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Abstract

Sustained growth of service business hugely depends upon the level of satisfaction of its customers. Indian Banking Industry is no exception to this phenomenon. After Liberalisation of Indian Banking Industry, many New Private Sector Banks (NPSBs) changed their forms and became proactive. Their activity changed the market dynamics of the industry. The resultant was the empowerment of the customers and hence came the realization on part of the banks to give superior care for the satisfaction of the customer. It is worth mentioning that many of the initiatives taken by the banks did not result into what they had planned for (Rai, 2009). A stocktaking of the satisfaction of customers of the banks thus becomes imperative. The study uses Kano model to evaluate the level of Satisfaction of customers as it delivers greater significance to the bank over other commonly used scales as SERVQUAL, SERVPERF and Banking Service Quality Scale (BSQ). The study not just aims to identify the level of Satisfaction of the bank customers but also the relative significance of different parameters of satisfaction in terms of their contribution to overall satisfaction.

Introduction

The forces of globalization, liberalization and technology are fundamentally changing the global economic order. Technological advances have resulted in the death of distance, time and location and liberalization and globalization have led to reduce barriers to entry, shorter strategy and product cycles, commoditisation of products and increased competition. These factors have impacted financial services market considerably. The rapid evolution of the electronic world has led to easier production and global distribution of all financial services.

The Indian financial sector is also hugely impacted by these developments. The financial sector reforms over the past decade coupled with the impact of the above mentioned universal forces have resulted in a greater integration of the Indian financial markets with the global markets. As a result, the Indian financial sector participants are also seeking a new framework that has emerged across the globe that successfully addresses the needs of the highly competitive and rapidly changing environment. The nature of the banks changed from mere depositing and lending institutions to a one stop superstore of all financial needs more specifically a Universal Banking Model came into existence. This Universal banking Model would provide a clutch of services from retail and corporate banking to industrial lending, invest banking to insurance. Today's bank has grown tentacles that go beyond mere brick and mortar structures. It resides in one's computer, telephone, mobile, car dealers' showroom and in

Keywords

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the briefcases of selling agents who hawk everything from loans to credit cards, mutual funds and Life Insurance policies.

State Bank of India: A Perspective

The State Bank of India, the country's oldest commercial bank and a premier in terms of balance sheet size, number of branches, market capitalization and profits has also been undergoing a momentous phase of Change and Transformation. To offer a complete banking solution to different sections of customers, SBI has entered into new businesses with strategic tie ups – Pension Funds, General Insurance, Custodial Services, Private Equity, Mobile Banking, Merchant Acquisition, Advisory Services, Structured Products etc – each one of these initiatives having a huge potential for growth.

SBI has claimed to have realized the importance of modern banking needs of building relationship with the customers and has taken several initiatives on the front. The Bank is forging ahead with cutting edge technology and innovative new banking models to expand its Rural Banking base, looking at the vast untapped potential in the hinterland and proposes to cover 100,000 villages by 2012. It is also focusing at the top end of the market, on whole sale banking capabilities to provide India's growing mid/large Corporate with a complete array of products and services. It is consolidating its global treasury operations and entering into structured products and derivative instruments.

The Bank has been changing outdated front and back end processes to modern customer friendly processes to help improve the total customer experience. With about 8500 of its own 10000 branches and another 5100 branches of its Associate Banks are already networked, it offers the largest banking network to the Indian customer. The Bank is also in the process of providing complete payment solution to its clientele with its 1000 branch and 10,000 ATMs and other electronic channels such as Internet banking, debit cards, mobile banking, etc. Besides working on making the physical changes, SBI also is attempting to changes the old mindsets, attitudes and taking employees along to the new path.

Review of Literature:

Increased competition at the market place has changed the marketing of many of the service industries in general and banking in particular. The most badly hit area of marketing of this process has been the customer loyalty. Hence the importance of satisfaction of customers came into picture. Organizations increasingly became interested in retaining existing customers as it is less expensive.

