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Impact of Service Quality on Customer Satisfaction in Private and Public Sector Banks

1. Introduction

Customer satisfaction is a mental state, which compares the results of customer expectations prior to purchase with performance perceptions after a purchase. Customers are satisfied when they are happy with their purchase outcome, achieve their goals, and experience no hassle. It is believed that satisfied customers maintain contact with the company and purchase more products or services more frequently than dissatisfied customers. Customers develop a feeling of satisfaction that is commonly explained by the confirmation/disconfirmation paradigm (Cadotte, et al., 1987; Eggert, Ulaga, 2002). This paradigm states that in a specific moment in time a customer makes the choice to buy a product or a service. It is then the perception of the product's performance which leads to a comparison process; where perceived performance is compared with one or more standards, such as expectation.

Service quality can be defined as the difference between a customer's expectations of service performance prior to the service encounter, and their perceptions of the service after it is received (Asubonteng et al., 1996). Service quality is recognized as a major factor responsible for gaining competitive advantage and maintaining satisfactory relationships with customers (Zeithaml et. al. 2000). Quality of service has a positive effect on the bottom-line performance of a firm, which extends to the competitive advantages gained from improved quality. This is why the perceived service exceeds the service level desired by customers (Caruana, 2002; Chumpitaz, 2004). Parasuraman *et al.*, (1988) conceptualized a five-dimensional model of service quality consisting of reliability, responsiveness, empathy, assurance and tangibility.

Their measurement instrument, known as SERVQUAL, is a widely accepted standard for the measurement of service quality. The central idea of this model is that service quality is a function of the difference between scores, more precisely, the gap between expectations and perceptions. SERVQUAL includes Tangibility, Reliability, Responsiveness, Assurance, and Empathy.

In context, this paper explores the impact of various service quality variables on the overall satisfaction of customers. The proxy variable used for overall satisfaction is ‘Well Cared-For Facilities’. With the help of forward stepwise regression, we explain how a variety of variables can both negatively and positively influence the overall customer satisfaction level. The rest of the paper proceeds as follows: section 2 is the literature review, research methods are discussed in section 3, the objectives are specified in section 4, the analysis and results are presented in section 5, and section 6 summarizes the findings while providing the conclusion and proposed recommendations.

2. Literature Review

Service quality, especially in the banking sector, has been a popular research topic. Gefen (2000) defined service quality as “the subjective comparison that customers make between the quality of the service that they want to receive and what they actually get.” Sudesh (2007) reported that the poor service quality in public sector banks is mainly due to deficiency in tangibility, as well as a lack of responsiveness and empathy. On the other hand, private sector

banks were found to be more refined in this regard. Overall, foreign banks were relatively close to their customers' expectations in term of the various dimensions of service quality. Furthermore, the study revealed the presence of service quality variations across demographic variables. It suggests that bank management should pay attention to potential failure points and respond to customer problems (Sudesh, 2007). Banks should pay attention to service quality to increase customers' loyalty to the company, willingness to pay, customer commitment, and customer trust (Hazra and Srivastava, 2009). Therefore, there is a need to emphasize the understanding of multidimensional constructs of service quality and its implications in a competitive environment. A satisfied customer does not necessarily become loyal, while customers may maintain a relationship with a company despite being dissatisfied (Matos, et al., 2013).

A great deal of research on service quality has been carried out in developed countries (Herbig & Genestre, 1996), even though the service sector is among the most rapidly growing sectors in emerging countries. Similarly, the bulk of research on bank service quality has been in the context of US and European banking institutions. However, with the growth of India, global integration has become a source of learning for marketers from the rest of the world. There is a significant gap in service marketing literature on consumer service quality evaluation in the context of cultures other than developed countries. Recent research has, however, begun to explore this area of study (Bolton and Lemon, 1999; Bolton and Myers, 2003). Most studies compare the performance of public and private banks by using measures of profitability, productivity, and financial management. They found that public sector banks fared poorly in all measures when compared with private banks. Better performance from commercial banks

