

Influences of Service Quality on Customer Satisfaction of Nationalised Banks in Rural Areas

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How to cite this paper: M. Priyanga | S. Suganya "Influences of Service Quality on Customer Satisfaction of Nationalised Banks in Rural Areas" Published in International Journal of Trend in Scientific Research and Development (ijtsrd), ISSN: 2456-6470, Volume-3 | Issue-5, August 2019, pp.1019-1022, <https://doi.org/10.31142/ijtsrd26587>



ABSTRACT

In a developing country like India there is a need for exercising strict control over the quality of service provided by banks. If banks are under the control of the Govt., it becomes easy for the Central Bank to bring about co-ordinated service quality control. The necessity is important for nationalized banks. This paper investigates the influence of service quality on customer satisfaction in Nationalised banks. This study conducted in rural areas and 245 samples were used to analyze the data. Descriptive, multiple regression and correlation statistical tool applied to know most predict variable and relationship between variables in service quality determinants. It is found that responsiveness and reliability are the most predictable variables on customer's satisfaction and tangibility and assurance highly influence customer satisfaction among other service quality variables.

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KEYWORDS: Service quality, Customer satisfaction, Nationalised Banks

INTRODUCTION

Nationalised banks are sure to command more confidence with the customers about the safety of their deposits. Besides this, the planned development of nationalised banks will impart greater stability for the banking structure. The private sector banks were not giving importance to industries from the economy point of view. They were neglecting agriculture, small scale industries, cottage industries, and rural industries.

With the nationalization of commercial banks, the priority sector, namely, agriculture and its allied industries, small scale, cottage, export-oriented and employment-intensive industries could be effectively attended. The nationalized commercial banks have also played an important role in extending the banking service in unbanked areas. Before nationalisation commercial banks were a bit conservative and thereby opened branches mostly in metropolitan cities and other towns and cities. But after nationalisation, banks started to open new branches in rural areas and also introduced lead Bank scheme in all districts of the country. The private sector banks were neglecting rural areas and backward areas by concentrating only in urban areas. This trend could be changed by nationalizing these banks and opening their branches in rural and backward areas. It would also enable the banks to give more loans for starting industries in rural and backward areas. Due to the above factors, the problem of regional disparities could also be reduced. This paper identified a gap in the aspect of quality of service provided by nationalised banks.

Service quality plays a vital strategic role and helps bank managers to gain competitive advantage and to make wise management decisions. If it will be analyzed properly, it will give an appropriate long-time impact on customer purchase decisions. When a bank has high customer satisfaction it is a very precious asset. It makes a positive difference influence that knowing the bank name has on customer reaction to the product or service. High customer satisfaction provides many competitive advantages to the organization.

Customer satisfaction is an art of fulfilling the needs and wants of customers. Understanding the customers' needs and wants is an important task of the banking industry, but unfortunately, the majority of the nationalised banks are unaware or fail to do this. Now a day understands customer's expectation about the products is more competitive. In this way, customers get unsatisfied and not the only credibility but loyalty of the bank are also affected directly. In the beginning point, customer's satisfaction is built when the customer has full confidence and satisfaction on the banking services. It fulfills promises, so, the customer will not move to the competitor banks and services. So in this context, this paper identified the needs to check customer satisfaction of nationalized banks whether the service quality dimensions are used properly or not in their daily bank's activities to satisfy the customer needs.

Research Methodology

The objective of this paper is to find the influence of service quality on customer satisfaction of nationalised banks in rural areas with reference to nationalised Banks, Vellore District, Tamilnadu, India. Various literature and reviews are collected and identified the variables. In 1988, Parasuraman studied five dimensions of service quality with 22 statements. Parasuraman, et.al (1988) tool has been adopted for this study. This tool consists of 22 statements which are classified as five dimensions namely, tangibility, reliability, responsiveness, assurance and empathy. For customer satisfaction, Johnson (1998) is used a nine items scale to measure customer satisfaction. This tool is considered for

this study. The required samples size for this study is 245. These sample respondents are selected by systematic random sampling technique. The data analysis procedure is conducted through survey questionnaire method. Responses are coded and data entered statistical package for social science (SPSS). Descriptive statistics, multiple regression and correlation statistical tools were used to analysis of variance between determinants, the statistically significant differences and the relationship between variables.

