	Cleanliness	4.11	250	.595	.038
	cleanliness of public sector banks	2.42	250	1.015	.064
Pair 8	space availability of private banks	3.94	250	.445	.028
	space availability of public sector banks	2.32	250	1.156	.073
Pair 9	information brochure of private banks	3.32	250	.793	.050
	information brochure of public sector banks	1.74	250	1.385	.088
Pair 10	ATM location of private banks	4.90	250	.583	.037
	ATM location of public sector banks	3.91	250	.581	.037
Pair 11	appearance of private banks	4.53	250	.740	.047
	appearance of public sector banks	1.74	250	1.374	.087
	RESPONSIVENESS				
		4.07	250	.610	.039
Pair 12	handling complain of private banks	3.17	250	.801	.051
	handling complain of public sector banks				
Pair 13	sorting of complain of private banks	3.84	250	.539	.034
	sorting of complain of public sector banks	3.30	250	.700	.044
Pair 14	complain sorting time of private banks	3.77	250	.694	.044
	complain sorting time of public sector banks	2.46	250	1.053	.067
Pair 15	Follow up of private banks	3.31	250	.801	.051
	Follow up of public sector banks	3.28	250	.672	.042
Pair 16	guidance of private banks	3.22	250	.628	.040
	guidance of public sector banks	2.68	250	1.119	.071
	ASSURANCE				
Pair 17	friendly attitude of private banks				
	friendly attitude of public sector banks	2.67	250	1.115	.071
Pair 18	Fast service of private banks	3.26	250	.521	.033
	Fast service of public sector banks	2.54	250	.998	.063
Pair 19	respond to need of private banks	3.10	250	.350	.022
	respond to need of public sector banks	1.77	250	1.423	.090

Pair 20	Valued customer of private banks	3.91	250	.548	.035
	Valued customer of public sector banks	3.25	250	.650	.041
Pair 21	availability to the customer of private banks	3.95	250	.325	.021
	availability to the customer of public sector banks	2.54	250	1.014	.064
Pair 22	Well cared facilities of private banks	3.65	250	.880	.056
	Well cared facilities of public sector banks	3.44	250	1.133	.072
	RELIABILITY	3.66	250	1.094	.069
Pair 23	knowledge of product of private banks	4.28	250	1.343	.085
	knowledge of product of public sector banks	4.22	250	.879	.056
Pair 24	other product Offering of private banks	3.07	250	.741	.047
	other product Offering of public sector banks	3.60	250	.873	.055
Pair 25	solving questions of private banks	3.12	250	.767	.048
	solving questions of public sector banks	4.95	250	.626	.040
Pair 26	Call handling of private banks	2.46	250	.910	.058
	Call handling of public sector banks	4.82	250	.561	.035
Pair 27	quickly connected to right person of private banks	1.57	250	1.244	.079
	quickly connected to right person of public sector banks				

Table 6: Paired Samples T Test-Private Sector and Public Sector Banks

		Paired Differences					T	Df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Greeting manner in private–greeting manner of public sector banks	1.184	1.951	.123	.941	1.427	9.597	249	.000
Pair 2	Queuing time in private – queuing time of public sector banks	.540	1.219	.077	.388	.692	7.003	249	.000
Pair 3	Instruction carry out time in private– instruction carry out time of public sector banks	1.712	1.104	.070	1.575	1.849	24.528	249	.000
Pair 4	Pleased to be assisting in private–pleased to be assisting of public sector banks	2.080	1.476	.093	1.896	2.264	22.283	249	.000
Pair 5	Additional prod. Offered in private – additional prod. Offered of public sector banks	2.212	1.292	.082	2.051	2.373	27.066	249	.000
Pair 6	No wait service in private– no wait service of public sector banks	1.204	1.173	.074	1.058	1.350	16.229	249	.000
Pair 7	Cleanliness in private - cleanliness of public sector banks	1.692	1.143	.072	1.550	1.834	23.407	249	.000
Pair 8	space availability of private - space availability of public sector banks	1.620	1.204	.076	1.470	1.770	21.276	249	.000
Pair 9	information brochure of private - information brochure of public sector banks	1.580	1.597	.101	1.381	1.779	15.645	249	.000
Pair 10	ATM location of private - ATM location of public sector banks	.988	.838	.053	.884	1.092	18.636	249	.000
Pair 11	appearance of private - appearance of public sector banks	2.792	1.652	.104	2.586	2.998	26.730	249	.000