occurs only in regards to corporate profit making as one of the firms' key responsibilities. Kantawala (2004) and Ketkar et al., (2004) analyzed the performance of banks from a profitability perspective using various financial parameters. These studies reveal the trend of declining public sector banks and the increasing prominence of new private sector and foreign banks. Sathye (2003) measured the productive efficiency of banks in India and recommended that all commercial banks should attempt to sell a variety of products, adopt new dynamic marketing strategies, develop innovative products, and emphasize both tangible and intangible service aspects. As a result of heightened competition, bank service quality has become an increasingly prominent factor in determining market shares and profitability in the banking sector (Anderson et al., 1994; Spathis et al., 2002). Kangis and Voukelatos (1997) state that perceived service quality is a result of the comparison of consumers' expectations with their perception of service delivered by the supplier. They also state that public sector banks are making efforts to remain in the same league as more modern, tech savvy banks. In order to do so, products such as online transactions, ATMs, special savings accounts, sweep-in-accounts, no frills accounts, and easy receives accounts have been introduced. Private sector banks may have previously appeared to be winning the race, but public sector banks, with their vast client base and unparalleled treasury of trust, have evolved their brand of customer-friendliness. Public sector banks have an understanding that in this era of competition, customer satisfaction is the key to success. Levy (2014) suggests that bank loyalty is directly affected by satisfaction with service quality. Convenience and satisfaction with service quality affect the use of online services as customers use these online services at the expense of offline services as loyalty to their bank service provider deteriorates. Marakarkandy and Yajnik (2013) found that online banking customers in India were satisfied with the accuracy of bank websites, though not necessarily satisfied with the content of such sites.

Deirdre and Isabelle (2004) studied the functional and emotional values that went into the branding of retail financial services. The functional values include competitiveness, size, advice and expertise, customer service, flexibility, accessibility, efficiency, and innovativeness. The emotional values include security and stability, familiarity, longevity, friendliness, caring and helpfulness, courtesy, feeling comfortable, and understanding. Singh (2004) identified that the level of customer satisfaction is determined by the branch location and design, variety of services, rates and changes, systems and procedures, delegation and decentralization, mechanization and computerization, competitive efficiency, complaint redresser and the attitude and skills of bank staff. Bahia and Nantel (2000) developed a specific new scale – 13 Bank Service Quality (BSQ) model – for perceived service quality in retail banking. The BSQ was an extension of the original ten dimensions of the model of Parasuraman et al. (1985). In addition, Bahia and Nantel (2000) incorporated additional items for courtesy and ease of access, as proposed by Carman (1990). Similarly, Choudhury (2013) analyzed 15 items that comprise the various aspects of service quality in banking sector and found the four most important dimensions of customer-perceived service quality to be behavior, reliability, tangibles and convenience. Kumar and Mishra (2015) studied the service quality dimensions based on the SERVQUAL model in effort to find the gaps in service quality of public sector banks. The authors found that the largest gap is in the dimensions of responsiveness and assurance. They further extracted that the most important factor of the 21 factors (like error-free sales transactions and records) studied was prompt service, which was initially chosen based on the SERVQUAL model.

There are seven gaps in service quality (Parasuraman et al., 1985; Curry, 1999; Luk and Layton, 2002). The first gap occurs between the customers' expectations and management perceptions. This gap arises due to the lack of a marketing research orientation, inadequate upward communication, and an excess of layers of management. The second gap is between management's perceptions and service specifications. This gap occurs due to the inadequate commitment to service quality, a perception of infeasibility, an inferior task standardisation, and an absence of goal setting.

The third gap is between service specifications and service delivery. This gap is a result of role ambiguity and conflict, poor employee-job fit, poor technology-job fit, inappropriate supervisory control systems, lack of perceived control, and lack of teamwork. The fourth gap is between service delivery and external communication. This gap is due to the result of inadequate horizontal communications and the firm's propensity to over-promise. The fifth service quality gap is the discrepancy between customer expectations and the perceptions of the service delivered. This gap occurs as a result of influences exerted from the customer side and shortfalls of the service provider. In the case of this fifth gap, customer expectations are influenced to the extent of personal needs, word of mouth recommendation, and past service experiences. The sixth gap is the discrepancy between customer expectations and employee perceptions. This gap is a result of the difference in understanding customer expectations by front-line service providers. The seventh, and final gap, is the discrepancy between employee and management perception. This gap is a result of the difference in understanding customer expectation between managers and service providers.

