



# Customer Delight: A Comparative study of services rendered by private and public sector bank to achieve customer delight and ecstasy.

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## Abstract

Today the Indian banking sector is adopting technology at a much faster speed than any other sector. Today every bank uses technology to serve its customers well and thereby ensure that customers do not shift to competing bank. Today banks have realized that cost of attracting a new customer is very high hence retaining existing customers becomes all the more important. Therefore it is observed that clients have become more demanding and expect convenience banking platforms. The assumption in society is that private sectors because of lean structure would have taken significant actions and that public sector because of bureaucratic and mammoth organization structure would be found to be lagging in creating the atmosphere for customer satisfaction. The current research paper attempts to make a comparative analysis of level of customer satisfaction attained towards services provided by public and private sector banks. The study has been conducted in shimoga city. This study is based on questionnaire method using a sample of 160 customers drawn from convenient sampling method. This study reveals that private sector banks are chosen by majority of the customer as they are giving thrust on relationship building with their clients and are better equipped with convenience banking infrastructure and mindset as compared to public sector banks.

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**Keywords:** Customer satisfaction, convenience banking infrastructure, service quality, bank's performance

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## 1. Introduction

It is a known fact that the business of banking is as old as the civilization itself. History showcases that as early as 2,000 B.C., the Babylonians used their temples for lending at

higher rates of interest against gold and silver which had been left with them for safe custody. In earlier times, the main functions of the banks related to granting of loans to individuals or the state in times of crisis. Banking institutions



during pre-independence period primarily consisted of Indigenous banks. Later on in 1921, the Imperial Bank of India and in 1935 RBI was also established. Banking business has since evolved many folds to recent techno savvy form.

Banks these days provide assortment of banking services ranging from opening a savings account to internet banking, granting loans to selling insurance, providing locker facilities to transferring money abroad. Bank customers come from all social classes of society from a salaried group to a person working in MNC who would be having business engagement worldwide. The banks have to satisfy and achieve customer delight among all the customers belonging to different social groups. The banking strategies and actions has therefore become more complicated and requires specialized skills and knowledge.

Employees working in banks find themselves as a connecting link between the bank and the customer. They are the people who encounter customers directly and are the early once to know what customer really wants. Hence their role as a service provider becomes very important in shaping bank's perception in the customer's mind. As service standards can make or break a customer positive perception, much importance is laid upon service delivery by most of the banks. The link between service quality and customer satisfaction has been studied in detail by a few service quality researchers like Bolton and Drew, 1994; Bitner and Hubert, 1994. As Darwin theory states - survival of the fittest. This statement has become the order of today in the banking sector. Today every bank is trying to attract the customer who is in short supply because every bank is aiming at the same customer. It is also stated in the research paper by Bhatt (1990) that retaining the existing customers and attracting new ones has become all the more difficult especially for public sector banks.

In this backdrop, a study on how customers opine about their bank and a comparative analysis of services of private and public sector

bank would be most appropriate. Such research analysis would provide the banks with both quantitative and qualitative primary data of their services as perceived by their customers.

## 2. Literature survey on Indian banks both private and public revealed the following characteristics of services rendered by them

- **Aurora and Malhotra (1997)** studied the level of customer satisfaction and have found six key variables of customer satisfaction in public sector banks. These variables are as follows routine operations, price, situational, environmental, technology, and interactive. But in private sector banks, they found seven factors in total, having staff factor as the first ranked and situational factor as the lowest ranked items. The study also reveals that as compared to public sector, private sector bank customers' level of satisfaction is comparatively more.
- **According to Laroche and Manning (1986)**, the following aspects like place convenience, time taken to attend queries, competence and friendliness of bank staff scored most of the points in ensuring banking success
- **Anne M Smith (1990)** in their research paper studied the services features of - intangibility, , perishability, inseparability and heterogeneity. These service features how it effects clients' perceptions of quality service from banks. The study revealed that intensifying competition and increasing customer expectations have created a climate where quality is considered to be a major strategic variable for improving customer satisfaction and thereby contributing to the profitability of financial service providers.
- **Sarin and Anil (2007)** recommended that manpower in service organizations must



focus on bringing satisfaction in customer. Bank should identify the areas requiring improvement and further throw light on the actions to be pursued to improve the quality of services extended to customers.

- **According to Liang et al (2004)**, the service quality characteristics are mainly; one is product related, and the other one non-product related. The study showcased the fact that customer satisfaction affects customer's trust and commitment on service provider, which in turn has a bearing on customer loyalty.
- **Rohit (1976)** through the research study tried to stress the importance of identifying needs of customers. To get a proper insight the social status of the bank's customers and the opinion customers had about banks were studied researched and opinion the customers had about banking services were mapped in the primary study by the researcher
- **Lewis and Birmingham (1991)** studied the needs, attitudes and behavior of youth market for financial services and found that the youth market is not homogenous in terms of needs and behavior.
- **Huu Phuong Ta and Kar Yin Har (2000)** studied bank selection approach of students pursuing undergraduate courses in Singapore. In all nine criteria were used while selecting bank and the decision problem was structured into a three-level hierarchy. It was observed that undergraduate students gave importance to the pricing and product dimensions of bank service.
- **Hallowell Roger (1996)** in their empirical study focused on how to attain customer satisfaction in banks and solution that was highlighted was that banks should target and serve multiple needs of customers by

bring cross selling and up selling of banking products.