Customer Satisfaction: Customer satisfaction is a measure of how products and services supplied by a company meet or surpass customer expectation. It is seen as a key performance indicator within business. In a competitive marketplace where businesses compete

for customers, customer satisfaction is seen as a key differentiator and has increasingly become a key element of business strategy. Customer satisfaction is an ambiguous and abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and product/service to product/service. The state of satisfaction depends on a number of both psychological and physical parameters which correlate with satisfaction behaviors such as return and recommend rate. The level of satisfaction can also vary depending on other options the customer may have and other products against which the customer can compare the organization's products.

Customer satisfaction has become a vital concern for companies and organizations in their efforts to improve product and service quality and maintain customer loyalty in a highly competitive marketplace. In the last decade, a number of national indicators have reflected that consumer satisfaction across a wide range of organizations (e.g. USA—American Customer Satisfaction Index (ACSI); Europe—European Customer Satisfaction Index (ECSI); etc.

Measuring Customer Satisfaction:

Measuring customer satisfaction provides an indication of how successful the organization is at providing products and/or services to the marketplace. Satisfaction is a psychological state hence care should be taken in the effort of quantitative measurement, although, a large quantity of research in this area has recently been developed. Work done by Berry, Brodeur between 1990 and 1998 defined ten 'Quality Values' which influence satisfaction behavior. This was further expanded by Berry in 2002 and called as the ten domains of satisfaction. These ten domains of satisfaction include: Quality, Value, Timeliness, Efficiency, Ease of Access, Environment, Interdepartmental Teamwork, Front line Service Behaviors, Commitment to the Customer and Innovation. These factors are emphasized for continuous improvement and organizational change measurement and are most often utilized to develop the architecture for satisfaction measurement as an integrated model. Work done by Parasuraman, Zeithaml and Berry between 1985 and 1988 provides the basis for the measurement of customer satisfaction with a service by using the gap between the customer's expectation of performance and their perceived experience of performance. This provides the measurer with a satisfaction "gap" which is objective and quantitative in nature. Work done by Cronin and Taylor proposed the "confirmation/disconfirmation" theory of combining the "gap" described by Parasuraman, Zeithaml and Berry as two different measures (perception and expectation of performance) into a single measurement of performance according to expectation. According to Rai (2008), customer satisfaction is the net result of Expectation and perception processed as per the customer's cognitive ability.

In its simplest form, a customer satisfaction research involves dividing the customers' overall experience into sublevels of standards or criteria, and then applying a rating scale to measure how satisfied these customers were with the services on the basis of these criteria. More sophisticated techniques for customer satisfaction research tend to focus on the relative importance that the customers attach to each of these criteria. The most widely accepted framework for researching service quality came from the premise of Zeithaml *et al.* (1990) that a customer's evaluation of service quality was a function of the magnitude and direction of the gap between the customer's expectations of service and his/her perception of the service actually delivered.

Customer Satisfaction Measurement Scale: There are variety of Scales and models used in evaluating Customer Satisfaction. Few of them are as follows:

Service Quality Scale (SERVQUAL): Parasuraman, Zeithaml and Berry (1988, 1991) conducted extensive studies in different industries and developed the SERVQUAL instrument: a 22-item scale with a set of service quality dimensions to quantify a customer's assessment of a company's service quality. Five key dimensions of service quality — *reliability, responsiveness, assurance, empathy* and *tangibles* — have been identified and form the foundation on which a lot of other studies on service quality have been built. SERVQUAL is widely recognized and used, and it is regarded as applicable to a number of industries, including the banking industry (Yavas, Bilgin, Shemuell, 1997). Several experts (e.g., Parasuraman *et al.*, 1994; Zeithaml, 2000) work on customers' expectations and perceptions of the service delivery suggested that customer satisfaction was a function of the difference between what they had expected to get from the service and what they perceived about the service that they had actually received. A group of researchers (Parasuraman *et al.*, 1994) developed a scale that measures the performance of the service received against their expectation levels, and also measures the customers' future intentions of purchasing the service. Razak *et al.* (2007) argued about customers' expectations, perceptions, satisfaction and loyalty through the service quality of a local Malaysian bank. The study confirmed the linkages between service quality and customer satisfaction, and between service quality and loyalty. Since its development, the SERVQUAL scale has been used in numerous studies, although not all of the empirical findings corresponded precisely to the five dimensions of the original design. For example, Li *et al.* (2004) empirically assessed university customers' satisfaction in the parcel delivery industry. The availability, responsiveness, reliability, completeness and professionalism of service were identified as the five critical factors affecting customer satisfaction in the parcel delivery industry.