The gap model is one of the most cited and valuable contributions to the services literature. This model identifies seven key discrepancies or “gaps” relating to managerial perceptions of service quality and tasks associated with service delivery to customers. The first six gaps (Gap 1, Gap 2, Gap 3, Gap 4, Gap 5 and Gap 6) are identified as functions of the way in which service is delivered. In addition, Gap 5 pertains to the customer and is considered to be the true measure of service quality. SERVQUAL methodology has influence on Gap 5 (Brown and Bond, 1995). This service quality gap has been studied by foreign banks in India using the service quality models where three major gaps were identified: the gap between management and customer perception, the gap between service quality specifications and service delivery, and the gap between perceived and expected service (Shreenivasan, 2011).

Commercial banks must devote considerable effort towards the quality of services and should place more emphasis on establishing long-term relationships with customers, for in the mind of customers, service quality is inherited (Mualla, 2011). Roy et al. (2011) analyzed service quality perspectives and customer satisfaction in commercial banks in Jordan. The authors applied multiple regression on the five parameters of the SERVQUAL (Service Quality) model. These parameters are - empathy, tangibility, reliability, responsiveness, and assurance. They found that these service quality parameters do have an effect on customer satisfaction. In a study carried out in Egypt by Saghier and Demyana (2013) it was found that factors influencing users’ evaluation of service quality of banking services are reliability, responsiveness, empathy, and assurance. Kumari and Rani (2011) found that service quality is becoming more crucial for banks in the maintenance of their market shares. Their study identifies customers’ perceptions of the bank using the relationship of five factors along with the demographic characteristics of these customers. Vyas and Raitani (2013) drew the

conclusion that the drivers of bank-switching behaviour do not work in isolation. Bank switching is the outcome of negative service experiences related to any of the factors of customer satisfaction. “Marinkovic & Obradovic (2015) identified the consequences of customers’ emotional reactions in the banking industry. With the help of confirmatory factor analysis and the structural equation model, the authors found that trust, social bonds, image, and service quality are statistically significant drivers of satisfaction. Zameer et. al. (2015) found that there is positive relationship between service quality, customer satisfaction, and corporate image. Service quality and customer satisfaction have high impacts on the customer perceived value as does corporate image. Jan & Abdullah (2014) revealed that technology-based critical success factors (CSFs) positively affect customer satisfaction. These ‘technology CSFs’ were: impact of internet, sales force automation, software for customer relationship management (CRM), data warehousing and data mining, information system, call centres and coordinating CRM implementation. Customer satisfaction was further measured as it related to service quality, employee courtesy, employee expertise, location, efficiency and relationship.”

Generally speaking, the literature cited above shows that much work has been done to increase the understanding of customer service in the banking sector. However, little research has been done in the context of the Indian banking sector. The dimensionality of SERVQUAL and the importance of each dimension varies with the cultural and national context even within the banking industry (Sangeetha & Mahalingam, 2011). Furthermore, there is a lack of comprehensive studies that include most major aspects of ‘customer satisfaction’ with the aid of a regression model. Our study was needed in order to fill this gap. Therefore, the present study investigates the major factors responsible for customer satisfaction with respect to

banking service quality based on SERVQUAL model. The study also intends to find the impact these service quality variables have on customer satisfaction level.

3. Theoretical Foundation of the Model

The variables considered for this study have been previously looked at during similar studies on service quality and customer satisfaction. Levesque & McDougall (1996) investigated the major determinants of customer satisfaction and future intentions in the retail bank sector. The authors considered the variable 'Getting it Right the First Time', service features of competitive interest rates, and service problems including service recovery and products used. The findings revealed that both service problems and the service recovery ability of a bank have major impacts on customer satisfaction and their intention to switch. Ndubisi & Wah (2005) also found that five key dimensions: competence, communication, conflict handling, trust, and relationship quality are discriminating factors between customers, both in terms of perceived relationship quality and customer satisfaction. The "technological factors" (core service and systematization of the service delivery) were used as a yardstick by the customer to differentiate between high and poor service while "human factors" seemed to play a lesser role in distinguishing banks from one another (Sureshchandar et al (2003). Eisa & Alhemoud (2009) found fast service, courtesy, employee helpfulness, and availability of self-banking services to be the most crucial attributes in determining customer satisfaction in Kuwait. Service quality, service characteristics, service access level, and the handling complaints have a positive effect on customer satisfaction (Rostami et.al. 2014). Mahua & Kazmi (2012) used the following attributes to determine the level of service quality of a bank: ease of account opening, transparency in declaring applicable fees & charges, time taken to open accounts,

