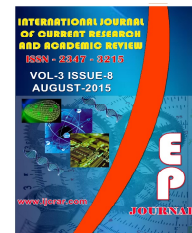




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A study on the service quality and customer satisfaction of banks in Chennai

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A B S T R A C T

Globalization of banking operations and expansions of financial activities as a result of technology advancements in an increasingly market driven environment have redefined the business models and changed the way the banks used to do the business. The banks try to satisfy the customer's expectations by providing efficient and updated services at an affordable price and time in this prospering competitive environment. Service focuses on making the service, product and surrounding more convenient, easier and unique good and satisfactory service build on excitement relationship and trust. Keeping this in view an attempt has been made with an objective to examine the customers' perception towards service quality of the bank and level of satisfaction they receive through the services offered by them. For this study a sample 100 customers has been selected from Chennai city.

Introduction

Financial Systems have under gone structural changes worldwide. Banking and finance in emerging economies have been no exception. Globalization of banking operations and expansions of financial activities has made a structural shift in these economies and has motivated the banking industry to shift virtually from brick and mortar banking to banking virtually time zones, geographical reach and alternative delivery channels. Technology has become an enabler and is moving on to become a diver of business. As a result of technology advancements, in an increasingly market driven environment have redefined the business models and changed the way the banks used to do the

banking business. Currently the banks have focused the emphasis on providing their services through alternative delivery channels like Automated Teller Machines, Tele banking, Net banking, Mobile banking, PC based Proprietary systems etc. the essence of providing these services are to satisfy customer's expectations, service focus concentrates on empowerment innovation and making customers and employees part of the action. The bank plays an important role in fulfilling various types of needs of customers and employees. The level of satisfaction in the customers that services offered by bank is generally related to customer services and time taken in providing some of the

essential service facilities. The quality of service, therefore, depends on the ability of server to meet the expectations of the client's. Service quality, which is an abstract construct, is generally conceptualized as an attitude and it is the customer's comprehensive evaluation of an offering.

Statement of the problem

The banking sector which plays an significant role in the Indian economy has undergone a structural changes since the nationalization of banks. This sector faces a stiff competition in the present market condition to satisfy the customers and to improve their service quality by designing and offering new services and products. Begining from the installation of ALPM's banks have moved fast to optimize IT resources. It is no longer limited to new generation private sector banks; even PSU banks have adopted it in a big way. Technology has become an enabler and is moving on to become a diver of business. This paradigm hold that the predication of customers make in advance of consumption act as a standard against customers measures the banks performance later.

The main objectives of this study includes; to Inquest the services rendered by Bank and level of satisfaction of customers. And to examine the customers perception towards service quality in Bank. Also to suggest measures to improve the service quality as well as customer satisfaction in Bank.

Hypothesis & statistical tools

This study selected 5 sample branches from each zone, totally 20 branches from all four zones, the relevant primary data were collected from 200 customers from four zone with a overall total of 600 samples from all four zones. The relevant data are obtained with the help of structured schedule. Most of the questions are designed

on five point scale. The customer responses to various elements under each question are totaled. This total is multiplied by the grades of and divided by 600 samples customers and score were calculated. The Collected data are tabulated and analysed using appropriate statistical techniques such as Percentage Ratio, Analysis, Chi-square test, Factor Analysis, etc to estimate and find out the results. the entire statistical tests are conducted at 1% level of significance with the help of relevant test statistics like Chi-square, t test and F test.

Methodology

The present study has been undertaken to arrive at a new understanding of the customer service and satisfaction in Indian Banking Sector in the international perspective in the post phase of liberalization. Many researchers and quality scholars have recognized the need to develop valid and distinct measures of service quality. By keeping the content and meaning of the analysed review of literature in mind, it is observed to conduct a study on Quality Services and Satisfaction of Customers pertaining to Bank, Chennai. .

The study area has classified into four Zones namely Zone 1 – Zone 4 comprising of Central, North, South, West Chennai, from each Zone 5 branches has been selected representing the four directions according to their respective homogeneous features. The study involves collection and analysis of primary data relating to service quality and customer satisfaction parameters. The primary data were collected from the selected customers from four zones through the structured questionnaire.

