

## **CONSTITUENT DIMENSIONS OF CUSTOMER SATISFACTION: A STUDY OF NATIONALISED AND PRIVATE BANKS**

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**Abstract:** Satisfaction of the customers is invaluable asset for the modern organizations, providing unmatched competitive edge. It helps in building long-term relationship as well as brand equity. The best approach to customer retention is to deliver high level of customer satisfaction that result in, strong customer loyalty. Satisfaction being a judgment, that a product or service feature or the product or service itself, provides a pleasurable level of consumption related fulfillment, is dynamic in nature. It is the result of interplay of a number of factors, which vary from one product/service category to another. Present study is aimed at exploring the determinant factors and hence developing dimensions of customer satisfaction for nationalized and private banks. Two-stage factor analysis was computed to arrive at the dimensions of customer satisfaction. The study revealed ten factors and five dimensions of customer satisfaction for nationalized and private banks respectively.

**Keywords:** customer satisfaction, private and public banks.

### **Introduction**

Banks play a very important role in the economic development of every modern state. Banks operate at the heart of the modern economy. Traditionally, banking had been restricted from private participation in India and public sector banks had been enjoying complete protection. This scenario has changed since 1990. The decade of 90s witnessed a sea change in the working of banking in India. Technology made tremendous impact by introducing 'anywhere banking' and 'anytime banking'. The financial sector now operates in a more competitive environment than before and involves relatively large volume of international financial flows. In the wake of greater financial deregulation and global financial integration, the biggest challenge before the public sector banks is to match the market requirement rather than being promoted by Government or regulator. Foreign banks and the new private banks have embraced technology right from the inception of their operations and therefore, they have adapted themselves to the changes in the technology easily. Deregulation, liberalization and globalization have produced intense competition in banking industry resulting into declining margins in traditional businesses, increased cost pressures and greater risks. Market positioning, cost of intermediation and service delivery are likely to be determinants of the efficiency of banks with respect to their competitiveness. In the changed environment creating new customers and retaining the existing ones have become difficult tasks for banks. To meet the competition, creating satisfaction of customers has become primary objective of each bank.

Customer satisfaction is the valued outcome of a good business practice. According to Drucker (1954), the principle purpose of a business is to create satisfied customers. Increasing customer satisfaction lead to higher future profitability (Anderson et al., 1994), lower costs related to defective goods and services (Anderson et al., 1997). Higher satisfaction increases willingness of buyers to pay price premiums, provide referrals, and use more of the product (Reichheld, 1996; Anderson and Mittal, 2000), and finally results into higher levels of customer retention and loyalty (Fornell, 1992; Anderson and Sullivan, 1993; Bolton and Rath, 1998). Increasing loyalty further increases future revenue (Fornell, 1992) and reduces in the cost of future transactions (Reichheld, 1996; Srivastava et al., 1998). A firm's future profitability depends on satisfying customers in the present and retained customers are viewed as revenue producing assets for the firm. Improved customer satisfaction need not entail higher costs, in fact, improved customer satisfaction may lower costs due to a reduction in defective goods, product re-work, etc. Customer satisfaction and retention that are bought through price promotions, rebates, switching barriers, and other such means are unlikely to have the same long-run impact on profitability as, when such attitudes and behaviors are won through superior products and services (Anderson and Mittal, 2000).

A review of the existing literature indicates a wide variance in the definitions of satisfaction. The lack of a consensus definition limits the contribution of consumer satisfaction research. Customers may explain their satisfaction with a product or service in terms of specific aspects such as the product attributes, price, customer service, or a combination of these different features. (Yi, 1990) identified multiple studies conceptualizing satisfaction as an outcome resulting from a consumption experience while others conceptualize it as an evaluation of a consumption process. When a consumer claims to be satisfied with the product or service, he means that he likes the way it has performed in use. Satisfaction attitudes are retrospective evaluations of the product, based on experience. Hunt (1977) argued that consumer satisfaction with a product refers to the favorableness of the individual's subjective evaluation of the various outcomes and experiences associated with buying or using it.

The present study is an attempt to explore the determinant factors of customer satisfaction with special reference to nationalized and private banks. The study further attempts to provide dimensions of customer satisfaction for the two categories of banks. Perception of customers regarding the services used by them was taken as a measure of satisfaction in the study.