availability of friendly and courteous staff with knowledge of the bank's products & services, fast & efficient service, recognition of a customer as a valued customer, clean and well-cared facilities, seating availability in the waiting area, branch banking hours, time taken during a typical branch visit, queue at counters and waiting period, receipt of account statements/passbook updating & fees, and charges of the bank. The authors carried out a survey on bank and credit card satisfaction in relation to the Indian banks.

4. Research Methodology:

The present study is exploratory in nature. A survey method was used to collect the primary data, and a forward stepwise research analysis was then carried out. The data has been collected from customers who have bank accounts in at least one bank – private or public – in India. A structured questionnaire with 27 variables, based upon SERVQUAL model, was used. A five-point Likert scale (Strongly Disagree – 1, Disagree– 2, Can't Say – 3, Agree – 4, Strongly Agree – 5) was used to measure questionnaire responses. Before the finalization of the questionnaire, a pilot study was performed with 50 respondents in order to finalize the 27 variables. A structured direct survey method was followed for data collection. Initially, 760 questionnaires were distributed. Of these, 500 completed questionnaires were returned. This resulted in a 65% response rate. The sample size for the study is 500; 250 from public sector bank and 250 from private sector bank. “A sample size of above 400 is adequate for where the population is above 1,00,000 for precision of +/- of 5% (Israel, 1992)”. The respondents were selected on the basis of quota sampling and judgmental sampling. Quota sampling allowed us to reach the desired sample size, i.e. 500 respondents. Judgment sampling allowed for the

selection of the sampling unit. The judgment criteria included a requirement that respondents have a bank account in India and use online banking. The selection of branches was done via simple random technique (fish-bowl method), where customers were approached inside the branches of the respective banks. Customers were only selected for the study if they fulfilled the judgment criteria, i.e. having a bank account and using online banking. The customers of the public sector banks (The identity of banks has been disguised in this study by using broad names) - Bank Alpha , Bank Beta, and Gamma Bank were chosen to complete the survey. On the other side, the private sector banks selected were Bank Delta, Bank Epsilon and Bank Zeta. Selection of banks was based upon the ranking of the banks in the “Best Bank Survey” carried out by KPMG and Business Today magazine.

5. Objectives of the Study:

The objective of this paper is to identify the most important variables which have significant impact on overall customer satisfaction level with respect to Private and Public sector banks in India.

6. Analysis and Results:

The level of ‘overall satisfaction’ was the dependent variable, and twelve independent variables were used in the forward stepwise regression. These twelve variables were Queuing Time, Pleased to be Assisting, Space Availability, ATM Location, Appearance, Handling Complaints, Follow Up, Fast Services, Respond to the Need, Knowledge of the Product, Solving Questions, and Quick Connection to the Right Person. The number of variables was

reduced from 26 to 12 to overcome the problem of multicollinearity and increase precision. The R^2 value of private sector banks is 0.887, and 0.521 for public sector banks.

6.1 Impact on Overall satisfaction with respect to Private Sector Banks:

Multiple Regression and Forward Stepwise Regression Analysis were employed to find the variables that have a significant impact on overall satisfaction levels. This can be seen in the following three tables (Table 1, 2, and 3), which summarize the data.

Insert Table 1 about here

Insert Table 2 about here

Insert Table 3 about here

Insert Table 4 about here

The forward regression model algorithm adds one independent variable at a time. It began with one, which explained maximum variation in the ‘*Overall Satisfaction*’ (the dependent variable) and continued to add more independent variables to the regression, one-by-one. The model was verified at each step for the best fit and variables ceased to be added once the regression model was optimized. The forward stepwise regression took nine steps to reach model optimization for private sector banks, and three steps for public sector banks.

