

# EXPLORATION OF BANKING SECTOR QUALITY OF SERVICES AND CUSTOMERS SATISFACTION - A STUDY ON BANKS IN PRAKASAM DISTRICT OF ANDHRA PRADESH- INDIA

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## **Abstract**

*A strong and stable banking sector is vital for the development of an economy. An extraordinary development has been noticed in the banking system of India in the last few years. The scenario of the Indian banking sector has changed due to liberalization, globalization, and various financial sector reforms. Now-a-days all public, private and foreign banks play a vital role in retail banking and provide lot of core banking services to all their rural and urban customers to maintain customer loyalty, retention and providing 100% customer satisfaction. But there is some evidence that few public, private and foreign banks do not give importance to their retail customer relating to maintenance of service quality and customer satisfaction. In this regard, this research paper focuses with a purpose to report the findings of existing literature to identify decompose and define the dynamics of quality service and satisfaction of customer towards all banking services in Global scenario including India. Banks are offering a wide range of services, and maintaining standards in delivering the services. Customers are always expecting good quality services from their banks. So, banks also maintaining enhanced quality services to their customers satisfaction and also to face the competition with other banks. In this paper, an attempt has been made to ascertain the level of satisfaction of customers as regards banking services in Prakasam District of Andhra Pradesh in India.*

## **Keywords:**

*Service Quality, Customers Satisfaction, Customer Expectations*

## **1. INTRODUCTION**

Banking is a customer-oriented service industry and customer satisfaction has become the most important aspect of any banking business due to immense competition. Banks are more determined to retain their existing customers by providing quality services leading to Customer satisfaction. In the current banking scenario, it is obvious that banks gain competitive advantage by rendering efficient service and thereby enhancing customer relationship. More emphasis on creating loyal customers is the need of the hour [1]-[6].

It is pivotal for all players in the financial service industry to understand the needs of the customer and customize services based on their needs. This in turn will pave way for achieving customer satisfaction to a larger extent. The important factors influencing the satisfaction of customer's speedy transactions with accuracy, expertise of employees, maintain secrecy and waiting time of customers to complete the transaction. The responsiveness constructs influenced the customer service quality more [7]-[15].

The customers of the bank dissatisfied with regard to upgrading physical facilities and personal attention. The bank could not fulfill the expectation of customers with regard to the three dimensions namely innovation, benefits and credits and

reputation of the bank. However, customers satisfied relating to other nine attributes. Bank safety and guarantees considered to be the important variables which influenced the satisfaction of customers. Direct association with the service quality, satisfaction of customers and corporate image has been reviewed. As a mediator, customer satisfaction affects the various dimension of service quality and as a moderator affects only the empathy and reliability dimensions on customer satisfaction. All the banks were characterized by the usage of modern information technology for providing services like ATM, net banking or online banking, mobile banking etc., customers were able to choose from a number of banks offering a wide range of services with quality. Banking sector has created competitiveness through enriched service quality and thus they making the banks more market oriented and customers friendly.

## **2. STATEMENT OF THE PROBLEM**

Customers are playing pivotal role in the Banking industry. They are expecting more value and satisfaction for their money. Banks also focused on ascertaining the needs of customers and trying to give optimum satisfaction. Most of the banks are providing quick and quality services for their customers' satisfaction. It becomes vital for researchers to study the performance of banks in providing quality services to the customers and to investigate the level of customers' satisfaction.

### **2.1 OBJECTIVES OF THE STUDY**

- To study the demographic profile of the customers in the study area.
- To study the satisfaction level of the customers from different services offered by Banks.
- To offer suggestions for the improvement of banking services quality to attract and satisfy the customers.

### **2.2 NEED AND RELEVANCE OF THE STUDY**

Banking industry has changed drastically. From traditional banking where customers use to walk to bank, take and fill the form and after that standing in the line for depositing and withdrawing the money. Like other service industries, banking is also a customer focused service industry; where the attention or we can say that focused attention is on differentiate customer services as compare to the competitors. The main challenges for the banking industry is increasing satisfaction of customer through advance quality services, lesser cost of documentation. Now the attention has shifted to look up the service quality, when customer comes in to the bank and having personal contact with the bank employee.

