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# Customer satisfaction in public and private sector banks: A case study of NCR

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**Abstract**--Indians banking sector is likely to face tough competition in the coming few years because many of the recent policy started by the Indian government start to take effect and new entrants also show to make their presence felt. It is possible to be a case of survival of the best, or in other words, the most successful. A bank's ability to make profits in an increasingly competitive market will be based on the number, and quality of its investors, thus consumer satisfaction must continue to be a key area for all banks in the future. Past studies have proved that service quality in an example of consumer satisfaction This paper user the SERVQUAL model to show which of the five service quality dimensions of tangibility, reliability, responsiveness, assurance and empathy have an effect on consumer satisfaction in public sector and private banks.

**Keywords**--Customer satisfaction, Indians banking, SERVQUAL model.

## Introduction

India's banking industry has seen many developments in resent policy started by the govt. of India and the RBI, India's central bank, shows that the sector is likely to be in a state of flux through 2016as well, in last few years, as the increasing use of it has played a big role in easing the service process both form the provider and consumer points of view, however it has also increased very real cyber security problem .additionally e bank, from both the public and private sector and such as bandhan bank ,made entry in the market and still others wait to start, some waiting for approval and some ready with requisite permits to start operations but waiting for the right time to make a grand entry.

Added to this, is RBI's touch capital adequacy requirements which are at 1% more the BASEL norms, which decreases the funds available for lending, and therefor earning profits, for banks. Public sector banks also have the added problems of high NPA. These factors together are making pressure on banks to get new ways to either making profit or parish. Attracting and keeping consumers in

therefor an important need for the survival of bank in such situation, making the quality of service provided by bank, an issue of prime concern. Providing services, however, is not only difficult to have but have a number of dimensions each of which may impact consumer satisfaction differently. The researchers try an effort to use SERVQUAL model to analyses the impact of service quality on consumer satisfaction in public as well as private sector banks as well as to show if there is a change in consumer satisfaction between the two sectors.

### **Literature Review**

Service quality as a factor is very difficult to standardize.

Parasuraman etc..... (1985) define service quality as the degree of discrepancy between consumer's normative expectation for service and their experience of service result. Quality has also been defined as 'the time to which the service, service process and the service and the service organization can satisfy the need of the consumer'. (Kasper et al, 1999), Smith (1988) defines service quality as fulfilling the requirement and expectations of the consumers.

Kolter & Armstrong (1999), defined consumer satisfaction as consumers 'perception that compares their expectation before purchase with after purchase perception. Farriss at al (2008) define consumer satisfaction as "the number of consumers, or percentage of total consumers, whole satisfied experience with a firm, its product, or its services (ratings) is more than specified satisfaction goals." Many of the studies have shown that is close relation between quality and consumer satisfaction. Cronin jr.and Taylor (1992),(gotlieb et al 1994)show in their respective studies got that service quality comes before consumer satisfaction.

Gonu and Boohene (2016) in their research tried to determine if factors such as consumer trust, consumer satisfaction, consumer interest, good quality and switching barriers were main reason of consumer retention in Ghana Commercial Bank. Caruana (2002) and Kaura V.&Datta S.K.(2021 )IN their respective studies determined that service quality got an effect on consumer satisfaction which in turn got an effect on consumer loyalty.

Gupta and Aggarwal (2013) did a comparative research in Meerut city ,India, to show service quality and despair consumer satisfaction in private banks as compared to public sector ones. Abduh M.and Alobaad A. |(2015) In their research of consumers of Islamic Bank in Dubai showed the impact of quality of service on consumer satisfaction

Murugiah L.Akgam H.A.(2015) IN a research tried to show the effect of three in depend variables –service quality , consumer loyalty and security – on consumer satisfaction in Ghana banking sector. Although many of the researches on satisfaction for bank consumer have taken the help of servqual model there have not been a clear conclusion as to which of the service quality dimensions most impacts consumer satisfaction.

Areserch by Brahmhbhatt M. and Panelia D.(2008)also showed the servqual model to know the gap between perception and expectation of the five service quality

factors of tangibility, reliability, responsiveness assurance and empathy in consumers of public sector, private sector and multinational bank having operation in India. Swar B.N.(2010) similarly took help of the SERVQUAL model in a comparative research of consumer satisfaction & service quality difference in private, public & foreign bank. Khurana S. (2014) is a research taking consumers of 10 banks in NCR region, used an instrument based on the SERVQUAL model to research the effect of various dimensions of services quality on consumers satisfaction. In a 2013 research Kaura took three dimensions of service quality – tangibility, employee behaviour and information technology out of which the last two showed to have a positive effect on satisfaction of private sector bank consumers in India. Gupta and Dev (2012) got that of the five factors driving consumer satisfaction ‘service quality’ was the most significant.

