

Factors Affecting On Customer Satisfaction in Retail Banking: An Empirical Study

Ms. Jayshree Chavan, Mr. Faizan Ahmad

¹MBA, M.Phil. M.Com (adv.cost), M.Com, (Adv. a/c), Ph.D (reg.) Assistant Professor & HOD at Institute of Computer and Management Studies, pandhrpur. Dist: - solapur, Maharashtra.

²Mr. Faizan Ahmad- MBA, B.Sc (maths) Senior Officer at Business Standard Ltd, New Delhi

Abstract: Today, banking is regarded as a consumer-oriented services industry and banks have started realizing that their business increasingly depends on the quality of the consumer service provided and overall satisfaction of the customer. Relationship marketing has become the most critical aspect to corporate banking success. Today, customers expect higher quality services from banks which, if fulfilled, could result in significantly improved customer satisfaction, and potentially retention levels.

This empirical research study focuses on exploring the major factors that lead to customer satisfaction in retail banking in Western Maharashtra in India. It also leads to developing a conceptual framework of relationship marketing practices in Indian banks by capturing the perspectives of consumers with respect to their satisfaction with various services. The findings revealed that customer satisfaction, a transaction-specific attribute, is dependent on nine different factors. It is hoped that this research paper would help the bank management not only in improving the overall level of customer satisfaction but also strengthening the bond between the banks and their customers, thereby helping the banks to retain and/or expand their overall customer base.

I. CUSTOMER SATISFACTION AND RETAILBANKING

Retail banking is a service industry focused towards the customer's money and its management. An element that strongly drove the satisfaction of customers in the banking sector was the conviviality factor related to the features of a bank and the attributes of its personnel. Rust and Zahorik (1993), Krishnan et al (1999) conducted various studies and put forward that satisfaction with perceived product quality was the prime driver of overall customer satisfaction. Furthermore, their studies also found and recommended that the impact of service delivery factors varies considerably on customer satisfaction. To further exemplify, they became aware of the fact that for customers who traded heavily and had high investable assets, the effect of an automated telephone service was elevated than that of the other drivers of satisfaction.

In another research, Hallowell (1996) looked into the relationship between customer satisfaction and loyalty and his conclusions were quite analogous to Parasuraman et al., (1994). The study concluded that satisfaction with the service, and satisfactions with price were key elements in the overall satisfaction measurement. The measurements used in the above mentioned study were reasonably all-inclusive, and concluded that all the elements measured had a bearing on overall satisfaction. The findings of the study emphasized that the service features of branch, staff and information were dominant factors. Johnston (1997) promoted the notion that banks, in general, were to all intents and purposes, 'barking up the wrong tree' by enhancing service quality and these efforts in turn had little or no effect on improving customer satisfaction. The study (Johnston, (1997)) suggested that satisfaction or dissatisfaction with retail banking did not arise from the same factors. To be more precise, some elements of service quality, if improved, enhance the satisfaction levels of the customers, while on the other hand, other elements may not improve satisfaction but simply function to keep dissatisfaction at bay or at best, reduce dissatisfaction alone. This line of accepted wisdom stems from from the hygiene factors of Herzberg's motivation theory.

II. OBJECTIVES

The primary objectives of the study can be described as follows:

- To measure the overall satisfaction of retail banking customers.
- To identify the major factors of customer satisfaction in retail banks.

III. SCOPE OF THE STUDY

The scope of the study is as follows

The study is specific only to public sector, private sector and co-operative sector banks in sangli and solapur district in western Maharashtra.

The study revolves around customer satisfaction and its related factors.

The factors studied are: Tangibility, E- fulfillment, Convenience & Availability, Accuracy, Responsiveness, Empathy, Promptness, Personal Assistance.

IV. LITERATURE REVIEW

Parrot (2008) defined Customer's satisfaction as the company's ability to fulfill the business, emotional, and psychological needs of its customers. In the words of Oliver (1981, p.27), customer satisfaction is "the summary psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with the consumer's prior feelings about the consumption experience." Customer satisfaction has also been defined by Hunt (1977, p.459) as "an evaluation rendered that the (consumption) experience was at least as good as it was supposed to be." Furthermore, Engel and Blackwell (1982, p.501) have opined it to be "an evaluation that the chosen alternative is consistent with prior beliefs with respect to that alternative." It is a well-researched fact that investments in customer satisfaction, customer relationships and service quality leads to profitability and market share Rust and Zaborik (1993). Put differently, customer satisfaction leads to customer loyalty and this also leads to profitability Hallowell (1996). If customers are satisfied with a particular high quality service offering after its use, then they can be expected to engage in repeat purchase and even try line extensions and thus market share can be improved.