### 3. REVIEW OF LITERATURE

The literature review prepared for this study on service quality and satisfaction of customers in all banks (both public and private) situated in Prakasam District of Andhra Pradesh -India reflects the findings of various professionals based on their studies. In order to retain the valued customer, it required to enhance the customer satisfaction. The study explained the concept of customer satisfaction, beginning from basic principles. Assurance services in Government Banks better when compared to Private Banks. However, the level of customer satisfaction in private banks is more than government banks. The nationalized bank has to improve employee behavior, ambience infrastructure, whereas the private and nationalized banks have to concentrate in the areas such as lower charges, more accessibility and good communication. The perception of customers towards the service of private banking sector is good when compared to the customers of public sector bank. The constructs such as customer's service, easiness to use self-service technology and reliability have a constructive impact on the satisfaction of customers and faithfulness. Constructs such as reliability, responsiveness, fulfillment, privacy and security have a significant association towards the customer satisfaction in internet banking. Out of the five dimensions, responsiveness found to be significant in predicting overall satisfaction with regard to banking service.

In [7], the authors defined that service quality as the customer's comparison between service expectations and service performance; they said that service quality is determined by differences between customers' expectations of the service and their perceptions of the service experience.

In [8], the authors recommended that the mutual conversation and assurance fulfillment between customers and service providers was an essential construct to gaining customer's satisfaction and loyalty during the process of service delivery.

In [9], the authors revealed that perceived service quality brought about satisfaction. Oliver and New man stated that quality was an antecedent of customers' satisfaction.

In [10], the authors found that retaining an existing customer costed about five times less than in money, time and corporate resources compared with drawing a new customer.

In [11], the authors confirmed that satisfied customers probably share their experiences with five or six people while dissatisfied customers probably share their experiences with ten or more in a day.

In [12], the authors found that the traditional banks have acknowledged the importance of maintaining channels like phone banking, mobile banking, online banking, ATM, global Credit and debit cards etc., for retaining customer satisfaction.

In [13], the authors in their study measured the satisfaction level of the customers with their demographic profile of the respondents. They found that customers must be adequate knowledge about various banking services is also of the important factor to get complete satisfaction.

In [14], the authors brought to light that with e-banking complexities on customer satisfaction. Results shows that there are factors which leads to customer satisfaction particularly in e-banking, which is one of the very important and fast-growing way of doing banking. Factors are accessibility, convenience, security,

privacy, content, design, speed, fees and charges have influence on customer satisfaction where the other factors notified have no significant influence.

### 4. RESEARCH METHODOLOGY AND SAMPLING UNITS

In this study 240 customers were selected as sample respondents. So, the questionnaire was administered to 250 respondents. The Prakasam district has three revenue divisions i.e., Ongole, Chirala, and Markapur. From each division 80 respondents were selected to carry out the study in a more accurate way. The researcher has applied Convenience sampling method.

### 5. DATA ANALYSIS AND FINDINGS

The questionnaire also consists of customer profiles. It is formulated because of demographic and other factors were likely to influence the degree of customers satisfaction with regard to products and services offered by bankers.

Table.1. Demographic profile of the sample respondents.

S. No.	Demographics	Frequency	Percentage
1.	Gender		
	Male	175	73
	Female	65	27
2.	Age in (Years)		
	Below 25	43	18
	26-35	82	34
	36-45	67	28
3.	Marital status		
	Married	164	68
	Unmarried.	76	32
	Single	00	00
4.	Monthly Income		
	Up to 10000	68	28
	10,001- 15,000	81	34
	15001 - 20,000	52	22
5.	20,001- Above	39	16
	Educational status		
	Under graduates	69	29
	Graduates	93	39
	Post graduates	45	19
6.	Others	33	14
	Employment status		
	Self employed	73	30
	Service-related work	81	34
	Professional	55	23
Others	31	13	

Table.2. Percentage, Mean, standard Deviation, and coefficient of variance of customer's satisfaction level of banking services