- As per **Meidan (1976)** highlighted that 85% of the respondents looked at convenience and banks which were closer to their office or home was preferred by elderly customer group.
- **Dutta et al, 2009** conducted an empirical study to investigate the perception and expectations of new age customers. In India it was found that private banks were the most preferred banks followed by public banks.

### 3. Objectives of the Study

- To identify the most preferred bank whether public or private.
- To examine the expectations and the delight and ecstasy prevailing in customer mind with respect to the services rendered by public and private sector banks.
- To study the priorities and what they want with respect to services provided by the public and private sector banks.

### 4. Research Hypothesis

- H0: All the selected key features effect customer satisfaction equally.
- H1: All the selected key features effect customer satisfaction differently.
- H0: There is no difference in level of satisfaction of customers in public and private banks.
- H1: There is significant difference in the level of satisfaction of customers in public and private sector banks.
- H0: The selected features of customer satisfaction are uncorrelated.
- H1: Few of the selected features of customer satisfaction are correlated.



## 5. Methodology and Research Design

The methodology and design adopted for the study is as follows:

### 5.1 Area of Study:

The study has been conducted in Shimoga city having a population of more than 4 lacs. Shimoga city which is known for its natural flora and fauna, successful and flourishing auto component industry and hub for religious tourism.

### 5.2 Period of the Study :

The present research study is related to "Customer Delight: A Comparative study of services rendered by private and public sector banks in India to achieve customer delight and ecstasy." The survey lasted for about six to seven months.

### 5.3 Data Collection

This study is based on questionnaire methods. Primary data were collected from men and women respondents living in Shimoga city, Karnataka. Customers from all walks of life were contacted. The total number of respondents was 160. The researchers have covered customers from six banks, three each from public sector and private sector. Under Public sector banks State Bank of India, Punjab National Bank and Oriental Bank of Commerce were selected and ICICI, HDFC and Axis Bank were selected among Private Sector Banks.

### 5.4 Sampling

A sample of 160 customers has been selected using convenient sampling method. The data has been interpreted satisfactorily based on requirements of study.

## 6. Analysis and Findings

### 6.1 Reliability Analysis

In this study reliability was examined on all items. As a test of reliability Cronbach's Alpha was adopted to represent internal consistency.

Table 1, shows the reliability test with all values greater than threshold of 0.60. Hence it can be

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conclude that the items reliably measure the defined constructs.

### 6.2 Comparison between Public and Private Sector Banks Showing the Effect of Banking Services on Customer delight and ecstasy.

As the descriptive statistics in table 2 shows a significant difference between public and private banks in all the variables, it was decided to examine whether the differences are significant or not. For this purpose independent sample t-test was performed. This test is used when there are two experimental conditions and different subjects were assigned to each condition.

Table 2 shows there is significant relationship between all the variables and the ownership of bank.

Table 2 shows that private sector banks are providing better services to customer in terms of services provided by teller as well relationship with managers. It also shows that private sector banks are providing better infrastructure facilities as compared to public sector banks. Table 2 shows that customers are providing better infrastructure facilities as compared to public sector banks.

Table 2 shows that customers are more satisfied with private sector banks as compared to public sector banks when it comes to mutual fund services and telephone enquiries. Hence it can be inferred that customer satisfaction is higher in private banks than in public banks. Table 2 also infers that customer satisfaction is largely dependent upon their relationship with senior staff and managers of the bank.

### 6.3 Correlation among features selected for Measuring Customer delight and ecstasy

Table 3 shows correlation of attributes viz. services offered by teller, relationship with manager, branch facilities, statement facility, loan services mutual fund services and enquiry on telephone for measuring customer



satisfaction. Table 3 shows that all the features are correlated.

#### 6.4 Regression

Table 4 shows multiple correlations between branch facilities and services by teller (0.699), relation with manager (0.799), mutual fund services (0.581) and telephone enquiry (0.541). This table shows that branch facility is positively correlated with teller services, relationship with manager, mutual fund services, and telephone enquiry thus contributing to customer satisfaction and furthering it to customer delight and ecstasy.

#### 7. Discussion and Conclusion

- The duration of time that a customer spends with his relationship officer or manager is very important. As per the current data 68% of the customers have been with their respective relationship officer/manager for more than 2 years.
- This research further strengthens the findings of Tyler and Stanley, 2001 which says that customers give more importance to their personal relationship with relationship officer/manager rather than the bank they represented. Thus relationship marketing should be emphasized upon and special training should be provided to all the corporate staff members in the bank, making them aware about the actual meaning and use of this concept.
- Table 2 shows the t-test conducted for the sample. As per table all the values except statement facility and loan services are significant. According to Hypothesis-2 H0 all the selected attributes effect customer satisfaction equally while the findings of current research shows that the relationship of customers with manager/customer relationship officer (mean = 27.57) effects customer satisfaction the most. Thus hypothesis-1 H0 does not hold good for this factors and alternative hypothesis Ha1 is accepted.