Limitations of the study

The study is limited to focus the perception of the customers about the banking services

only and in Chennai city. This study is also limited to select only service quality parameters and customer's expectations.

Analysis of data & results

The present section seeks to examine the profile of customers which includes age, location & relationship with bank, Number of Visit and transactions with banks etc. this is tested by using percentage analysis and X2 test, the formula for X2 test is:

$X^2 = (O - E)/N$, where O = Observed Frequency, E = Expected Frequency and N = No of Sample

Table 1 depicts the details of age of distribution of customers, Out of 600 customers 35.80% of the customers are in the age group of below 25 years, 26.70% of the customers are in the age group of 26–40 years, 22.20% of the customers are in the age group of 41–55 years and 15.30% of the customers are in the age group of above 55 years. It is observed that majority of the customers (35.80%) are in the age group of below 25 years.

Table 2 depicts the details of Location of the banks where the customers access the banks in Chennai. Out of 600 customers, 56.67% of the customers are having access with banks in south Chennai, 20.00% of the customers are having access with banks in north Chennai, 15% of the customers are having access with banks in central Chennai, and 8.33% of the customers are having access with banks in west Chennai. It is observed that majority of the customers (56.67%) are accessing the banks in South Chennai. Table 3 explores the details about the customer relationship with bank in Chennai. Out of 600 customers, 31.50% of the customers are having relationship of 1–3 years, 31.20% of the customers having relationship for more than 5 years, 19.70%

of the customers are having relationship below 1 year and 17.60% of the customers are having relationship of 3–5 years. It is observed that majority of the customers (31.50%) are having relationship with bank for 1–3 years.

Table 4 describes the details of number of visits/transactions with the bank per month by customers of bank, Chennai city. Out of 600 customers, 48.20% of the customers are making 2–5 visits/transactions with the bank per month, 29.40% of the customers are making only one visit/transactions with the bank per month, 11.20% of the customers are making 5-10 visits/transactions with the bank per month and 11.20% of the customers are making more than 10 visits/transactions with the bank per month. It is observed that the majority of the customers (48.20%) are making 2–5 visits/transactions with the bank per month.

Table 5 explores the details of purpose of frequent visit by the customers to the selected banks in Chennai city. Out of 600 customers 54.80% of the customers are visiting the banks for operating savings bank account, 18.20% of the customers are visiting the banks for making deposits, 15.50% of the customers are visiting the banks for loan transactions, 9.30% of the customers are visiting the banks for operating current account and 2.20% of the customers are visiting the banks for using safe locker operations. It is observed that majority of the customers (54.80%) are visiting the banks for operating savings bank account.

Table 6 explores the details of change of bank in the last five years by customers of banks in Chennai city. Out of 600 customers, 22.50% customers changed the bank in the last 5 years, 77.50% of the customers expressed that they have not

changed the banks in the last five years. It is observed that the majority of the customers (77.50%) have not changed the bank in the last five years.

Table 7 explores the reasons for changing the bank by customers of banks in Chennai city. Out of 135 customers, 30.40% of the customers changed the bank because they shifted their house, 24.40% of the customers said they have changed the bank because of their salary account, 17.80% of the customers expressed that they have changed the bank for getting loan is easy with the present bank, 8.90% of the customers said they have changed the bank because their specific request for a service was denied, 8.90% of the customers expressed that the general service level of previous bank was not up to expectation as the reason, 7.40% of the expressed that the reason for changing the bank is because of IT based service not available with previous bank and 2.20% of the customers changed the bank for the reason that they are attracted by advertisements of the present banker. It is observed that majority of the customers

(30.40%) have changed their banks because of shifting their residence.

Tables 8, 9 & 10 explores the average scores of Run on Law & Principles is first in order (3.81%), Provision of product and services is second in order (3.80%), Knowledge on customers business or willing to help is third in order (3.77%), Bank's size in assets and capital is fourth in order (3.50%), Provision of profit sharing investment products is fifth in order (3.41%) followed by other services quality attributes respectively. The above mentioned five service quality variables are most important to increased perception of customers of bank. Further for studying the nature of association between service quality variables such as te Run on Law and principles, Provision of product and services, knowledge on customers business or willing to help, Bank's size in assets and capital, Provisions of profit sharing investment products are positively and significantly associated with perception of customers in bank at 1% level of significant while, remaining service quality variables are not significant as show in X2 value.