The researcher took the following five determination of SERVQUAL (Parasuraman et al), while designing the research instrument: 1. Tangibility: takes factors related to appearance of the physical infrastructure, equipment, personnel and communication materials 2. Reliability: shows the confidence that the service will be provided correctly and consistently. 3. Responsiveness: shows the speed and desire to provide service. 4. Assurance: shows factors such as communication, courtesy and knowledge of employees that make consumers confident. 5. Empathy: Shows factors that indicate that employees are taking approachable and sensitive to the needs of consumers and are fully engaged with them in every interaction.

### **Research Methodology**

A questionnaire consisting of 24 items was given to 350 respondents in Delhi who were requested to show with reference to their primary saving account i.e. in context to the particular bank whose account was generally used by them. The number of completed questionnaires got were 278, out of which 260 were taken as complete and valid. SPSS software was used for analysis of the research.

### **Data Collection Procedure**

A 24 item questionnaire to evaluate service quality was made based on Parasurama (1988) SERVQUAL model consisting of five determinations namely, tangibility, reliability, responsiveness, assurance and empathy. A point Likert scale where “1” strongly disagree, “2” moderately disagree, “3” neutral, “4” moderately agree, “5” strongly agree, was taken in the 21 items to measure the five dimensions. The remaining 3 items in the instrument were taken to measure consumer satisfaction on a 5 point LIKERT SCALE WHERE 1” Highly dissatisfied”, “2” moderately dissatisfied”, “3” neutral”, “4” moderately satisfied” and “5” highly satisfied” was used.

### **Hypotheses**

H1A: There is no impact of tangibility on consumer satisfaction on retail consumers in public sector banks.

H1B: There is no impact of tangibility on consumer satisfaction on retail consumers in private sector banks.

H2A: There is no impact of reliability on consumer satisfaction on retail consumers in public sector banks.

H2b: There is no impact of reliability on consumer satisfaction on retail consumers in private sector banks.

H3A: There is no impact of responsiveness on consumer satisfaction on retail consumers in public sector banks.

H3B: There is no impact of responsiveness on consumer satisfaction on retail consumers in private sector banks.

H4A: There is no impact of assurance on consumer satisfaction on retail consumers in public sector banks.

H4B: There is no impact of assurance on consumer satisfaction on retail consumers in private sector banks.

H5B: There is no impact of empathy on consumer satisfaction on retail consumers in private sector banks.

#### Data Analysis and Interpretation

Correlation was taken into use to show whether or not there was a relation between SERVQUAL, dimensions and consumer satisfaction .Further there was an impact of these dimenions on consumer satisfaction.

Table 1: Inner-Correlation Matrix for Public Sector Banks

	Tangibility	Reliability	Responsiveness	Assurance	Empathy	Sumer satisfaction
Tangibility	1					
Reliability	611	1				
Responsiveness	654	411	1			
Assurance	495	817	273	1		
Empthy	483	848	280	933	1	
Consumer satisfaction	636	849	461	785	879	1

\*\*Correlation is significant at 0.01 level (2-tailed).

Table 1 above show that there is positive correlation between each of the five dimensions of servive quality and consumer satisfaction in pubic sector banks. A Positive correlation shows that consumer satisfaction has a tendency to alter in the same direction as these five dimensions of service quality with the exception of responsiveness the other four SERVQUAL got a greater than 0.6 correlation satisfaction . reliability and empathy showed the highest consumer satisfaction with values of 0. 839 respectively.

Table 2: Inter-Correlasion matrix for Private sector Bank

	Tangibility	Reliability	Responsiveness	Assurance	Empathy	Consumer satisfaction
tangibility	1					
reliability	382	1				
responsiveness	377	788	1			
assurance	249	815	781	1		
empathy	.033	634	625	517	1	
Consumer satisfaction	395	868	875	809	671	1

\*\*Correlation is Table 2 above there is positive correlation between each of the five dimensions of service quality and of Tangibility the other four dimensions of SERVQUAL, got a greater than 0.6 correlatoin with consumer satisfaction ,and

Reliability showed the highest correlation with consumer satisfaction with values of 0.839 respectively. Thus it may be interpreted that there exists a near relationship between consumer satisfaction and the dimensions of service quality in both public and private sector banks. While reliability was highly correlated with satisfaction for consumer of both private and public sector banks, in the case of public sector banks responsiveness was least correlated with consumer satisfaction and in the case of private sector banks tangibility showed the least correlation value.

Hypotheses Testing –A regression analysis was done to show whether consumer satisfaction is impacted by the five service quality dimensions of tangibility, reliability, responsiveness, assurance and empathy.