### **Method**

**The Study:** The study was exploratory in nature carried out to find out factors determining customers' satisfaction in nationalized and private banks.

**The Sample:** A total of hundred respondents constituted the sample for the study. Fifty were customers of nationalized banks and fifty were customers of private banks. The average age of respondents was 36 years with the lowest of 28 years and highest of 46 years.

**Data Collection:** For data collection, a scale comprising of thirty items on a five point Likert scale was developed after reviewing the relevant literature.

**Data Analysis:** Data analysis was carried out in following three stages:

In first stage, item to total correlation was carried out on the responses of both the categories of customers. On the basis of results of item to total correlation two items in the responses of customers of nationalized bank and three items in the responses of

customers of private bank were found to be insignificant (at 5% level of significance) and hence, dropped. In stage two factor analyses was carried out on the remaining items. In stage three, second order factor analysis was carried out to identify the dimensions of customers' satisfaction of the customers of two categories.

## **Results**

The factor analysis of the responses of customers' of nationalized banks resulted into ten factors, which are as under:

**Factor 1. Vigilance:** It emerged as the factor with highest factor load 3.41 and variance 22.2 percent. Items underlying this factor were Value Added Services (SMS alert and e-mail alert) (0.77), courteous behavior of the bank staff (0.76), professional interface with customers (0.67), appealing facilities (0.62) and easy approachability of executives (0.59).

**Factor 2. Competence:** It was found to be the factor with second highest factor load 3.36 and variance 9.8 percent. It comprises of the items, customer service as identity of bank (0.83), good reputation (0.61), additional benefits (0.59), proper attention to customers (0.47), less paper formalities (0.44), and customized services (0.41).

**Factor 3. Advancement in Services:** It had factor load 2.50 and variance 7.3 percent. It comprises of the items, state of art technology (0.82), processes consuming less time (0.58), frequent upgradation of services (0.56) and banks name as promise to reliability (0.55).

**Factor 4. Flexibility in use of services:** It had emerged as fourth factor with total factor load 2.02 and variance 8.8 percent. Its constituent variables were net banking (0.78), financial soundness (0.74) and availability of ATMs at different locations (0.50).

**Factor 5. Reliability:** It was the fifth factor with factor load 1.77 and variance 4.4 percent. Constituents of reliability were sincere care for the security of assets (0.80), informing customers before rejection of cheques (0.52), less complexity in the working (0.45).

**Factor 6. Vision:** It had factor load 1.40 and variance 5.4 percent. It was comprised of long-term vision (0.81) and issuing of cheques as per requirement of the customers (0.58).

**Factor 7. Responsiveness:** It had factor load of 1.35 and variance 7.3 percent. It was constituted of promptness regarding customers' queries (0.81) and proper maintenance of ATMs (0.54).

**Factor 8. Reach:** It had factor load 1.37 and variance 4.2 percent. It was constituted of two factors, network of the bank in all the major cities (0.82) and accuracy of the banks' system (0.55).

**Factor 9. Cost effectiveness:** It had total factor load of 1.26 and variance 4.9 percent. It included price leadership (0.75) and less charge on making Demand Drafts (0.52).

**Factor 10. Efficient process:** It was comprised of faster clearing of cheques/Demand Drafts and had factor load 0.87 and variance 3.9 percent.

The factors determining customer's satisfaction from private banks are as under:

**Factor 1. Service Quality:** It had factor load 3.31 and variance 11.4 percent. It was comprised of professional interface with customers (0.78), customer service as

identity of bank (0.72), frequent upgradation of services (0.67), state of technology (0.62) and accuracy of bank system (0.53).

**Factor 2. Reliability:** It had factor load 2.97 and variance 8.4 percent .It was comprised of financial soundness (0.80), net banking and phone banking facilities (0.60), good reputation (0.55), sincere care for the security of assets (0.55) and appealing services (0.47).

**Factor 3. Competence:** It had factor load of 2.30 and variance 19.2 percent. It was comprised of additional benefits (0.82), price leadership (0.74) and less paper formalities (0.73).

**Factor 4. Efficient Process:** It had factor load 1.97 and variance 6.8 percent. It was comprised of lesser time consuming processes (0.77), courteous behavior of bank staff (0.69) and faster clearing of cheques/Demand Drafts (0.51).