- Further, this research shows that private banks managers are ahead of public banks in making relationship with their customer thus winning their satisfaction. This can be attributed to the fact that today larger client base in India is banking with Private sector banks as compared to Public sector banks. Most of the respondents were of the view that public sector banks are lagging behind in use of modern technology and techno savvy staff. According to Hypothesis-1 H0 there is no difference in satisfaction level of customers in public and private banks but the findings of current research shows that private sector banks are providing better services in terms of mutual funds, query resolution through telephone, branch facilities, services by teller and above all customer relations with manager (all the significant t-values taken). Thus hypothesis-2 H0 is rejected and alternative hypothesis Hb1 is accepted.
- This research shows that if the facilities in the branch viz. infrastructure, ambience, décor, sitting facility, signage, etc. are adequate, it not only leads to customer delight and ecstasy but overall improvement in working of the branch as well whether it is services by teller, managers, loan services or mutual fund services. If all the signage are in place it will direct the customer to right desk without wasting their time which further helps the service officer in attending the customers in time and cater to their needs.
- Table 3 shows correlation of features viz. services offered by teller, relationship with manager, branch facilities, statement facility, loan services mutual fund services and enquiry on telephone for measuring customer delight and ecstasy. According to hypothesis-3 H0 all the selected attributes of customer delight and ecstasy uncorrelated while our findings show that all the attributes except loan services are



correlated. Thus hypothesis-3 H0 is rejected and alternative hypothesis-H1 is accepted.

### 8. Limitations of the Research Study

There is no research study without limitations. There are a few limitations in the present study i.e. "Customer Delight: A Comparative study of services rendered by private and public sector bank to achieve customer delight and ecstasy.". These limitations are discussed as follows:

1. The research is confined to single Shimoga city and this evaporates the opportunity of making comparison and generalizing to the other parts of country.
2. The sample of the study is very small and only 160 respondents were contacted because of time constraints.
3. The questionnaires were mostly filled by the customers in the presence of bank employees and bank premise, so it is quite possible that the respondents may have avoided giving negative opinion.

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**Table 1: Results of Reliability Test**

Variables	Cronbach Alpha
Services by teller	0.67
Relation with Manager	0.89
Branch Facility	0.80
Statement facility	0.65
Loan Services	0.83
Mutual Services	0.72
Telephone Enquiry	0.67

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**Table 2: Independent sample t-test showing the effect of banking services on customer satisfaction**

Variable s	Mean		Standard Deviation		t-value
	Pub Sector	Pvt Sector	Pub Sector	Pvt Sector	
Services by Teller	22.15	23.27	2.89	3.51	2.20**
Relation with Manager	26.87	27.57	4.69	4.55	0.958**
Branch Facility	21.15	22.70	4.02	4.75	2.224**
Statement Facility	16.67	16.30	2.83	3.45	-0.750
Loan Services	27.67	26.40	2.29	4.57	-2.230
Mutual Fund Services	22.26	22.70	2.89	4.60	0.720**
Telephone Enquiry	14.15	14.85	2.89	3.05	1.486**

\*\* Significance at 0.01 levels

\* Significance at 0.05 levels



**Table 3: Correlation of attributes selected for measuring customer satisfaction**

	Services by Teller	Services by Manager	Branch Facility	Statement Facility	Loan Services	Mutual Fund Services	Telephone Enquiry
Services by Teller	1						
Relation with Manager	.759**	1					
Branch Facility	.699**	.799**	1				
Statement Facility	.370**	.640**	.475**	1			
Loan Services	.192*	.240**	.287**	.146	1		
Mutual Fund Services	.489**	.536**	.581**	.273**	.503**	1	
Telephone Enquiry	.370**	.525**	.541**	.317**	.256**	.368**	1

\*\* Correlation significant at 0.01 levels

\* Correlation significant at 0.05 levels

**Table 4: Linear regression of attributes selected for measuring customer satisfaction**

Variables	R	R Square	Adjusted R Square	Standardized Coefficient	T	Sign
				Beta		
Services by Teller	0.699	0.488	0.485	0.195	2.767	0.006**
Relation with Manager	0.799	0.639	0.636	0.476	5.149	0.000**
Statement Facility	0.475	0.226	0.221	0.002	0.039	0.969
Loan Services	0.287	0.082	0.076	0.008	0.164	0.870
Mutual Fund Services	0.581	0.337	0.333	0.168	2.811	0.006**
Telephone Enquiry	0.541	0.293	0.289	0.154	2.925	0.004**

\*\*Correlation significant at 0.01 levels

\*Correlation significant at 0.05 levels