Service Performance Scale (SERVPERF): This scale was developed by Cronin and Taylor (1992). They questioned the conceptual basis of the SERVQUAL scale and found it confusing with service satisfaction. They,

therefore, opined that expectation (E) component of SERVQUAL be discarded and instead performance (P) component alone be used. They proposed what is referred to as the 'SERVPERF' scale. Besides theoretical arguments, Cronin and Taylor (1992) provided empirical evidence across four industries (namely banks, pest control, dry cleaning, and fast food) to corroborate the superiority of their 'performance-only' instrument over disconfirmation-based SERVQUAL scale. This is 'performance-only' instrument and in some ways considered to be superior than SERVQUAL. The scale questioned the very existence of Customer Expectation. This Scale also had 22 parameters/items and 5 dimensions emerging out of Factor analysis of the items.

Kano Model: Another model proposed for study of satisfaction was Kano Model (Kano et al 1984). Unlike the previous models, this states the level of satisfaction with particular service quality parameter, Kano attempted to classify the service quality parameters into following types of product/ service requirements that is of different significance to the research:

- **Must-be Factors:** Non Fulfillment of these factors would lead to extreme dissatisfaction of the customer but their fulfillment would not lead to proportionate satisfaction. Hence Customer takes these requirements for granted.
- **One-dimensional Factors:** Level of fulfillment of these factors lead to proportionate increment in customer satisfaction.
- **Attractive Factors:** These factors are the product criteria which have the greatest influence on how satisfied a customer will be with a given product. Attractive requirements are neither explicitly expressed nor expected by the customer.
- **Indifferent Factors:** These are the factors that do not contribute significantly either to satisfaction or dissatisfaction.

This study sounded more significant to assess customer satisfaction as it states how important different factors are towards satisfying customers.

Research Methodology: The methodology of the study is as follows:

Research Questions: Increased competition at the market place forced public sector banks to bring in new and innovative customer satisfaction practices. But, there has always been a debate between the bank's initiatives and efforts of caring for the customers by making them happy and customer's complaints, grievances and the allegations of not being treated fairly. Thus it is important to find out the level of satisfaction of bank's customers.

Aim of the Research: An evaluation of customer satisfaction with the largest bank of India i.e. State Bank

of India and suggest what are the areas they need to work upon to make the customers more satisfied.

Research Objective: The primary objective was to assess quantitatively the level of customer satisfaction of the customers of State Bank of India on select parameters effecting customer satisfaction.

The secondary objectives include:

- i) To identify the relative significance of select parameters effecting customer satisfaction.
- ii) To find out the areas where SBI needs to improve upon to create superior customer satisfaction.

Research Design: The study is exploratory till the identification of the parameters effecting customer satisfaction of banks. Later the study becomes descriptive and quantitative evaluation of satisfaction of the customer is done.

Research Data Collection: In order to conduct this study both primary & secondary data have been accessed. The secondary data have been collected from published literature, journals, company information (web links), other related sources etc. The primary data have been obtained through Questionnaire filled through the respondents from Varanasi city using convenience sampling. The respondents were those owning saving account with SBI and different profession & age group.

Research Response Scale: Questionnaire Responses were obtained on a 7 point Likert Scale where 1 being the Highly Unsatisfactory and 7 being Excellent.

Reliability Test: Close ended structured Questionnaire was used to capture the customer responses. For selection of parameters, a pilot study was conducted. The Questionnaire was also tested for its reliability and the Cronbach alpha value came out to be .82 which proved the reliability of the Questionnaire.

Research Data Evaluation: Assessment of Customer Satisfaction in the study has been done using Kano Model of satisfaction. Must-be, one-dimensional and attractive requirements related factors are used in the questionnaire. For each product feature a pair of questions is formulated to which the customer can answer in one of five different ways. The first form of question concerns the reaction of the customer if the product has that feature (**functional form of the question**), the second concerns his reaction if the product does not have that feature (**dysfunctional form of the question**).