**Factor 5. Customization:** It had factor load of 1.97 and variance 5.0 percent. It was comprised of customization of products/services (0.82), easy approachability of executives (0.63) and informing customers before rejection of cheques (0.51).

**Factor 6. ATM Facility:** It had factor load of 1.58 and variance 9.0 percent. It was comprised of proper maintenance of ATMs (0.81) and availability of ATMs at different locations (0.77).

**Factor 7. Vision:** It had factor load of 1.48 and variance 5.5 percent. It was comprised of long-term vision (0.74) and promptness regarding quarries (0.72).

**Factor 8. Vigilance:** It had factor load of 1.40 and variance 4.3 percent. It was comprised of Value Added Services (SMS alert and e-mail alert) (0.85) and proper attention to the customers (0.54).

**Factor 9. Simplicity of System:** It was comprised of the only item, less complexity in the working with factor load of 0.91 and variance 3.8 percent.

**Factor 10. Brand Image:** It included the only item, banks name as promise to reliability with factor load of 0.88 and variance 4.1percent.

**Dimensions of Customer Satisfaction:** The second order factor analysis resulted into five dimensions for both the nationalized and private banks. Dimensions of customer satisfaction from nationalized banks being; Service Orientation, Diligence, Adherence, Value for Money and Amiability.

**Service Orientation:** It comprises of three factors with total factor load 2.00 and variance 16.8 percent. Factors constituting Service Orientation were Flexibility in use of services (0.81), Vision (0.65) and Competence (0.54).

**Diligence:** It comprises of two factors with total factor load 1.58 and variance 14.2 percent. Factors constituting diligence were Vigilance (0.79) and Reliability (0.79).

**Adherence:** It comprises of two factors with total factor load 1.49 and variance 13.2 percent. Factors constituting Adherence were Reach (0.80) and Responsiveness (0.69).

**Value for Money:** It comprises of two factors with total factor load of 1.39 and variance 10.1 percent. Factors constituting Value for Money were Cost Effectiveness (0.84) and Efficient Process (0.55).

**Amiability:** It comprises of the only factor Advancement in Services with factor load 0.84 and variance 11.6 percent.

#### **Dimensions of Customer Satisfaction from Private Banks**

Dimensions of customer satisfaction in private banks are as under:

**Commitment:** It comprises of three factors with total factor load of 1.89 and variance 10.2 percent. Factors constituting Commitment were Customization (0.79), Brand Image (0.55), and Vision (0.55).

**Service orientation:** It comprises of two factors with total factor load of 1.55 and variance 18.2 percent. Factors constituting Service Orientation were Service Quality (0.84) and Efficient Process (0.71).

**Value for Money:** It comprises of two factors with total factor load of 1.48 and variance 13.9 percent. Factors constituting Value for Money were ATM Facility (0.87) and Competence (0.61).

**Dependability:** It comprises of two factors with total factor load of 1.44 and variance 11.4 percent. Factors constituting Dependability are Reliability (0.85) and Simplicity of System (0.59).

**Diligence:** It comprises of the only factor Vigilance with factor load 0.82 and variance 10.2 percent.

### **Discussion**

The study revealed that the **first** dimension of customer satisfaction for nationalized banks was Service Orientation but, for private banks Service orientation appeared as second dimension. It clearly indicates that customers of nationalized banks give more importance to Flexibility in Use of Services, Vision and Competency. It is because, the nationalized banks had a rigid system and redtapeism due to restriction on private participation in banking by government and absence of competition in market. Customers of nationalized banks had not been given much importance by the executives. As the nationalized banks were enjoying monopoly, it resulted in expectation of the customers for higher customer's orientation. On the other hand customers of private banks had been offered these services right from the beginning therefore, they perceive it to be usual. It supports the theory that confirmation/disconfirmation of pre consumption expectations is the essential determinant of satisfaction (Oliver, 2000). Further, customers expect fundamentals, not fanciness; performance, not empty promises (Parashuraman et al., 1991). The customers of private banks expect Service orientation in terms of service quality and efficient processes.