The results from running the forward stepwise regression provided 9 independent variables out of a total of 12 (See Table 3: the coefficient table), that have significant impact on ‘overall satisfaction. The value of R2 equals 0.887 (See last row of Table 1: model summary table), indicating that 88.7 percent of the variation in the dependent variable is explained by the above-mentioned independent variables. A value of R2 is significant as indicated by the P-value = 0.000 (which is below the 5% assumed level of significance). This can be seen in the ANOVA table (Table 2), which shows the model is statistically significant. The estimated value of the coefficient (See Table 3: coefficient table) indicates only the variables, nine of them, are statistically significant. These variables have P-values lower than the assumed level of significance (.05). Hence, the null hypothesis is rejected on the basis of these variables. Forward stepwise regression analysis allowed us to report only significant variables. Three variables, namely *space availability*, *ATM location* and *complaint handling*, have been excluded at the last step of the model (see table 4). Therefore, these variables have no significant impact on ‘*Overall Satisfaction*’.

The estimated regression equation (specified below) clearly indicates that independent variables – for example: *Knowledge of Products* – are positively related to the dependent variable (i.e. *Overall Satisfaction*) as their value of an unstandardized coefficient $B = .319$. Meanwhile, other independent variables like *Pleased to be Assisting You*, are negatively related to the *Overall Satisfaction*. This is evident from the negative value of the coefficient ($-.0183$). This means that, while keeping other factors constant, if *Knowledge of Product* increases by 1 unit, *Overall Satisfaction* will increase by 0.319 units. In the case of *Pleased to be Assisting You*, if it increases by 1 unit, *Overall Satisfaction* decreases by -0.183 units. Hence, the proposed equation for the model is:

$$\begin{aligned} \text{Overall Satisfaction} = & -1.189 + 0.319 (\text{Knowledge of Products}) + 0.778 (\text{Response to Need}) \\ & +0.390 (\text{Solving Questions}) + 0.220 (\text{Fast Services}) + 0.124 (\text{Quickly Connected to the Right} \\ & \text{Person}) +0.160 (\text{Efforts to Reduce Queuing Time}) + -0.183 (\text{Pleased to be Assisting You}) + - \\ & 0.073 (\text{Appearance}) + -0.147 (\text{Follow Up}) \end{aligned}$$

 Insert Figure 1 about here

6.2 Impact on Overall satisfaction with respect to Public Sector Banks:

Forward Stepwise Regression Analysis was carried out to determine the variables which have a significant impact on overall satisfaction level. The results are reported in Table 5, 6,7 and 8.

Insert Table 5 about here

Insert Table 6 about here

Insert Table 7 about here

Insert Table 8 about here

The results from the forward stepwise regression provide three independent variables, out of twelve (see Table 7 : coefficient table).The value of R^2 equals 0.521 (see last row of Table 1: model summary table), indicating that 52.1 percent of the variation in the dependent variables is explained by the above-mentioned independent variables. This value of R^2 is significant as

indicated by the P-value (0.000) provided in the ANOVA table (Table 6) . This also signifies that the model is statistically significant.

The estimated value of the coefficient (See Table 7: coefficient table) indicates that all variables have P-values lower than the assumed level of significance (0.05). Hence, the null hypothesis is rejected on the basis of these variables. From the estimated regression equation mentioned below, it is clearly indicated that two out of three independent variables, for example, *Knowledge of Product*, are positively related to the dependent variable: *Overall Satisfaction*. This variable is dependent upon the positive value of the unstandardized coefficient B, while the variable *Appearance* is negatively related to the dependent variable, which is evident through the negative coefficient (-0.154). This means that, with other variables remaining constant, if *Knowledge of Product* increases by one unit, *Overall Satisfaction* will increase by 0.727 units. Meanwhile, keeping other variables constant, if *Appearance* increases by one unit, *Well Cared Facilities* will decrease by -0.161 units.