Factors	Most satisfied	Satisfied	Not sure	Dissatisfied	Most dissatisfied.	Mean	S.D.	C.V.
<b>Convenience</b>								
Procedure opening account.	46	28	10	7	9	3.95	1.284	32.5
System of deposits cash	34	25	15	16	10	3.57	1.358	38.0
Working hours of bank	39	21	09	18	13	3.55	1.472	41.5
Location of Branch	30	25	15	19	11	3.44	1.373	39.9
Procedure to apply for loan	24	21	12	26	17	3.09	1.450	46.9
System to repay loan	25	18	11	25	21	3.01	1.507	50.1
<b>Costs</b>								
ROI on SB A/c	17	13	16	29	25	2.68	1.413	52.7
ROI on FD A/c	19	16	18	27	20	2.87	1.405	48.9
Processing charges on loan	25	22	15	21	17	3.17	1.443	45.5
Interest on new deposit scheme	23	20	21	23	13	3.17	1.357	42.8
Fees for collecting outside check	26	28	20	16	10	3.44	1.299	37.8
Charges on other services	22	27	16	20	15	3.21	1.381	43.0
Interest on loan	23	19	18	23	17	3.08	1.419	46.1

Table.3. Percentage, Mean, Standard deviation and coefficient of Variance of customers satisfaction level regarding Banking services

Factors	Most satisfied	Satisfied	Not sure	Dissatisfied	Most dissatisfied	Mean	S.D.	C.V.
<b>Facilities</b>								
Loan facility	22	16	15	27	20	2.93	1.451	49.5
O.D. facility	20	14	13	30	23	2.78	1.453	52.3
Cash Credit	30	21	12	23	14	3.30	1.453	44.0
Traveler cheques	20	17	17	29	17	2.94	1.392	47.3
ATM	55	18	10	11	06	4.05	1.276	31.5
New Deposit Schemes	36	13	12	23	16	3.30	1.533	46.5
Mobile Banking	16	09	19	35	21	2.64	1.338	50.7
Credit Card	38	13	11	24	14	3.37	1.521	45.1
Internet banking	25	17	21	21	16	3.14	1.414	45.0
WUMT	16	13	27	31	13	2.88	1.259	43.7
RTGS	20	15	25	23	17	2.98	1.364	45.8
EFT	18	19	20	24	19	2.93	1.380	47.1
Deemat Account	26	18	22	18	16	3.20	1.414	44.2
Safe custody	54	21	12	08	05	4.11	1.191	29.0
Mutual Fund	27	13	18	26	16	3.09	1.450	46.9
Telephone Banking.	23	16	27	22	12	3.16	1.325	41.9
<b>General Factors</b>								
Courtesy	12	23	20	24	21	2.81	1.324	47.1
Promptness	19	28	16	21	16	3.13	1.369	43.7
Redressal	18	23	21	18	20	3.01	1.389	46.2
Modernization	26	35	12	19	08	3.52	1.277	36.3
Communication	20	29	11	24	16	3.13	1.398	44.6
Guidance	16	25	21	20	18	3.01	1.345	44.7

The Table.1 shows among the 240 respondents, 73% were male and 27% female. Further age wise, 18 % were in the age group of below 25 Years, 34% in the age group of 26-35, 28% in the age group of 36-45 and 20% in the age group of 45 years and above. As for marital status, 68% were married, 32 % were single and only 0% consisted of others. The survey shows that 28% of the respondents come under the Income group of below Rs. 10,000, 34% are in the group of 10,001 to 15,000, 22% lie between 15,001 to 20,000, 34% are in the group of above Rs.20,000. Similarly, the education level shows that 29% are under graduates, 39% graduates, 19% post graduates and 14% others. Further in employment status, 30% are self-employed, 34% are engaged in service-related work, 23% are professionals and 13% in other jobs. In this study an attempt was made to find out to what extent the customers are satisfied with the services provided by the Banks. The level of satisfaction of the customer must increase when increase in the quality services offered by Banks of prakasam District of Andhra Pradesh.