Levesque and McDougall (1996) have empirically confirmed and reinforced the notion that consistent poor customer experience leads to a decrease in the levels of customer satisfaction and the chances of further willingness to recommend the service (i.e., word-of-mouth advertising or referrals) is lessened. Previous researches have shown strong linkages between service quality dimensions and overall customer satisfaction (Anderson and Sullivan (1993)). Service quality is accepted as one of the basic factors of customer satisfaction (Parasuraman et al., (1994)). However, there is much debate whether customer satisfaction is a precursor of service quality judgements (Parasuraman et al., (1985) and Bitner et al., (1990)) or the other way round (Anderson and Sullivan, (1993)). Definitive analysis has showed that service quality cannot be divorced from the concept of customer satisfaction. Recent studies have shown that satisfaction is influenced by not only perceptions of service quality but also by perceptions of product quality, and pricing factors as well as situational and personal factors (Zeithaml and Bitner, (2000)). For example, customer satisfaction with retail banking will be a broader concept and will certainly be influenced by perceptions of service quality but will also include perceptions of product quality (such as variety of deposit options available to customers), price of the products(i.e., charges charged by the bank or rates offered by the banks on various deposits), personal factors such as the consumer's emotional state, and even uncontrollable situational factors such as weather conditions and experiences in conveying to and from the bank.

V. METHODOLOGY

Measures Used

The major aspiration of the study was to identify the factors that affect the levels of customer satisfaction in retail banking.

VI. SAMPLE AND SAMPLE SIZE

The selected respondents represented a balanced mix of various demographic factors (age, gender, marital status, education levels, employment status and income groups). Also, it has been suggested that a study designed to reveal factor structure should have consultation with experts and pilot tests was also performed. A 5-point interval Likert scale to examine how strongly respondents agree (5) (Very Satisfied) or disagree (1) (Very dissatisfied) with statements that measure variables in the hypotheses of this research was used. Existing established measures were modified and adopted for this study (Churchill, 1979). Finally, validity and reliability tests of the measures from the survey questionnaire were conducted to obtain reliable data that can be analyzed properly to reveal meaningful findings. 600 customers selected from different banks. 200 customers from public sectors banks 200 customers from private sector banks and 200 customers from co-operative sector banks.

DEMOGRAPHIC PROFILE OF THE RESPONDENTS

Table No. 1 Demographic profile of the Respondent

Parameters		Public Sector		Private Sector		Co-operative Sector		Total
		F	%	F	%	F	%	
Gender	Male	164	82	159	79.5	150	75	473
	Female	36	18	41	20.5	50	25	127
	Total	200	100	200	100	200	100	600
Age	Below 20	35	17.5	5	17.5	35	17.5	105
	20 to 35 years	91	45.5	81	40.5	73	36.5	245
	35 to 50 years	44	22	51	25.5	54	27	149
	50 to 60 years	16	8	19	9.5	30	15	65
	60 and above	14	7	14	7	8	4	36
	Total	200	100	200	100	200	100	600
Education	Less than SSC	22	11	15	7.5	17	8.5	54
	SSC	20	10	34	17	28	14	82
	HSC	39	19.5	50	25	51	25.5	140
	Graduation	61	30.5	52	26	61	30.5	174
	PG	23	11.5	23	11.5	23	11.5	69
	PG & above	30	15	20	10	14	7	64
	Illiterate	5	2.5	6	3	6	3	17
	Total	200	100	200	100	200	100	600
Occupation	Salaried	38	19	68	34	32	16	138
	Self employed	29	14.5	19	9.5	39	19.5	87
	Business	42	21	39	19.5	34	17	115
	Students	38	19	41	20.5	15	7.5	94
	Retired	23	11.5	17	8.5	21	10.5	61
	Agriculture & allied	20	10	10	5	43	21.5	73
	Home maker	10	5	6	3	16	8	32
	Total	200	100	200	100	200	100	600
Income	Below Rs.5000	41	20.5	36	18	38	19	115
	Rs.5000 to 10000	23	11.5	32	16	36	18	91
	Rs.10000 to 20000	41	20.5	50	25	35	17.5	126
	Rs. 20000 to 30000	42	21	45	22.5	52	26	139
	Rs.30000 to 40000	24	12	24	12	20	10	68
	Rs. 40000 and above	29	14.5	13	6.5	19	9.5	61
	Total	200	100	200	100	200	100	600