Hence, the proposed equation for the model is:

$$\text{Overall Satisfaction} = 0.727 (\text{Knowledge of Products}) + 0.329 (\text{Fast Service}) + - 0.154 (\text{Appearance})$$

Insert Figure 2 about here

7. Conclusion:

In this study, the 'Overall Satisfaction' of customers is considered the dependent variable. In the case of private sector banks, it was determined that *Knowledge of Products*, *Response to Need*, *Solving Questions*, *Fast Services*, *Quickly connected to the Right Person* and *Efforts to Reduce Queuing Time* have a positive impact on 'Overall Satisfaction'. On the other hand, factors such as *Pleased to be Assisting You*, *Appearance*, and *Follow-Up* have a negative impact on 'Overall Satisfaction.'

In the case of private sector banks, the highest positive beta value is found for 'Response to Needs' (.778). Private sector banks in India are facing cutthroat competition; therefore, it is natural that they push their products to customers and inform them of services even when they are neither needed nor desired by the customer (Gupta & Mittal, 2008). This interpretation is confirmed by the negative beta values of the independent variables such as 'Pleased to be Assisting You' and 'Follow Up' (-.0183 and -0.147 respectively). A high beta value of 'Response to Needs' shows that the customers want a banker's response to be specific to their needs and related to their requests. Similarly, 'Solving Questions' shows a beta value of .390. This indicates that customers are satisfied when their specific problems are solved. Past studies have observed that 'self banking' is now preferred by consumers (Al-Eisa & Alhemoud, 2009). This could be one of the reasons that variables like 'Pleased to be Assisting' and 'Follow up' do not positively contribute to the customer satisfaction in the present study. 'Knowledge of Products' has a beta value of .319 therefore it may be concluded that this variable is one of the most important aspects of service quality which contributes to customer satisfaction. *Fast Services* (beta value .220), *Quickly Connecting to the Right Person* (beta value 0.124), and *Efforts to Reduce Queuing Time* (0.060), also contribute positively to customer satisfaction though the level of contribution is low (BELÁS and GABČOVÁ, 2014).

Appearance also contributes negatively to customer satisfaction (beta value -0.073). It may be concluded with this result that customers seek the right products and services, where little consideration is placed on the outward appearance of a bank. Here, the beta value of '*Appearance*' is quite low, so it may be concluded that '*Appearance*' does not contribute anything positive to customer satisfaction.

On the other hand, in the case of public sector banks, *Knowledge of the Product* (beta value 0.727) and *Fast Service* (beta value 0.329) are the variables which have a positive contribution on 'Overall Satisfaction'. Public sector banks are considered to have a vast knowledge of their products in comparison to private sector banks. The results show that customers want banks to keep this USP (Unique Selling Proposition) of being knowledgeable, and a high beta value (.727) confirms this result. Similarly, customers of public banks have realized the importance of prompt services. In this study the respondents are from urban areas and in India, fast services from public sector banks are becoming expected, with banks now focusing on customer retention rather than customer service (Alagarsamy and Wilson, 2013). '*Appearance*' (beta value -0.154) is the only variable that contributes negatively..

A low beta value of '*Appearance*' can be interpreted as 'appearance' does not have a positive contribution to customer satisfaction. These results are consistent with the study performed by Saghier and Nathan (2013), where no contribution of 'tangibles,' such as appearance were found in customer satisfaction. Only the four factors of Reliability, Responsiveness, Empathy and Assurance contributed to customer satisfaction.

8. Recommendations

In light of the findings discussed in this paper, the following recommendations can be made. There is room for improvement in the quality of service for both private and public sector banks. Private sector banks invest heavily in staff and ambience to provide customers with a great experience. However, the results do not show that this provides the desired effect consistently. Today's customers have specific and well defined needs. Bank employees should refrain from pressuring their customers into buying new products while physically in the branch as well as following up with them on a future date. Negative beta values for 'Pleased to be Assisting' and 'Follow Up' indicates that these aspects negatively contribute to overall customer satisfaction. Banks should focus more on providing high quality banking services by responding to the specific, stated needs of customers. Overworking branch appearance may be harmful and prove to have potential adverse effects when customers avoid such banks. This is indicated by the negative beta value of 'Appearance' in both the private and public sector banks. Public sector banks should be more diligent in providing fast services, for 'Fast services' is one of the predictors of 'Overall Satisfaction'. Due to the lack of time customers possess today, non-branch banking (ATMs and online banking) has become increasingly popular, for these situations are ones where consumers are too impatient to wait on tellers inside a branch. Private sector banks have given prompt services a high priority and is a reason why they are in direct competition with public sector banks. In urban areas individuals are increasingly concerned with saving their valuable time, hence 'fast service' has become the highest consideration for public sector banks.