- **Factor 1 - Convenience:** In Table.2, this is one of the important attributes which determines the customers satisfaction level regarding banking products and services. About 74% of the respondents are satisfied regarding to the procedure of opening an account with mean 3.95 and SD 1.284. The higher the value of mean the high will be the level of satisfaction. Lower the standard deviation higher will be the satisfaction, and similarly the lower the coefficient variation higher will be the satisfaction. 59% of the sample respondents are satisfied with the service system of depositing cash with the mean of 3.57 and SD 1.358, 60% of the respondents are satisfied with the working hours of the bank with the mean of 3.55 and SD 1.472. 55% of the sample respondents are satisfied with the location of branch with the mean of 3.44 and SD 1.373. 45% of the respondents are satisfied with the procedure to apply loan with the mean of 3.09 and SD 1.450. 43% of the respondents are satisfied with the system to repay loan with a low mean 3.01 and SD 1.507.
- **Factor 2 - Costs:** There are seven items in the costs factor. This is one of the significant factors that affect the customer satisfaction level. The study reveals that 54% of the respondents are not satisfied with the banking services e. rate of return on SB account with lesser mean 2.68 and SD at 1.413. 47% of the sample respondents are also not satisfied with the interest on FD with a mean of 2.87 and SD 1.405, 38 % of the sample respondents are not satisfied with the services of processing charges loan with a mean of 3.17 and SD 1.443, 43 % of the respondents are satisfied with the service interest on new deposit scheme. Highest satisfaction is found for the factor fees for collecting outside cheque with a mean of 3.44 and SD 1.299. Again 47.5 of the respondents are satisfied with the interest on loan.
- **Factor 3 - Facility:** In Table.3. This is another important factor in which the highest level of satisfaction reveals. The study reveals that satisfaction level in the case of safe custody is very high followed by ATM with the higher mean of 4.11 and 4.05 respectively.
- **Factor 4 - General:** There are six items in this factor. 61 % of customers are satisfied with the modernization with the highest mean of 3.5 and SD 1.277.

## 6. FINDINGS

From this study we understood that most of the banks are providing better services to increase the customer's satisfaction. However, the following suggestions are considered to increase the level of satisfaction.

- From this study I is found that most of the customers are not satisfied with the services like loan facility, RTGS, WUMT and courtesy of the counter. Therefore, the banks should pay special attention to improve these services.
- The bank officials should maintain good and proper relationship with the customers by providing social banking environment.
- The information regarding the new services, investment schemes should be displayed on the boards in the banks and they should provide the banks, as they should have to pass the information through brochures.
- The loan applying procedure should be made simpler so that every customer fills the forms easily and avail themselves of the loans provided by the banks.
- Most of the customers in the banks stand in a long queue to deposit their amounts. Therefore, keeping in mind, the customers time, they should have to provide more deposit counters where customers can do multiple transactions.
- The banks should develop innovative and modern advanced technology required in the services of banks to face competition of other banks.
- All the bank branches should provide different facilities like parking, seating arrangements, drinking water facilities, and sanitation facilities.
- The banks should win customers confidence by providing them guidance regarding service charges, service tax, interest rate and penalties levied in case of neither default nor late time payments.

## 7. CONCLUSION

Extensive review of the literature suggests that service quality and customer satisfaction in banks can be investigated further to find out what method that banks follow over sample period for different service quality and customer satisfaction. Though there have been a number of studies that have found the presence of service quality and customer satisfaction inconsistency and attributed different reasons for service quality and customer satisfaction of foreign and public banks however no study have been able to resolve this issue. Hence, it can be an existing idea to address the issue of service quality and customer satisfaction of public and private banks situated in foreign countries anomaly through analyzing the public and private sector banks situated in India.

## 8. LIMITATIONS OF THE STUDY AND SCOPE FOR FUTURE RESEARCH

Despite sincere efforts, the study has certain inherent limitations. The study is descriptive in nature and data was collected from many sources such as academic journals,

magazines, websites and annual reports. This paper explained a theoretical backdrop to the concept of quality service in banks and customers' satisfaction. There is, therefore, dire need to empirically validate the relationships between quality service and satisfaction of customers in various contexts. Different scholars have tried to explain service quality and customer satisfaction with the help of financial inclusion, customer retention, customer awareness on modern banking services, mobile cash transfer and macro-financial variables. However, there is no unanimity on the possible source of service quality and customer satisfaction. Many researchers examined the time-varying, volatility behavior of rural and urban banking customers and to the best of my knowledge; it has never been attempted in the Indian banking sector. Hereby, the researchers conclude that there is a dearth of literature in emerging service quality and customer satisfaction in banking sector that can be used as a trigger to examine diversified attributes of service quality and customer satisfaction, especially in the banking sector context.

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