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**RESEARCH ARTICLE**

**Profundity of Service Quality with Satisfactory Acclamation in Private Sector Banks in India**

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**ABSTRACT**

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This study has developed a scale to facilitate an empirical study to measure the service quality and customer satisfaction of banking services offered by different private sector banks operating in India. For this purpose, quantitative research method was used, which included the research design and distribution of a interview schedule and collection of primary data, on which statistical analysis has been performed. Based on the results of the analysis of the empirical data, the present study has made an attempt to develop a scale for measuring the quality of banking services in private sector banks. Also it identify fifteen banking service quality and level of satisfaction factors such as minimum interest, feedback, rectify the problems, easy fund transfer and easy to use of net and online banking services. The study results suggested that 'Updatation of Banking Technology', 'Privacy in transaction' and 'ATM- Services properly dimensions are predictors for banking service quality of private sector banks of India. These dimensions will act as guidelines for the managers of banking services and satisfaction level of the customers, as it will help them understand the particular dimensions that customers consider while evaluating the easy fund transfer, maximum discount, rectify the problems of service and delivery process of banks using banking services. The dimensions identified in this study can be used by service providers, as well as researchers, to evaluate customer satisfaction and service quality of private sector banks.

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**Introduction**

In the globalised era every bank is scrambling to boost customer satisfaction and keep their existing customers rather than strengthening the new customers. The claim that it costs five to eight times

Competitors are prospering in the new global economy recognize that measuring customer satisfaction is key. Only by doing so can they hold on to the customers they have and understand how to

better attract new customers. The competitors who will be successful recognize that customer satisfaction is a critical strategic weapon that can bring increased market share and increased profits.

The problem companies face, however, is exactly how to do all of this and do it well. They need to understand how to quantify measure and track customer satisfaction. Without a clear and accurate sense of what needs to be measured and how to collect, analyze and use the data as a strategic weapon to drive the business, no firm can be effective in this new business climate. Plans constructed using customer satisfaction research results can be designed to target customers and processes that are most able to extend profits.

### **Review of Literature**

**Ahmed Fareed Naji., (2012)** in his study entitled “Customer Satisfaction with service quality in Iraqi conventional banks: The case of Salah Al Din Banks”, found that all of the four hypotheses tested are supported. There is a positive impact and significant relationship between the customer satisfaction and four dimensions of service quality. The highest satisfaction according to customer’s perception is in the empathy area and lowest in the tangibles area. The positive and significant relationships confirm the effect of service quality on customer satisfaction of the conventional banks in Iraq. **Gupta, A. and S. Dev, S., (2012)** in their study entitled “Client Satisfaction in Indian Banks: An Empirical Study.”, found that satisfaction or dissatisfaction is determined by the difference between the customers’ expectations (E) of a particular product or service and their perceptions of the actual performance (P) of this product or service. The authors further note that, when customers’ expectations are fulfilled, the result is satisfaction and if not, dissatisfaction occurs. Satisfied customers are regarded as best ambassadors and salesmen and women for commercial banks since they bring in 100 new customers. On the other hand, dissatisfied customers can influence 1,000 customers to have a negative feeling about businesses. **Manisha.,(2012)** in her study entitled “Marketing Communication Strategies of Public and Private Sector Banks-A Comparative Analysis (with Special Reference to