After having combined the answers to the functional and dysfunctional question in the evaluation table, the results of the individual product criteria are listed in the table of results which shows the overall distribution of the requirement categories.

Calculating Customer Satisfaction Coefficient (CS coefficient):

$$\text{Extent of satisfaction} = (A+O) / (A+O+M+I)$$

$$\text{Extent of dissatisfaction} = (O+M) / [(A+O+M+I) \times (-1)]$$

A minus sign is put in front of the CS-coefficient of customer dissatisfaction in order to emphasize its negative influence on customer satisfaction if this product quality is not fulfilled. The positive CS-coefficient ranges from 0 to 1; the closer the value is to 1, the higher the influence on customer satisfaction. A positive CS-coefficient which approaches 0 signifies that there is very little influence.

Sample: Two branches of Varanasi, Lanka and BHU Main Branch were the bank branches involving 50 respondents selected through convenience sampling.

Scope of the study: The study has been conducted in Varanasi city.

FINDINGS: Based on the parameters identified above, the

The Evaluation Table

<u>Question 1.</u> Branch lighting/ Illumination		Dysfunctional (Negative Question)				
		1. I like it	2. It must be	3. I'm Neutral	4. I can live with it	5. I dislike it
Functiona l (positive questions)	1. I like it	0	5	5	7	4
	2. It must be	0	0	7	3	3
	3. I'm neutral	0	0	5	3	4
	4. I can live with it	1	0	1	0	0
	5. I dislike it	2	0	0	0	0

(Above is the representation for question no.1 only. Similarly, fifteen more evaluation tables were drawn for the remaining questions, and the results are used as an

input to the next *table of results*. To avoid the repetitions and restrain the work from being extra long, the other tables have not been shown in this paper)

Table of Results of Questionnaire

Ques.	QUESTION	<i>Absolute Values</i>						
No.	PARAMETERS	A	O	M	I	R	Q	<i>Total</i>
1	Branch lighting/illumination.	17	4	7	19	3	0	50
2	Branch basic amenities (drinking water, space to sit, clean toilets, washbasins, etc.)	22	3	8	10	7	0	50
3	Branch parking space.	10	4	21	11	3	1	50
4	Signage in branch to denote the access points and other available services.	2	21	15	8	4	0	50
5	Employee's knowledge to answer your questions.	10	11	16	7	5	1	50
6	Use of technology by the employees.	10	12	17	7	3	1	50
7	Bank's response to the complaints/ queries.	7	16	17	6	3	1	50
8	Adherence to specified time schedule.	14	10	7	10	7	2	50
9	Tuning of time specification with your requirements.	8	5	7	18	12	0	50
10	Employees answering on the telephone.	10	7	4	16	10	3	50
11	Accuracy and consistency of employee responses.	10	22	3	9	5	1	50
12	Safety in branch premises to stay & get the services.	6	5	9	17	11	2	50
13	Regular information on new/ existing schemes	8	5	5	20	11	1	50
14	Information in prior, if a scheduled	19	8	3	12	7	1	50

Customer Satisfaction & Dissatisfaction Coefficient

Ques. No.	QUESTION PARAMETERS	Percentage Figures							CATE-GORY	Satisf-action Coeff.	Dissati-sfaction Coeff.
		A	O	M	I	R	Q	Total			
1	Branch lighting	34	8	14	38	6	0	100%	I	0.42	-0.22
2	Branch basic amenities	44	6	16	20	14	0	100%	A	0.5	-0.22
3	Branch parking space	20	8	42	22	6	2	100%	M	0.28	-0.5
4	Signage in branch	4	42	30	16	8	0	100%	O	0.46	-0.72
5	Employee's knowledge	20	22	32	14	10	2	100%	M	0.42	-0.54
6	Use of technology	20	24	34	14	6	2	100%	M	0.44	-0.58
7	Response to the complaints/queries	14	32	34	12	6	2	100%	M	0.46	-0.66
8	Adherence to specified time schedule	28	20	14	20	14	4	100%	A	0.48	-0.34
9	Tuning of time specification with your requirements	16	10	14	36	24	0	100%	I	0.26	-0.24
10	Employees answering on the telephone	20	14	8	32	20	6	100%	I	0.34	-0.22
11	Accuracy and consistency of employee responses	20	44	6	18	10	2	100%	O	0.64	-0.5
12	Safety in branch premises	12	10	18	34	22	4	100%	I	0.22	-0.28
13	Regular information on new/ existing schemes	16	10	10	40	22	2	100%	I	0.26	-0.2
14	Information in prior, if a scheduled appointment is to be missed	38	16	6	24	14	2	100%	A	0.54	-0.22
15	Recognizing you by your name	26	6	20	34	10	4	100%	I	0.32	-0.26
16	Consistency in level of service and cost of service	32	16	20	16	14	2	100%	A	0.48	-0.36