**Second** dimension of customer satisfaction for nationalized banks was Diligence. For private banks diligence appeared as fourth dimension. It indicates that Customers at nationalized banks give relatively more importance to alertness and professional interface of banks with customers. It was also perceived as important by the customers of private bank but they ranked it below the customers of nationalized banks. The Nationalized banks are undergoing technological upgradation and adding new features to their services, which the customers find new and convenient resulting into higher level of satisfaction. The role of customers at nationalized banks is also changing with restructuring of the services and technological up gradation. The customer's expectation is partly shaped by their belief that they are performing their role well in service delivery and hence feel satisfied (Seiders and Berry, 1998).

**Third** dimension of customer satisfaction for nationalized banks was Adherence. Thus, it shows that customers of nationalized banks expect services of the banks to be convenient in terms of timing and places. Being associated for long time with the nationalized banks customers consider the limitation of the system and causes for the inconvenience they face. Thus, their satisfaction remains higher even though

they receive poor services as compared to the services offered by their counter parts at private banks. The perceived causes of events influence perception of satisfaction of the customers (Folkes, 1988).

**Fourth** dimension of customer satisfaction for nationalized banks was value for money. For private banks it appeared as third dimension above dependability and diligence. It points out the difference in cost of the services offered by nationalized and private banks. Customers of nationalized banks were found to be satisfied in terms of price they pay for the services while the customers at private banks were satisfied with the services but perceived the cost to be high and hence, ranked value for money as an important dimension for the customer satisfaction. The customer satisfaction with a product or service is influenced by the consumer evaluation of product or service features (Oliver, 1997). Customer of services may trade-offs among different service features Price level Vs quality Vs friendliness of personal Vs level of customization) and this value for money is an important dimension of customer satisfaction form banking services (Ostron and Iacobucci, 1995).

**Fifth** dimension of customer satisfaction for nationalized banks was Amiability. Thus, it implies that technological advancement and upgradation of the services are resulting into better processes together with reliability of nationalized banks due to their longer existence and government undertaking. It was taken in positive sense and had been assigned responsible for creating satisfaction. Bolton (1998) has provided evidence that the duration of a relationship builds strength so that long-term customers ignore service mishaps. Customers behave rationally taking into account the future utility based on past and current experience, which may be modified by new information. Customers with long periods of experience with an organization weigh their cumulative satisfaction more heavily so that an instance of unsatisfactory experience can more easily be discounted as an exception (Bolton and Ruth, 1998).

Private banks had two dimensions, Commitment and Dependability, uncommon with that of the nationalized banks. As the private banks are newer in terms of their operation in India, and were positioned as superior to the nationalized banks, customers expect customized services, consistency and long-term vision from the private banks. Customers further expect reliability and simplicity in the system at private banks. Because of short association with private banks customers and higher commitment for services customers' expectation remain high. New customers who experience bad service are more inclined to assume that their experience is typical and feel dissatisfied. There is little impact on the duration of the customer relationship from superior service and this difference leads to a mental accounting phenomenon in which negative experience has more influence on choice than the equivalent positive experience (Bolton and Ruth, 1998; Thaler and Richard, 1985).

### **Conclusion**

The study has revealed ten factors and five dimensions of customer satisfaction for nationalized banks and private banks each. The constituent factors of customers' satisfaction for nationalized banks were Vigilance, Competence, Advancement in Services, Reliability, Vision, Responsiveness, Reach, Cost Effectiveness and Efficient Process. The dimensions of customers' satisfaction for nationalized banks were, Service Orientation, Diligence, Adherence, Value for Money and Amiability. The determinant factors of customers' satisfaction for private banks were Service Quality, Reliability, Competence, Efficient Process, Customization, ATM Facility, Vision, Vigilance,

Simplicity of System and Brand Image. The dimensions of customers' satisfaction for private banks were Commitment, Service orientation, Value for Money, Dependability, and Diligence.

### **Implications**

The factors and dimensions that have emerged in the study provide an insight of constituents of customer satisfaction for the banking services in general and for nationalized and private banks in particular. Based on the understanding developed by the study higher level of customer satisfaction can be created through designing appropriate communication, training of internal customers and offering the services in effective manner. The study should be replicated on larger sample across the category of services and respondents demographic variables such as gender, age, occupation, income, education and geographic area, for developing a comprehensive model of customer satisfaction.

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