Result, Analysis and Discussion

Table-1: Respondent's opinion towards customer satisfaction of banks

Customer Satisfaction	Mean	SD
Did the right thing	3.97	1.02
Satisfying experience	3.79	0.98
Satisfied with my decision	4.09	1.09
The choice to use the Service	4.04	1.20
Satisfying needs	3.74	1.10
Recent experience	3.85	0.97
Met my expectations	3.98	1.10
Preference on next opportunity	3.34	1.09
One and only service	3.04	1.09

Source: Primary data computed.

Table-1 shows the respondent's opinion about customer satisfaction of the nationalised bank and services. Did the right thing, satisfying experience, satisfied with their decision, the choice to use the services, the bank satisfying needs, recent experience, met their expectations, Preference

on next opportunity and one and only services are the various statements have been used to measure the customer satisfaction? Respondent's opinions are collected for five-point scales in each statement. Then the mean and standard deviation is calculated for each statement. From the mean score, it is noted that majority of the respondents have given their importance to satisfied with their decision (4.09). The corresponding standard deviation value also noted that there is no much deviation within the group of respondents. The choice to use the services secured the mean value of (4.04) in customer satisfaction, followed by met their expectations (3.98) and also did the right things (3.97). Also, there is no much deviation value within the group of respondents. Use of experience secured the mean value of 3.85 followed by satisfying experience (3.79), satisfying needs (3.74), Preference next opportunity (3.34) and only and only service which is purchased and used (3.04). In corresponding standard deviation, value is noted that there is no deviation within the group of respondents. Among these statements satisfied with their decision obtained the highest mean value than other satisfaction related statements. Thus the customers are satisfied with their decisions to choose the nationalised bank and services.

Satisfaction is traditionally considered as an overall affective response resulting from the use of a product or service (Oliver 1981). It is believed to have a direct influence on customer loyalty and repurchase behaviors (Kumar, 2011; Mittal and Kamakura, 2001). Customer satisfaction has influenced product and services (Vetrivel, 2015).

Table-2: Effect of service quality determinants on customer satisfaction

R-value	R-square value	Adjusted R square value	Std. error	F-value	P-value
0.965	0.932	0.931	0.21170	1747.948	0.001*

Factors	B-value	Std. error	Beta	t- value	p-value
Constant	0.155	0.044	-	3.511	0.001*
Tangibility	0.090	0.018	0.098	5.001	0.001*
Reliability	0.248	0.033	0.306	7.578	0.001*
Responsiveness	0.368	0.036	0.383	10.341	0.001*
Assurance	0.223	0.023	0.204	5.324	0.001*
Empathy	0.192	0.041	0.214	4.682	0.001*

Source: Primary data computed; * Significant @ 1% level.

Service quality determined five important components namely tangibility, reliability, responsiveness, assurance and empathy. Table-2 brings the effect of service quality determinants on customer satisfaction. Here the service quality determinants are considered as the independent variable and customer satisfaction is treated as a dependent variable.

H₀: Service quality determinants do not have an influence on customer satisfaction

In order to test the above-stated hypothesis, multiple regressions are employed. The purpose of regression analysis is to find out the most predictors variables on customer satisfaction. The measure of the strength of association in the regression analysis is given by the coefficient of regression determination denoted by R-square as 0.932 and R-value as 0.965. The F-value is 1747.948 which is significant at one percent level and ascertain that there is a

significant relationship between the dependent and independent variable. So, the hypothesis is rejected. Further, R-square value indicates, the independent variables influenced at 93.2% on the dependent variable. The standardized coefficient beta value indicates the relative importance of the predictors on customer satisfaction. It is inferred that service quality determinants are significantly and positively influenced customer satisfaction. Responsiveness and reliability are the highly predicting variables on customer satisfaction. The corresponding p-value of these variables is significant at one percent. So, these variables significantly influenced on customer satisfaction. Customer satisfaction is expressed by the following equation.

$$\text{Customer satisfaction} = 0.155 (\text{Constant}) + 0.368 (\text{Responsiveness}) + 0.248 (\text{reliability}) + 0.223 (\text{assurance}) + 0.192 (\text{empathy}) + 0.090 (\text{tangibility})$$

The equation is explained that the tangibility, reliability, responsiveness, assurance and empathy have the positive impact on customer satisfaction.