Table.1 Classification of age of customers

| Age Group | Number of Customers | Percentage |
|-----------------|---------------------|------------|
| Below 25 Years | 215 | 35. 80 |
| 26 – 40 Years | 160 | 26. 70 |
| 41-55 Years | 133 | 22. 20 |
| Above 55 Years | 092 | 15. 30 |
| Total | 600 | 100 |
| X2 Value | 158 | |

Table.2 Location of bank

| Location of Bank | Number of Customers | Percentage |
|------------------|---------------------|------------|
| North Chennai | 120 | 20. 00 |
| South Chennai | 340 | 56. 67 |
| West Chennai | 050 | 08. 33 |
| Central Chennai | 090 | 15. 00 |
| Total | 600 | 100 |
| X2 Value | 298 | |

Table.3 Relationship with bank

| Relationship with Bank | Number of Customers | Percentage |
|------------------------|---------------------|------------|
| Below 1 Year | 118 | 19. 70 |
| 1 – 3 Years | 189 | 31. 50 |
| 3 – 5 Years | 106 | 17. 60 |
| Above 5 Years | 187 | 31. 20 |
| Total | 600 | 100 |
| X2 Value | 310 | |

Table.4 Number of visits/ transactions with the bank per month

| Number of Visits/Transactions | Number of Women Customers | Percentage |
|-------------------------------|---------------------------|------------|
| One Time | 177 | 29. 40 |
| 2 – 5 Times | 289 | 48. 20 |
| 5 – 10 Times | 067 | 11. 20 |
| More than 10 Times | 067 | 11. 20 |
| Total | 600 | 100 |
| X2 Value | 300 | |

Table.5 Purpose of frequent visit to the bank

| Purpose of Frequent Visit | Number of Customers | Percentage |
|--------------------------------|---------------------|------------|
| Operating Savings Bank Account | 329 | 54. 80 |
| Operating Current Bank Account | 056 | 09. 30 |
| Loan Transactions | 093 | 15. 50 |
| Deposits | 109 | 18. 20 |
| Safe Locker Operations | 013 | 02. 20 |
| Total | 600 | 100 |
| X2 Value | 245 | |

Table.6 Change of bank in the last five years

| Change of Bank | Number of Customers | Percentage |
|-----------------|---------------------|------------|
| Yes | 135 | 22. 50 |
| No | 465 | 77. 50 |
| Total | 600 | 100 |
| X2 Value | 296 | |

Table.7 Reasons for changing the bank

| Reasons for Changing the Bank | Number of Customers | Percentage |
|--|---------------------|------------|
| IT based service is not available with previous bank | 10 | 07. 40 |
| Residential Change | 41 | 30. 40 |
| Salary Account changed to new bank | 33 | 24. 40 |
| My specific request for a service was denied | 12 | 08. 90 |
| Service level of previous bank was not up to expectation | 12 | 08. 90 |
| Induced by new banker through his promotion method | 03 | 02. 20 |
| Easy Loans sanction and formalities by new bank | 24 | 17. 80 |
| Total | 135 | 100 |
| X2 Value | 300 | |

Table.8 Perception of customers towards banking services in bank

| Parameter | Total Score | Average Score | Rank |
|--|-------------|---------------|------|
| Bank's Size In Assets & Capital | 525 | 3.50 | 4 |
| Counter Partitions in Bank and its Branches | 487 | 3.24 | 9 |
| Knowledge & Experinced Management Team | 509 | 3.39 | 6 |
| Convenience | 505 | 3.36 | 7 |
| Provision of Product & Services | 570 | 3.80 | 2 |
| Run on Law & Principles | 571 | 3.81 | 1 |
| Provisions of Profit Sharing Investment Products | 512 | 3.41 | 5 |
| Knowledge on Customers Business or Willing to Help | 566 | 3.77 | 3 |
| Opening Hours of Operations | 457 | 3.04 | 10 |
| Ease of Access to Account Information | 495 | 3.30 | 8 |
| X2 Value | | 154.24 | |