ICICI Bank and State Bank of India)”, found that the effectiveness of public and private sector banks in India and assessed the impact of advertising, sales promotion, personal selling, publicity and public relations in Indian banking sector . She concluded that ICICI bank had a competitive edge over SBI in overall marketing communication strategies. **Vibhor Jain et.al., (2012)** in their study entitled “Customer Perception on Service Quality in Banking Sector: with Special Reference to Indian Private Banks in Moradabad Region”, found that ICICI and HDFC banks held the loftiest position as compared to other banks in service quality dimensions. HDFC bank had retained much better position than Indusind bank with regard to customer perception. Hence, HDFC bank had held the best position with compared to the other banks in customer perception and service quality dimensions. The study highlights the significance of creating awareness about the product and the services of the banks. **Jain, V, et.al., (2012)** in their study entitled “Customer Perception on Service Quality in Banking Sector: With Special Reference to Indian Private Banks in Moradabad Region”, found that the customer perception regarding service quality and to learn and understand the different dimension of service quality in banks. The Sample size used is 100 and the sample universe is Moradabad. The service quality model developed by Zeithamal, Parsuraman and Berry (1988) has been used in the present study. The analysis reveals that among the private sector banks all the dimensions of service quality are equally important. **Samraz Hafeez., (2012)** in his study entitled “The Impact of Service Quality, Customer Satisfaction and Loyalty Programs on Customer’s Loyalty: Evidence from Banking Sector of Pakistan”, found that the impact of service quality, customer satisfaction and loyalty programs on customer’s loyalty in banking sector of Pakistan. A questionnaire was designed and survey was conducted to collect the data from 331 customers having bank accounts in different banks of Pakistan. The research concluded that service quality, customer satisfaction and loyalty programs are the important factors that can increase the loyalty of a customer so banks must focus on providing loyalty programs to their loyal and valued customers. Research also

indicates that banks should focus on improving the quality of their services for better and greater customer satisfaction and customer loyalty. **Van Dinh., (2012)** in his study entitled “Examining Service Quality and Customer Satisfaction in the Retail Banking Sector in Vietnam”, found that the interrelationship between service quality dimensions (tangibility, reliability, responsiveness, assurance, and empathy) and investigated the correlation between perceived service quality and customer satisfaction in the retail banking sector in Vietnam. The predictor variables (independent variables) for this research were the aforementioned service quality dimensions. The outcome variable (dependent variable) was overall customer satisfaction. This study can help bank leaders evaluate and improve the service quality of retail banking in the context of financial liberalization and globalization. **Majid Esmailpour., (2012)** in his study entitled “The Influence of Service Quality on Customer Satisfaction: Customers of Boushehr Bank Sepah as a Case Study”, found that the banking services market could be evaluated in terms of the mutual relationship between banks and customers or in other words their loyalty to the bank. Some people have strong relationships with one bank; but for some, it is more comfortable to work with different banks and enjoy their services according to the diversity of their needs and expectations. Discovering customer's needs and fulfilling their expectations is a key element in market expansion and maintenance of loyal customers. As a part of their ongoing reform program, active banks try to remain updated about the expectations of their customers, to identify their needs and to improve their services. Statistical population of the study is customers of Bushehr Bank Sepah . Data gathering instrument was a self administered questionnaire and categorized random sampling method was used. For Data analysis, we used t- test. The results indicate that, The results of this study show that according to the customers of Sepah bank, there is a significant difference between their expectations and their perceptions in terms of innovation, benefits and credits and bank's reputation which means that this bank was unable to meet their expectations about these three factors but the

customers were satisfied by the other 9 factors. **Sivesan., (2012)** in his study entitled “Service quality and customer satisfaction: A case study - Banking sectors in Jaffna District, Sri Lanka”, found that the correlation value between service quality and customer satisfaction is 0.767. It is significant at 0.01 levels. There is positive linear relationship between the service quality and customer satisfactions. According to the Regression analysis, 58.8 % service quality impact on customer satisfaction. Finally, service quality influences on customer satisfaction. The study further points out that keen attention should be paid to polish service quality. Because, service quality are inter related with customer satisfaction. **Amudha Ramachandran., (2012)** in her study entitled “A review of customer satisfaction towards service quality of banking sector”, found that the results of literature review on customer satisfaction towards the services of a bank from five different perspectives namely, service encounters, waiting time of the customer to get the service, role of intermediaries, quality of service provided and customer complaints towards the bank. Attraction, retention and enhancement of the customer relationship are essential to maintain, delighted and committed customers, who form the basis for the sustainable competitive position of the bank. This study can also be extended to tourism and hospitality, insurance companies, hospitals, transport corporations, railways, airlines, telecommunications, libraries and other service sectors to assess the degree of quality of service offered by them. **Shahab Alam Malik., (2012)** in his study entitled “Examining the relationship among service quality, customer satisfaction and behavioral responses - Comparison between public and private sector banks of Pakistan”, found that the relationship among service quality, customer satisfaction and behavioral responses across public and private banks in Pakistan. A cross-sectional survey was conducted and data was gathered from 437 customers of public and private sector banks located in Islamabad city, the Capital of Pakistan. Descriptive and inferential analyses were conducted to measure frequency, ranking of services, and correlation and multiple regression analyses. Findings of this study revealed that service quality is