There were two main reasons for analyzed the demographic features of the respondent of the research. First a clear profile of banking service users and second to analyze customer satisfaction issue based on demographic characteristics. This data is also used for further analysis and testing the hypothesis. Demographic profile includes gender, age, education, occupation, income level.

Table No.1 indicates the descriptive analysis for demographic information indicated that among the analyzed samples (N= 600), consisting 33% of public sectors banks, 33% of private sectors banks, 33% of coOperative sectors banks. Out of 600 respondents 79% of the respondents were male and 21% were female. In term of age group 17% were below 20 years, 41% were 20years to 35 years, 25% were 36years to 50 years,11% were 51 to 60 years,6% were above 60 years. Education status of the respondents indicates that 9%of the respondent were below SSC, 14% were SSC, 23%of HSC, 29% graduate ,11% of post graduate ,11% of PG & above , 3% were illiterate .There were 23% salaried persons,15% self employee, 19% of business man/ women , 16% students, 10% retried persons,12%of agriculture , 5% of home maker. Income profile of the respondents shows that there were 19%of below Rs.5,000 ,15% of the Rs. 5,000 to Rs. 10,000 , 21%of the Rs. 10,000 to

Rs.20,000,23% of the Rs.20,000 to Rs.30,000, 12% of the Rs.30,000 to Rs.40,000,10% of the Rs.40,000 and above.

FACTOR ANALYSIS

Table No. KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.709
Bartlett's Test of Sphericity	Approx. Chi-Square	2411.796
	Df	276
	Sig.	.000

- KMO and Bartlett's Test is the strength of the relationship among variables large enough. **Large** values for the KMO measure indicate that a factor analysis of the variables is a **good** idea. For the example, notice that the Kaiser-Meyer-Olkin measure of sampling adequacy is greater than .70.
- Another indicator of the strength of the relationship among variables is Bartlett's test of sphericity. Bartlett's test of sphericity is used to test the null hypothesis that the variables in the population correlation matrix are uncorrelated. The observed significance level is .0000. It is small enough to reject the hypothesis.
- From above table, it is concluded that the strength of the relationship among variables is strong, because of the value of KMO Statistics is **.709** and our null hypothesis for Bartlett's test has been rejected since P-Value is .000. Hence without any hitch we can apply the factor analysis.

Satisfaction Factors	Specific Attributes	Notation In Model
Tangibility	Giving customers individual attention	V1
	The behavior of employees instilling confidence in their customers	V2
	Physical facilities with the bank should be appealing	V3
	No charges should be cut on outstation cheques	V4
	Error free record is very important for me	V5
E-Fulfillment	Online banking facilities should be there	V6
	Customers feeling safe in their transactions	V7
	Employees are never too busy to respond to customers' requests	V8
Convenience & Availability	Operating hours convenient to all their customers	V9
	Core Banking facilities is very important for me	V10
	ATM should be available easily	V11
Accuracy	Keeping promise to do something by a certain time	V12
	Providing the service at the time the service was promised	V13
	Phone banking facilities should always be there	V14
Responsiveness	The employees should always neat & Tidy in appearance	V15
	The employees of the bank should be will dressed	V16
	Employees of bank must be always ready to help	V17
	ATM should always be in working condition	V18
Empathy	Bank must offer special counter for privileged customer	V19
	The employees understanding the specific needs of customers	V20
Promptness	Employees telling customers exactly what services will be performed	V21
	Employees giving prompt service to customers	V22
Personal Assistance	Employee having the knowledge to answer customers' questions	V 23
	Bank implement latest technology in working	V 24

ATTRIBUTES OF SATISFACTION FACTORS

Communalities: Initial vs. Extraction

- **Communalities** - This is the proportion of each variable's variance that can be explained by the principal components (e.g., the underlying latent continua). It is also noted as h^2 and can be defined as the sum of squared factor loadings.
- **Initial** - By definition, the initial value of the communality in a principal components analysis is 1.
- **Extraction** - The values in this column indicate the proportion of each variable's variance that can be explained by the principal components. Variables with high values are well represented in the common factor space, while variables with low values are not well represented. (In this example, we don't have any particularly low values.). After extraction some of the factors are discarded and so some information is lost. The amount of variance in each variable that can be explained by the retained factor is represented by the communalities after extraction.