To increase one unit in customer satisfaction, the responsiveness is increased by 0.368, when other factors remain constants. Similarly, reliability increased by 0.248, assurance increased by 0.223, empathy increased by 0.192 and tangibility by 0.090. It is found that responsiveness and reliability are the most determinants variables on customer's satisfaction. Similarly the study indicates that customer satisfaction had a positive impact on service quality determinants. Torres et al., (2013) found that the relationship between customer satisfaction and trust is significantly strong. It indicates that service quality has a significant influence on trust via customer satisfaction (Vetrivel, 2016).

Table-3: Relationship between service quality variables and customer satisfaction

Service quality variables	Customer satisfaction	
	r-value	P-value
Tangibility	0.796	0.001*
Reliability	0.711	0.001*
Responsiveness	0.688	0.001*
Assurance	0.742	0.001*
Empathy	0.712	0.001*

Source: Primary data computed; * Significant @ 1% level.

The high service quality has a positive influence on consumer preference and purchase intention for new product extension because consumers would have more trust on the banks with high equity than a low equity brand and the high brand equity helps to decrease the risk which consumers perceive while evaluating new customer satisfaction. Table-3 shows the relationship between service quality variables and customer satisfaction.

H₀: There is no relationship between service quality variables and customer satisfaction

In order to examine the above hypotheses, the Pearson correlation is employed. Table-3 explains the relationship between service quality variables with customer satisfaction. From the r values, it is inferred that the study variables have a relationship with itself because r values are significant and also positive. Hence the stated hypothesis is rejected. The respondents have expressed that their experienced banks have a high level of the relationship on tangibility, reliability, responsiveness, assurance and empathy with customer satisfaction.

It is observed that the service quality variables, tangibility have secured the highest r-value of 0.796 with customer satisfaction followed by assurance (0.742), empathy (0.712), reliability (0.711) and responsiveness (0.688). It is observed that tangibility and assurance highly influence customer satisfaction among other service quality variables. It is inferred that tangibility, empathy, assurance, responsiveness and reliability are positively related to customer satisfaction. Customer satisfaction has a relationship with all service quality variables based on cumulative customer opinion

from their bank's experience. Tangibility, assurance, reliability and empathy are having a higher level of relationship with customer satisfaction. But, responsiveness is having the least level of relationship with customer satisfaction. Customers felt that the bank is most suitable for them and they will continue to use the bank in the future. This finding is also supported by the earlier researcher. In concurrence, Garbarino (1999) indicated the factors influencing successful customer satisfaction. The effect of factors such as brand reputation, perceived risk, perceived similarity and consumer innovativeness on successful customer satisfaction. Tse, D. k., Wilton et al., (1988).

Conclusion

The customers are the judges of quality. Understanding of customer needs, both current and future and keeping pace with changing market require effective strategies for listening to and learning from customers, measuring their satisfaction relative to competitors and building relationships. Satisfaction and dissatisfactions information is important because understanding them leads to the right improvements that can create satisfied customers who reward the company with loyalty. This study concluded that service quality determinants are significantly and positively influenced customer satisfaction. Responsiveness and reliability are the highly predicting variables on customer satisfaction and it is observed that tangibility and assurance highly influence customer satisfaction among other service quality variables. So the nationalized banks have good service quality among their customer it reflects in their satisfaction. Satisfaction can be expressed in many ways, like positive word-of-mouth, satisfied consumers will be recommended the bank to others. Customer satisfaction leads to repeat purchases and repeat purchases lead to loyal customers. In turn, the customer's loyalty leads to enhanced brand equity and higher profits.

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