Pair 12	handling complain of private- handling complain of public sector banks	.900	1.007	.064	.775	1.025	14.131	249	.000
Pair 13	sorting of complain of private - sorting of complain of public sector banks	.540	.887	.056	.429	.651	9.621	249	.000
Pair 14	complain sorting time of private - complain sorting time of public sector	1.316	1.302	.082	1.154	1.478	15.983	249	.000
Pair 15	Follow-up of private – follow-up of public sector banks	.032	1.029	.065	-.096	.160	.492	249	.623
Pair 16	guidance of private - guidance of public sector	.532	1.239	.078	.378	.686	6.789	249	.000
Pair 17	friendly attitude of private - friendly attitude of public sector	.876	1.334	.084	.710	1.042	10.382	249	.000
Pair 18	Fast service of private– fast service of public sector bank	.712	1.111	.070	.574	.850	10.134	249	.000
Pair 19	respond to need of private- respond to need of public sector bank	1.332	1.450	.092	1.151	1.513	14.526	249	
Pair 20	Valued customer of private – valued customer of public sector bank	.656	.842	.053	.551	.761	12.323	249	.000
Pair 21	availability to the customer of private - availability to the customer of Public sector bank	1.408	1.061	.067	1.276	1.540	20.980	249	.000
Pair 22	Well cared facilities of private - well cared facilities of public sector bank	.212	1.450	.092	.031	.393	2.311	249	.022
Pair 23	knowledge of product of private - knowledge of product of public sector	-.620	1.743	.110	-.837	-.403	-5.623	249	.000
Pair 24	other product Offering of private - other product Offering of public sector	1.144	1.156	.073	1.000	1.288	15.646	249	.000
Pair 25	solving questions of private - solving questions of public sector	.484	1.173	.074	.338	.630	6.526	249	.000
Pair 26	Call handling of private – call handling of public sector banks	2.496	1.203	.076	2.346	2.646	32.799	249]	.000
Pair 27	quickly connected to right person of private - quickly connected to right person of public sector banks	3.256	1.428	.090	3.078	3.434	36.057	249	.000

alpha = 0.628) and accounted for an additional 30.230 percent of the variance. Additional product offerings and complain sorting out time were the items with highest factor loadings

Factor 3 was labelled as “expediency” that included two items (Coefficient alpha = 0.904). It accounted for the additional 13.601 percent of the total variance. The two items were other product offering (factor loading= 0.840) and solving questions (factor loading=0.875). They all influenced customers when entering in to bank. These characteristics helped to establish the image of the bank and influence customer’s expectations.

Factor 4 was “follow-up”. It accounted for the additional 5.499 percent of the variance.

The result presented above indicates the p value to be .000. Since it is two tailed t test, the applicable value would be 0.000, this is less than the $\alpha=0.05$. Therefore services such as greeting manner of the bank official, efforts taken to reduce queuing time, instruction carry out time, pleased to be assisting the customer, additional product offered, no wait service, cleanliness, space availability, information brochure, ATM location, appearance of the staff members,

handling complains of the customer, sorting of complain, complain sorting time, follow up of customer complains, guidance given to the customer, friendly attitude of the bank staff towards the customer, fast service ,respond to need ,customer treated as a valued customer, availability of the bank staff for the customer ,well cared facilities, other product offering, solving questions, call handling, quickly connected to right person, knowledge of product offered, have significant difference between private sector and public sector banks. Hence services are better in private sector banks than the public sector bank. Accept the follow-up of complain whose p value =.623, since it is two tailed t test, hence if p value greater than $\alpha= 0.05$, the null hypothesis is accepted and it suggests that there is not a lot of significant difference in the follow-up of private as well as public sector banks.

6. CONCLUSION

The study has revealed six factors in private sector banks while four factors in public sector banks of customer satisfaction. The constituent factors of customers’ satisfaction for private sector banks were service interaction,

proficiency, timely service, infrastructure, advancement in service and vigilance, and ATM facility.

The determinant factors of customers' satisfaction for public sector banks were competence, customer focus and orientation, expediency and follow up. The application of paired sample t test has shown that private sector banks are much ahead in providing the good services as compared to the public sector banks depending upon the calculated mean value and standard deviation, while the follow-up process of both banks don't differ much. The split half way method of reliability calculation for Cronbach coefficient α tells about the overall reliability of the items and factors separately.

The Indian banking sector has witnessed heightened competition with so many banks coming up which use their global strength to their advantage in order to establish themselves in the market. Private Banks seem to have satisfied its customers with good services and they have been successful in retaining its customers by providing better facilities than Public sector Banks. But, still Private Banks need to go a long way to become customer's first preference.

Success mantra could be customer centric orientation, where the organization builds long term strategic relationships with its customers and Private sector Banks have been successful in achieving such relationship with customers. However public sector banks have to improve in this area.

The efforts have to be made to enhance the retail banking experience. That is why a well performed service encounter may even overcome the negative impression caused by poor technical quality as well as generate positive word-of-mouth, particularly if customers witness that employees have given their best in order to satisfy them during a contingency.

Hence, it is quintessential to provide ace service, individualized attention, instant response, and constant support whether it is a public or a private sector bank. Although Indian consumers have become more and more techno savvy, they also have been demanding more and more of quality and personalized service from the service providers. But since latest technology has been adopted by almost all banks it is no more a factor for differentiation. However the human factor at every touch point has become critical not only for customer acquisition but also customer retention.

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