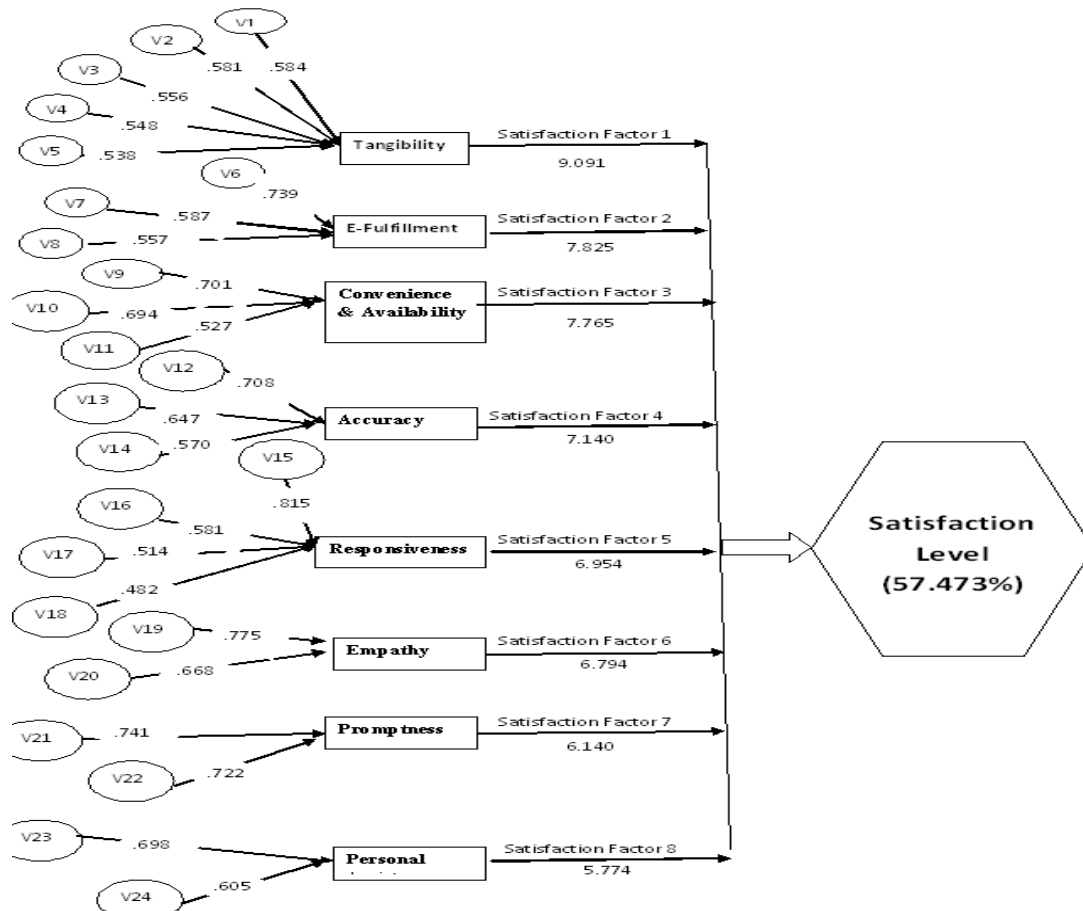
Communalities		
	Initial	Extraction
Physical facilities with the bank should be appealing	1.000	.494
The employees of the bank should be well dressed	1.000	.633
The employees should always neat & Tidy in appearance	1.000	.684
Bank must offer special counter for privileged customer	1.000	.638
Employees of bank must be always ready to help	1.000	.640
The employees understanding the specific needs of customers	1.000	.621
ATM should always be in working condition	1.000	.492
Core Banking facilities is very important for me	1.000	.647
Online banking facilities should be there	1.000	.626
Error free record is very important for me	1.000	.549
ATM should be available easily	1.000	.601
Phone banking facilities should always be there	1.000	.553
No charges should be cut on outstation cheques	1.000	.491
Bank implement latest technology in working	1.000	.597
Keeping promise to do something by a certain time	1.000	.632
Providing the service at the time the service was promised	1.000	.520
Employees telling customers exactly what services will be performed	1.000	.632
Employees giving prompt service to customers	1.000	.605
Operating hours convenient to all their customers	1.000	.541
Employees are never too busy to respond to customers' requests	1.000	.521
The behavior of employees instilling confidence in their customers	1.000	.498
Customers feeling safe in their transactions	1.000	.532
Employee having the knowledge to answer customers' questions	1.000	.610
Giving customers individual attention	1.000	.437
Extraction Method: Principal Component Analysis.		