Table.9 Opinion of customers towards banking services in bank

| Variables | Excellent | Very Good | Good | Satisfactory | Poor | Total Score | Average Score | Rank |
|---|-----------|-----------|------|--------------|------|-------------|---------------|------|
| Bank's Size in Assets & Capital | 165 | 124 | 118 | 98 | 20 | 525 | 3.50 | 4 |
| Counter Partitions In Bank and its Branches | 144 | 132 | 115 | 96 | 00 | 487 | 3.24 | 9 |
| Knowledge and Experienced Management Team | 169 | 126 | 114 | 100 | 00 | 509 | 3.39 | 6 |
| Convenience | 158 | 118 | 112 | 102 | 15 | 505 | 3.36 | 7 |
| Provision of Product and Services | 154 | 165 | 132 | 101 | 18 | 570 | 3.80 | 2 |
| Run on Law and Principles | 169 | 165 | 117 | 96 | 24 | 571 | 3.81 | 1 |
| Provisions of Profits Sharing Investment Products | 147 | 154 | 125 | 86 | 00 | 512 | 3.41 | 5 |
| Knowledge on Customer Business or Willing to Help | 163 | 198 | 110 | 95 | 00 | 566 | 3.77 | 3 |
| Opening Hours of Operations | 111 | 145 | 104 | 97 | 00 | 457 | 3.04 | 10 |
| Ease of Access to Account Information | 158 | 125 | 114 | 98 | 00 | 495 | 3.30 | 8 |
| X2 Value | | | | | | | 154.24 | |

Table.10 Association between services provided by bank and perception of customers

| Banking Services | Chi Square Values |
|--|--------------------------|
| Bank's Size in Assets & Capital | 140. 12 |
| Counter partitions in bank and its branches | 152. 12 |
| Knowledge and experienced management team | 147. 45 |
| Convenience (Short time for service anywhere) | 187. 12 |
| Provision of Product & Services | 122. 65 |
| Run on Law & Principles | 111. 45 |
| Provision of profit sharing investment products | 135. 45 |
| Knowledge on customers business or willing to help | 164. 21 |
| Opening hours of operations | 175. 21 |
| Ease of access to account information | 155. 11 |

Findings, suggestions & conclusions

It is observed that all the socio demographic profile of customers such as Age, Location of Bank, Relationship with Bank, Number of Visit and Purpose of Visit, etc., plays an important role in getting customers satisfaction in Bank, Further the association between socio demographic profile of customer and level of service quality is positively and significantly associated with the Bank in getting customer satisfaction.

It is observed that the association between various aspects of banking services offered by bank and satisfaction of customers is positively and significantly associated.

It is observed that the perceptions of customers towards bank services like Run on Law and Principles, Provision of Product and Services, Knowledge on customers business or willing to help are more effective in bank.

The remaining Service quality variables are less effective which leads to decrease in perception of customers. Further the association between service quality and perception of customers indicates that Run on law and principles, Provision of Product

and services et., are positive and significantly associated with perception of customers in bank at 1% probability level as shown in X2 values while other remaining variables are not significant with perception of customers of bank of Chennai city.

The customer's complaints and grievances have little relevance as long as there are no response in time. Mere establishment of a cell or a unit through internet banking/web banking is not the solutions to the problem but its operation and activation.

There is little commitment, punctuality and presence of mind is solving customer service problems. In fact there is no professional approach to solving service problems.

Employees have job knowledge, they do not do it accurately by acquiring skills. Training and Development approach in improving quality needs application.

The speed with which a service problem is solved as it crops up is to be attended to. The rate of speed and efficiency go together. The only solace is banks have infrastructure physical and non-physical. An integration of the two is the needs of the hours. The Procedures are stick mind boggling for the customers. While the procedures are vital

from formulating, service actions, realizing moments of truth is directly essential. There are changes in the technology of services in banks. There appears to be varietal differences in service provided using technology. The impact of technology on service quality needs to be investigated.

6. Research Methodology, C. Kothari

The study has highlighted the in service quality and customer satisfaction in Bank in Chennai City, which need to improve to survive the competition posed by the new entrants in banking sector. Despite various committees being set up to examine the changes required in the existing framework, not much work has been done to improve quality to service delivery. Asset Management not only entails the management of funds but also efficient handling of clients who are the invisible assets of bank's balance sheet.

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