Table 3: Regression Model SUMMARY for public sector bank (Dependent variable Consumer satisfaction)

model	R	R SQUARE	Adjusted R square	Std. error of the Estimate
1.	.889	809	810	293

Table 4: Regression Model Summary for private sector banks (dependent variable consumer satisfaction)

Model	R	R Square	Adjusted R Squarer	Std. Error of the Estimate
1	.944	.883	.878	231

Consumer satisfaction was used as dependent variable while the five service quality dimensions, namely tangibility, reliability, responsiveness, assurance and empathy were used as predictors. The R<sup>2</sup> value of 0.800 (Table 3) Shows that 80% of the variance in satisfaction for public sector banks' consumer is described by the model. In case of private sector banks consumer is described by the model summary (Table 4) shows that the predictors explain nearly 87% of the variance in consumer satisfaction.

Table 5: ANOVA for Public Sector Banks (Dependent Variable Consumer Satisfaction)

Model	Sum of Squares	DE	Mean Square	F	Sig.
Regression	49.148	5	8.830	169.935	.000
Residual	8.173	124	0.58		
Total	86.321	129			

b. Predictors: (Constant). Reliability, Empathy, Responsiveness, Tangibility, Assurance

Table 6: Anova for Private Sector Banks (Dependent Variable Consumer Satisfactio)

Model	Sum of Squares	DF	Mean Square	I	Sig
Regression	49.148	5	8.830	169.935	.000
Residual	8.173	124	0.58		
Total	86.321	129			

Predictors: (Constant), Reliblity, Empathy, Responsiveness, Tangibilty, Assuranve ANOVA results, as shows in table 5, demonstrated predictive strength ( $F_{5,124} = 104.33$ ,  $P < 0.001$ ) of the model suggesting its appropriateness for showing variance in consumer satisfaction in public sector banks. Similarly, ANOVA results for the model with regard to consumer satisfaction in private sector banks (table 6) also shows predictive strength ( $F_{5, 124} = 169.935$ ,  $P < 0.001$ ).

Table 7: Coefficients for Public Sector Banks (Dependent Variable Consumer Satisfaction)

Model		Un Standarlized Coefficients		Standardized Coefficients	I	Sig
		B	Std. Error	Beta		
1	(Constant)	.679	.164		3.957	.000
2	Tangibility	.185	.054	.142	2.327	.022
3	Responsiveness	.087	.049	.093	1.756	.082
4	Reliability	.395	.080	.353	4.093	.000
5	Empathy	.323	.094	.399	3.339	.001
6	Assurance	.038	.082	.048	.467	.641

The beta coefficients (Table 7) indicate the extent of impact of the input variables (SERVQUAL dimensions) on consumer's satisfaction with public sector banks. Reliability (beta-.395,  $t=4.093$ ,  $p$  value -0.000), Empathy (beta-.323,  $t=3.339$ ,  $p$  value-0.001 ) and Tangibility (beta-.185,  $t=2.327$ ,  $p$  valued - 0.022) have  $p$  value less than 0.05 and may therefore be considered of statistical significance and their respective null hypothesis are not selected. The remaining two dimensions of Responsiveness ( $p$  value 0.082) and Assurance ( $p$ -value 0.641) may be taken as statically insignificant in this model as their  $p$  value are more than 0.05 and their null hypothesis is accepted.

1. The  $p$  value of 0.022 for Tangibility means that the related null hypothesis-H1A:There is no effect of Tangibility on consumer satisfaction on retail consumers in public sector banks-is rejected:
2. The  $p$  value of 0.000 for Reliability means that the related null hypothesis - H2A: There is no effect of Reliability on consumer satisfaction for retail consumers in public sector banks-is rejected.
3. The  $p$  value of 0.082 for Responsiveness means that the elated null hypothesis-H3A There is no effect of Responsiveness on consumer satisfaction on retail consumers in public sector banks is not rejected

4. The p value of 0.001 for Empathy means that the related null hypothesis – H5A: There is no effect of Empathy on consumer satisfaction for retail consumers in public sector banks-is rejected.

Table 8: Coefficients for Private Sector Banks (Dependent Variable Consumer Satisfaction)

Model		Un standardized Coefficients		Standarized Coefficients				
		B	Std. Error	Beta	I			
1	Constant	.627	.146			4.303	.000	
2	Responsiveness	.292	.041	.430		7.141	.000	
3	Tangibility	.055	.033	.065		1.684	0.95	
4	Empathy	.098	.010	.114		2.485	.014	
5	Reliability	.288	.683	.038		4.578	.000	
6	Assurance	.123	.048	.155		2.595	.011	

The p value (Table 8) Shows that in the regression model for consumer satisfaction in private sector banks with the exception of Tangibility the SERVQUAL dimensions are of statistical importance. Thus Responsiveness (p value 0.000), Empathy (p value 0.014), Reliability (p valued 0.000) and Assurance (p value 0.011) may be taken into consideration of statistical significance in the model and their respective null hypothesis are rejected. Tangibility (p value 0.0095) may be considered as statically insignificant in this model as its p value is greater than 0.05 and therefore its null hypothesis is accepted.