Percentage of Variance Accounted For by the Eight Components Model

Total Variance Explained									
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	3.314	13.809	13.809	3.314	13.809	13.809	2.180	9.081	9.081
2	2.414	10.056	23.866	2.414	10.056	23.866	1.878	7.825	16.906
3	2.203	9.177	33.043	2.203	9.177	33.043	1.864	7.765	24.671
4	1.396	5.816	38.859	1.396	5.816	38.859	1.714	7.140	31.811
5	1.224	5.102	43.961	1.224	5.102	43.961	1.669	6.954	38.765
6	1.158	4.826	48.786	1.158	4.826	48.786	1.631	6.794	45.559
7	1.073	4.469	53.255	1.073	4.469	53.255	1.474	6.140	51.699
8	1.012	4.218	57.473	1.012	4.218	57.473	1.386	5.774	57.473
9	.950	3.960	61.433						
10	.844	3.515	64.947						
11	.803	3.346	68.293						
12	.789	3.288	71.582						
13	.750	3.124	74.706						
14	.723	3.014	77.721						
15	.714	2.977	80.697						
16	.649	2.703	83.400						
17	.640	2.665	86.064						
18	.564	2.352	88.416						
19	.536	2.232	90.648						
20	.517	2.153	92.801						
21	.469	1.953	94.754						
22	.461	1.919	96.674						
23	.422	1.760	98.434						
24	.376	1.566	100.000						

Extraction Method: Principal Component Analysis.

Satisfaction Level



About 57.473 % of the total variance in the 24 variables is attributable to the first **eight** components. Also we can judge how well the eight-component model describes the original variables, by examine the above table and concluded that Component 1 explains a variance of 2.180, which is 9.081% of total variance of 24, Component 2 explains a variance of 1.878, which is 7.825% of total variance. Similarly, same kind of conclusion can be drawn for other components. The amount of variance accounted for by the **eight** components is 13.796, which about 57.47% of the total variance in the 24 variables is attributable to the first eight components ($13.796 / 24 = .5748$), and remaining 16 components together accounts for 42.51% of the total variance.

VII. CONCLUSION

As far as future investigations are concerned, researchers should make use of the variables considered in this research for studies on other industries as these are not industry specific and thus can be used to measure the customer satisfaction levels in other retail settings. Secondly, similar studies can be conducted in other cities as well as on other banks. Regarding the limitations of the study, it can be said that the recessionary trends being faced currently might have some influence on the satisfaction levels of the customers of banking in India. Secondly, responses have been solicited from customers or retail bank in a developing economy, i.e., India. Also, the study has endowed insights and implications for bank management, thus enabling them to develop strategies to improve customer satisfaction and consequently, retention rates.

REFERENCES

- [1] Anderson E A and Sullivan M W (1993), "The Antecedents and Consequences of Customer Satisfaction for Firms", *Marketing Science*, Vol. 12, spring, pp. 125-143.
- [2] Blanchard R F and Galloway R L (1994), "Quality in Retail Banking", *International Journal of Service Industry Management*, Vol.5, No. 4, pp. 5-23
- [3] Bolemer J M M and Kasper J D P (1995), "The Complex Relationship between Consumer Satisfaction and Brand Loyalty", *Journal of Economic Psychology*, Vol. 16, pp. 311-29.
- [4] Cadotte E R, Woodruff R B and Jenkins R L (1987), "Expectations and Norms in Models of Consumer Satisfaction", *Journal of Marketing Research*, Vol. 24, pp. 305-14.
- [5] Cardozo Richard N (1965), "An Experimental Study of Customer Effort, Expectation and Satisfaction", *Journal of Marketing Research (pre - 1986)*, Vol. 2, No.3, pp. 244-249.
- [6] Chakravarty S W R (1996), "How Moment of Truth Define Bank-Customer Relationship", *Journal of Retail Banking Services*, Vol. 18, No. 1, pp. 29-34.