a significant determinant of customer satisfaction across public and private sector banks. However different dimensions of service quality were found significant in both public and private sector banks. Customer satisfaction has a positive impact on propensity to recommend whereas no significant relationship is found between customer satisfaction and switching intention. The study is unique in its finding and provides insightful thoughts for determinants of favourable customer's responses across public and private sector banks of Pakistan.

**DIMENSIONALITY OF THE MULTI-SCALE ITEMS (FACTOR ANALYSIS)**

Factor Analysis is a set of technique which by analyzing correlations between variables reduces their numbers into fewer factors which explain much of the original data, more economically. Even though a subjective interpretation can result from a factor analysis output, the procedure often provides an insight into relevant psychographic variables, and results in economic use of data collection efforts. The subjective element of factor analysis is reduced by splitting the sample randomly into two and extracting factors separately from both parts. If similar factors result, the analysis is assumed as reliable or stable.

**1.1 KMO and bartlett's test for factors related to level of satisfaction about banking services**

Table 1.1  
KMO and bartlett's test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	<b>.880</b>
Bartlett's Test of Sphericity - Approx. Chi-Square	<b>1479.110</b>
Sig.	<b>.000</b>

From the above table, two tests namely, Kaiser – Meyer-Olkin Measure of Sampling Adequacy (KMO) and Bartlett's Test of Sphericity have been

applied to test whether the relationship among the variables has been significant or not. The Kaiser-Meyer-Olkin Measure of sampling adequacy shows the value of test statistics is 0.880, which means the factors analysis for the selected variable is found to be appropriate or good to the data. Bartlett's test of sphericity is used to test whether the data are statistically significant or not with the value of test statistics and the associated significance level. It revealed that there exists a high relationship among variables.

**Extraction Method:Principal Component Analysis**

The results of the factors analysis presented in the table 1.2 regarding factors influencing the service quality of present banking services, have revealed that there are fifteen factors that had Eigen value exceeding "One". Among those two factors, the first factor accounted for 51.865 per cent of the variance, the second factor is 11.620 and third factor 7.857 of the variance in the data set. The first one factor are the final factors solution and they all together represent 71.342 per cent of the total variance in the scale items measuring the factors related to level of satisfaction about banking services. Hence from the above results, it is certain that are factors related to level of satisfaction about banking services.

The above table (Communalities) represents the application of the Factor Extraction Process, it was performed by the Principal Component Analysis to identify the number of factors to be extracted from the data and by specifying the most commonly used Varimax rotation method. In the principal component analysis, total variance in the data is considered. The proportion of the variance is explained by the fifteen factors in each variable. The proportion of variance is explained by the common factors called communalities of the variance. Principal Component Analysis works on initial assumption that all the variance is common. Therefore, before extraction the communalities are all 1.000. The most common approach for determining the number of factors to retain i.e., examining Eigen Values was done.