1. The p value of 0.0095 for Tangibility means that the related null hypothesis –H1B: There is no effect of Tangibility on consumer satisfaction for retail consumers in private sector banks-is accepted.
2. The p value of 0.000 for Reliability means that the related null hypothesis-H2B: There is no effect of Reliability on consumer satisfaction on retail consumers in private sector banks-is rejected.
3. The p value of 0.011 for Assurance means that the related null hypothesis-H4B: There is no effect of Assurance on consumer satisfaction on retail consumers in private sector banks-is rejected.
4. The p value of 0.014 for Empathy means that the related null hypothesis –: H5B: There is no impact of Empathy on consumer satisfaction for retail consumer in private sector banks is rejected.

## Findings

1. An analysis of the two inter-correlation matrices has a strong positive correlation between the five SERVQUAL dimensions and consumer satisfaction in both public sector as well as private sector banks. In example of public sector banks, Reliability showed the highest correlation, 0.859 and 0.795 respectively. In the case of private sector bank the best correlation (0.809).
2. Regression analysis indicated the Consumer satisfaction in both public sector and private sector banks was affected by Reliability of service and

Empathy of service provider. This determine that Consumer Satisfaction is impacted by factors such as bank's ability to deliver service as promised. Operating hours, Speed of solving a problem. Whether a bank has consumer's best interest at mind and whether the bank offers a product that is most suited for the consumer.

3. While Tangibility was researched to be of statistical significance in showing satisfaction for consumers of public sector banks (p value 0.022) it was observed otherwise in private sector banks (p value 0.095). Thus it may be determined that consumer satisfaction in public sector bank is impacted by factor such as physical premises of the banks, how employee dress, promotional schemes by the bank and the use of technologically up to date equipment by the bank. One reason for these not showing an impact on consumer satisfaction in private sector could be that these are a given in the private sector and thus their consumers think then a standard practice.
4. Responsiveness, i.e factors such as promptness in service delivery, willingness of employees to help consumer, banks performance, timely delivery of bank statements, was thought as a statically important determinant of satisfaction for consumers of private sector banks (p value 0.000) which was not the case for consumers of public sector banks (p value 0.082). One reason for this could be that consumers of public sector banks may have very less expectations in this respect and therefore may not take this as an important consideration when deciding on their degree of satisfaction with the bank.
5. Assurance as a service quality dimension was made to have an effect on consumer satisfaction in private sector banks (p value 0.011) but not in public sector banks (pvalue 0.641). So factor such as banks' security, empolyees' eagerness to fill confidence in consumer and knowledge of employees have an effect on satisfaction of private sector banks. Consumers may think these factor as a given since they are government owned banks which by itself may confidence in consumers.
6. Other studies using the SERVQUAL model have also got a similar positive relation between service quality and consumer satisfaction though conclusion are different in terms of dimension got the maximum effect on consumer satisfaction.

## **Conclusion**

The findings of the research may be used by banks to further improve on their service quality as there exist an evident direct relationship with consumer satisfaction. Irrespective of whether they were referring to public or private sector banks, respondents indicated that there was a strong impact of reliability and empathy dimension on their satisfaction. Thus banks need to focus on these dimension of their service offering. Additionally, for public sector banks respondents indicated tangibility as having a significant impact on consumer satisfaction, thus mangers of these banks need to ensure that factor such as physical premises of the bank, how employees dress, promotional schemes offered by the bank and the use of technologically up to date equipment by the banks and given due attention. Similarly, for private sector bank assurance and responsiveness were also researched to have a statistically significant impact on consumer satisfaction. Thus managers here need to ensure that their employees

are trained in their respective functional areas as well as are imparted soft skills so that consumer consider them knowledgeable enough to in still confidence in the bank's services.

### **Limitation of the Research and Scope for further research**

There are several limitations to this research, Firstly the research is limited to Delhi. Secondly the sample size of 130 respondents each of private and public sector banks can in no way be considered representative of population. Thirdly, it considered only retail consumer, specifically those who actively operated a saving account with the bank. Fourthly, it does not attempt to determine the effect of consumer satisfaction on consumer loyalty or retention. Thus there is a definite scope for a more comprehensive research using a larger sample size across both public and private sector banks across more cities and town in India. An attempt can also be made to see if there is a difference in the determinants of consumer satisfaction for consumers in urban versus those in rural areas. Additionally other types of consumer may also be included in the research and an attempt can be made to research if the model gives different results when the type of consumer (current account holder, borrower ets.) is different.

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