- [7] Cronbach L J (1951), "Coefficient Alpha and Internal Structure of Tests", *Psychometrika*, Vol.16,No. 3, pp. 93- 96.
- [8] Engle James F and Blackwell Roger D (1982), *Consumer Behavior*, Holt, Rinehart and Winston, New York.
- [9] Featherman T.and Pavlou S. (2002), "Predicting Eservices Adoption", *Journal of Online Security*, Vol.34, No.2, pp.83-107.
- [10] Green S, Salkind N and Akey T (2000), *Using SPSS for Windows : Analysing and Understanding Data*,Upper Saddle River, Prentice Hall, NJ.
- [11] Hair J F, Black W C, Babin B J and Tatham R L (2006), *Multivariate Data Analysis*, 6th Edition, Prentice-Hall, Englewood Cliffs, NJ.
- [12] Hallowell R (1996), "The Relationships of Customer Satisfaction, Customer Loyalty and Profitability: An Empirical Study", *International Journal of Service Industry Management*, Vol. 7, No. 4, pp. 27-42.
- [13] Hunt Keith H (1977), *Business Research: A Practical Guide for Undergraduate and Postgraduate Students*, Macmillan Press Ltd.
- [14] Jham Vimi (2005), "Insights into Customer Interactions in the Banking Industry: A Qualitative Relationship Marketing Study", *Review of Professional Management*, Vol. 3, No. 1, pp. 10-17.
- [15] Johnston R (1997), "Identifying and Critical Determinants of Service Quality in Retail Banking: Importance and Effect", *International Journal of Bank Marketing*, Vol. 14, No. 4, pp. 111-116.
- [16] Kamel H. and Hassan I., (2003), "A study on risk factors of Internet Banking", *International Journal of E-Banking*, Vol.5, No.4, pp.17-22.
- [17] Krishnan M S, Ramaswamy V, Meyer Mary C and Damien Paul (1999), "Customer Satisfaction for Financial Services: The Role of Products, Services and Information Technology", *Management Science*, Vol. 45, No. 9.
- [18] Kumbahar V. M. (2010). "Reliability and validity of 'eBankQual' Scale in ATM Service Settings" A Study, in VINIMAYA, Vol. XXXI No. 4 January – March 2011, published by National Institute of Bank Management, Pune.
- [19] Levesque T and McDougall G H C (1996),"Determinants of Customer Satisfaction in Retail Banking", *International Journal of Bank Marketing*, Vol. 14, No. 7, pp.12-20.
- [20] Likert, Rensis, Roslow Sydney and Murphy Gardner (1934), "A Simple and Reliable Method of Scoring the Thurstone Attitude Scales", *Journal of Social Psychology*, Vol. 5, pp. 228-338.
- [21] Muylle S. (1998), "Emerging changes in banking sector", *Journal of Service Marketing*, Vol.39, No.1, pp.37-52.
- [22] Oliver Richard L (1981), "Measurement and Evaluation of Satisfaction Process in Retail Setting", *Journal of Retailing*, Vol. 57, Fall, pp. 25-48.
- [23] Oliver Richard L (1997), *Satisfaction: A Behavioral Perspective on the Customer*, Irwin/McGraw-Hill,New York.
- [24] Rust R T and Oliver R L (1994), *Service Quality: New Directions in Theory and Practice*, Sage Publications, Thousand Oaks, CA.
- [25] Shil Nikhil and Das Bhagaban, (2008), "A Study of Customer Satisfaction with Regard to Banking: An application of QFD", *The Icfain Journal of Management Research*, Vol. VII, No. 8, pp. 7-26.
- [26] Taylor S A and Baker T L (1994), "An assessment of the Relationship Between Service Quality and Customer Satisfaction in the Formation of Consumers' Purchase Intentions", *Journal of Retailing*, Vol. 58, No. 2, pp.163-178
- [27] Zeithaml V and Bitner M J (2000), *Services Marketing: Integrating Customer-Focus Across the Firm*, 2nd Edition, McGraw-Hill, New York.