Customer Satisfaction at SBI:

Mean of satisfaction of customers of State Bank of India on select service parameters is presented in the following graph.

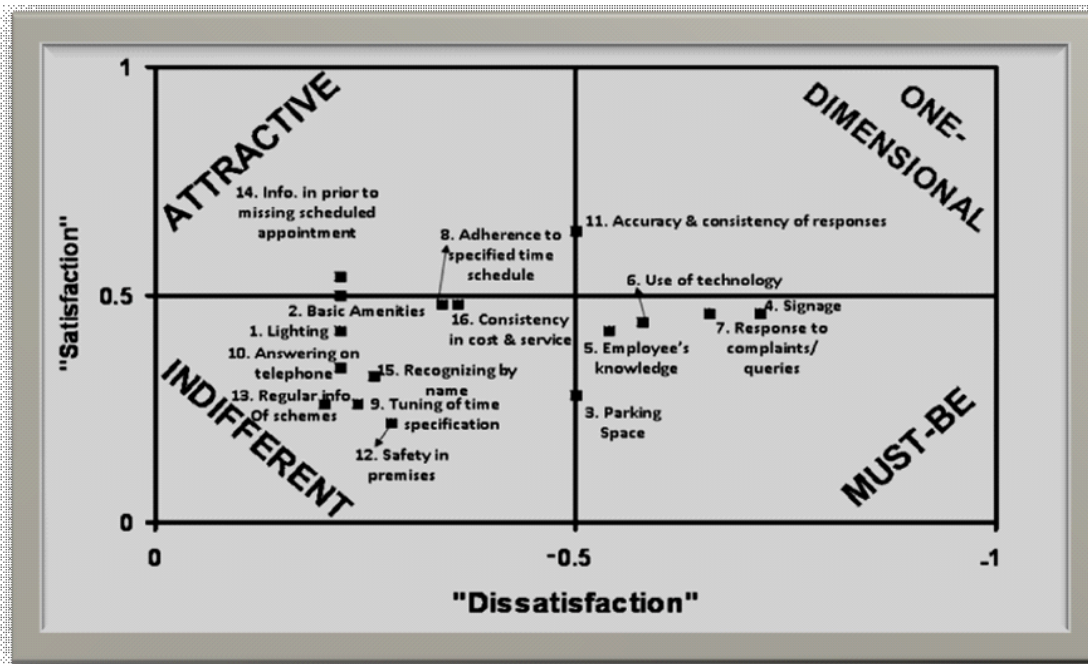
Customer Satisfaction Table at State Bank of India

The above graph is based on the responses of fifty customers of SBI from various branches of Varanasi city, to study the sixteen different service parameters of the bank. Clearly, all the service parameters lie between the range of 3 to 4, and the mean satisfaction score with the services of SBI is 3.54 i.e. 78% satisfaction. Parameter 1, 4, 6, 9, and 16 are leading towards higher %age satisfaction of 80%, while parameter 4 and 14 are having the least %age satisfaction of 60%.

Customer Satisfaction Portfolio of SBI:

The parameters under study (Question 1-16), for which the satisfaction and dissatisfaction coefficient has been calculated are fitted in the above two-dimensional matrix known as "Satisfaction Portfolio". Thus, satisfaction portfolio for SBI has been obtained to classify the sixteen parameters under the four heads – Must-be, One-dimensional, Attractive and Indifferent. The significance of the above mentioned 4 heads are defined under review of literature.