**1.2 Eigen values and proportion of total variance of each underlying factors related to level of satisfaction about banking services**

Table 1.2

Eigen Values And Proportion Of Total Variance

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1.	7.780	51.865	51.865	7.780	51.865	51.865	7.450	49.668	49.668
2.	1.743	11.620	63.485	1.743	11.620	63.485	1.766	11.777	61.445
3.	1.179	7.857	71.342	1.179	7.857	71.342	1.485	9.897	71.342

Table 1.3

Communalities for factors related to level of satisfaction about banking services

S.No	Factors	Initial	Extraction (h <sup>2</sup> )
1.	Minimum interest	1.000	.313
2.	Feedback	1.000	.635
3.	Rectify the problems	1.000	.824
4.	Easy fund transfer	1.000	.831
5.	Minimum rules	1.000	.830
6.	Maximum Discount	1.000	.818
7.	Proper communication	1.000	.806
8.	Co-ordination of staff	1.000	.732
9.	Easy to use the recent technology	1.000	.622
10.	Fast Processing loans	1.000	.691
11.	Quick Response	1.000	.806
12.	Transparency in information	1.000	.606
13.	ATM- Services properly	1.000	.583
14.	Updatation of Banking Technology	1.000	.771
15.	Privacy in transaction	1.000	.835

Table 1.4  
Rotated Component Matrix

Variable	Component		
	I	II	III
X <sub>5</sub>	<b>.906</b>	.000	.000
X <sub>4</sub>	<b>.899</b>	.000	-.138
X <sub>6</sub>	<b>.899</b>	.000	.000
X <sub>3</sub>	<b>.894</b>	.131	.000
X <sub>7</sub>	<b>.872</b>	.202	.000
X <sub>11</sub>	<b>.826</b>	0.00	.346
X <sub>2</sub>	<b>.794</b>	0.00	0.00
X <sub>8</sub>	<b>.784</b>	0.00	.331
X <sub>12</sub>	<b>.721</b>	.151	.252
X <sub>10</sub>	<b>.712</b>	.136	.407
X <sub>9</sub>	<b>.653</b>	.173	.407
X <sub>15</sub>	.118	<b>.905</b>	.000
X <sub>14</sub>	.181	<b>.845</b>	-.152
X <sub>13</sub>	.000	.000	<b>.758</b>
X <sub>1</sub>	-.137	.268	<b>-.472</b>

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 5 iterations.

Table represents the Rotated Component Matrix, which is an important output of principal component analysis. The coefficients are factor loadings which represents the correlation between the factors and the fifteen variables (X1 to X15). From the above factor matrix it is found that coefficients for factor – I have high absolute correlations with variable X5 (0.906), X4 (0.899), X6 (0.899), X3 (0.894), X7 (0.872), X11 (0.826), X2 (0.794), X8 (0.784), X12 (0.721), X10 (0.712) and X9 (0.653) that is 0.906, 0.899, 0.899, 0.894, 0.872, 0.826, 0.794, 0.784, 0.7

21, 0.712, 0.653 respectively. Similarly factor – II has high absolute correlation with variable X15 (0.905), X14 (0.845) that is 0.905 and 0.845 respectively. Finally, factor – III has high absolute correlation with variable X13 that is, 0.758 respectively. For example in this study, factor one is at least somewhat correlated greater than or equal to 0.5. In such a complex matrix it is difficult to interpret the factor. So we proceed to compute the rotated factor matrix.

Table 1.4

Component Transformation Matrix

Component	I	II	III
I	.975	.168	.148
II	-.064	.843	-.533
III	-.215	.510	.833

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.

The above table reveals the factor correlation matrix. If the factors are uncorrelated among themselves, then in the factor correlation matrix, the diagonal will be 1's and off diagonal elements will be 0's. Since matrix was rotated with Varimax, barring some variables all other variables are found to have, even if not Zero correlations but fairly low correlation.

**Conclusion**

The study results suggested that 'Updation of Banking Technology', 'Privacy in transaction' and 'ATM- Services properly dimensions are predictors for banking service quality of private sector banks of India. These dimensions will act as guidelines for the managers of banking services and satisfaction level of the customers, as it will help them understand the particular dimensions that customers consider while evaluating the easy fund transfer, maximum discount, rectify the problems of service and delivery process of banks using banking services. The dimensions identified in this study can be used by service providers, as well as researchers, to evaluate customer satisfaction and service quality of private sector banks.

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