Customer Satisfaction Portfolio Table



The study grouped the parameters used for the study under these heads and presented under Satisfaction portfolio. Based on the findings, the parameters falling into different categories are as follows:

- i) **Must Be Parameters:** Signage, Parking facility, Use of Technology, Employee Knowledge, Response to Complaints,
- ii) **One Dimensional Parameters:** Accuracy and consistency of response
- iii) **Attractive Parameters:** Prior Information in case of missing appointments
- iv) **Indifferent Parameters:** Time Schedule of service delivery, Consistency in cost and service, Basic Amenities, Lighting, Answering on telephone, info of new schemes, Recognising by name, Safety in premise, Tuning of time specification

Implication: The study has grouped the parameters and classified them based on their relative role in defining the satisfaction of the banks customers. These four states of classification are as follows:

i) Must-be Factors: The must-be requirements are basic criteria of a product/service. Fulfilling the must-be requirements only leads to a state of "not dissatisfied". Certain requirements which are not being fulfilled at SBI

and the customers are extremely dissatisfied are as follows:

Signage in the branch to denote access points & other available services is not up to the satisfaction of 40% customers and it has got highest dissatisfaction coefficient of -0.72. Further it was also derived that *bank does not provide a quick response to complaints and queries* of the customers. Also, the *employees lack in their knowledge to answer customers' queries and in use of technology*. Lastly, the branches have *inadequate parking space* for their customers coming into branch, however, many of the customers are indifferent towards the parking facilities at the branches. This may be due to many of the respondents being in the category who do not avail this facility, but, the personal observation during the study still suggests that the branches lack in providing proper parking space for the customers who come to the branch by their vehicles.

ii) One-dimensional Factors: Under this category of classification, customer satisfaction is proportional to the level of fulfillment - the higher the level of fulfillment, the higher the customer's satisfaction and vice versa.

Accuracy and consistency of employee responses is the explicit demand of the customers of SBI. The

dimension has got dissatisfaction coefficient of -0.5 and 44% respondents say it to be a one-dimensional requirement.

- i) **Attractive Factors:** Parameters falling under this category are the product criteria which have the greatest influence on how satisfied a customer will be with a given product. Attractive requirements are neither explicitly expressed nor expected by the customer.

Some of the requirements which are neither explicitly expressed nor expected by the customer, but fulfilling these requirements will lead to more than proportional satisfaction is as follows: *informing the customer in prior if a scheduled appointment is to be missed and basic amenities in the branch* (like drinking water, space to sit, clean toilets, etc.).

- ii) **Indifferent Factors:**

There are certain parameters of the test parameters towards which the customers are indifferent. Customers of SBI are indifferent towards: *adherence to specified time schedule, consistency in level of service & cost of service, recognizing the customers by name, tuning of time specification with customer requirements, safety in the premises, branch lighting, employees answering on telephone and regular information on new/existing schemes.*

Suggestions: Based on the findings of the study, the areas that fall into the must be category is required to be essentially looked into by the bank as Signage, Parking facility, Use of Technology, Employee Knowledge, Response to Complaints. They have very high impact on the customer satisfaction. Then Accuracy and consistency of response were found to be under one dimensional factor resulting into directly proportional relationship between the factor and satisfaction. The study suggests that only Prior Information in case of missing appointments would result into more than proportionate outcome so this requires special care by the bank. Rest Time Schedule of service delivery, Consistency in cost and service, Basic Amenities, Lighting, Answering on telephone, info of new schemes, Recognising by name, Safety in premise, Tuning of time specification, factors did not bear much emphasis hence other factors should be given priority than this.

Limitation of the study:

The study had the limitation of being confined to one city with fewer branches of Varanasi city only. The sample size was also small i.e. 50 only and the sampling technique has been convenience.

Scope for Further Study:

A separate study may be conducted with more number of branches and greater sample size. Further, the same study may be conducted with more number of banks to find out the trends emerging of the select parameters in satisfying customers of bank i.e. to find out which parameter is playing what role in satisfying the bank customers.

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