Customer service should not be a reactive exercise. Bank officials should take proactive steps to improve customer satisfaction and quickly connect the customers to the appropriate contact representative. To ensure a pleasant banking experience, answering customer questions and responding to specific needs are both crucial issues.

Most organizations set their customer contact strategy but then fail to follow up with it. A proactive measure is to obtain regular, periodic customer feedback and focus on removing specific problems addressed by the customers themselves. This strategy would help drive high customer loyalty. With that in mind, banks would need to establish a system in which gaps between the needs of the customer, and bank's efforts, are identified and quickly corrected. Such a system should maintain and publish statistics, including the number of complaints received in each category and against the concerned department or product, and the time taken to address it. These efforts will improve the bank's quality of service while also reducing the time required to resolve such grievances. Generally speaking, banks should place greater focus on customer service rather than selling and pushing undesired products.

9. Implications for Industry and Directions for Future Research:

The business environment in the banking sector has changed rapidly during the last decade (Paul & Trehan, 2011). In this context, the present paper presented significant insights for managers and practitioners in the banking industry. 'Service Quality' is considered to be at the base of customer satisfaction across the entire service sector. Since numerous studies have been carried out in this area, the variables of service quality which affect customer satisfaction are known to bank managers. However, no bank manager can devote funds and energy to each individual variable. In this study, with the help of forward stepwise regression, an attempt is made to find out which service quality variables are the most prominent in their effect on customer satisfaction. There is a difference between the profile and expectations of private sector banks customers in comparison to public sector banks. The findings of the study show that private bank managers must work more upon developing 'response to the needs' rather

than having a push strategy. As a result of push strategies, both potential customers and existing customers begin to avoid the bank. Similarly, *Knowledge of Product* and *Fast Services* are the most crucial variables for both private sector as well as public sector banks. The banking industry must value the privacy and time of its consumers; for customers feel disturbed and are not appreciative of banker follow ups. Customers are knowledgeable about their banking and financial needs, and therefore avoid salespeople and tellers who offer unwanted products while assisting them.

Based on findings, we suggest that there are many topics and avenues for research and analysis in this area. Further research should be carried out to determine the factors which contribute to overall satisfaction for one particular banking product, such as credit card or debit card. Similarly, inter-product comparisons may be made for factors contributing to overall customer satisfaction either positively or negatively. A different beta value for 'knowledge of products' indicates that different variables have varied levels of importance in the case of private and public sector banks. This aspect can be investigated further for other variables in the context of rural vs. urban populations or for an array of banking products.

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Appendix:

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.815	0.664	0.663	0.511
2	0.911	0.830	0.828	0.365
3	0.925	0.856	0.854	0.337
4	0.930	0.865	0.863	0.326
5	0.934	0.871	0.869	0.319
6	0.936	0.875	0.872	0.315
7	0.938	0.880	0.877	0.309
8	0.941	0.885	0.881	0.304
9	0.942	0.887	0.883	0.301

Table 2: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
9	Regression	171.215	9	19.024	209.349	0.000(i)
	Residual	21.809	240	0.091		
	Total	193.024	249			

Table 3: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
9						
IVs	(Constant)	-1.189	0.449		-2.649	0.009
1	Knowledge of Products	0.319	0.047	0.397	6.774	0.000
2	Response to Need	0.778	0.062	0.309	12.503	0.000
3	Solving Questions	0.390	0.054	0.387	7.224	0.000
4	Pleased to be Assisting You	-0.183	0.049	-0.083	-3.723	0.000
5	Appearance	-0.073	0.035	-0.061	-2.070	0.039
6	Fast Services	0.220	0.057	0.130	3.888	0.000
7	Follow Up	-0.147	0.041	-0.102	-3.601	0.000
8	Quickly connected to the Right Person	0.124	0.039	0.079	3.203	0.002
9	Efforts to Reduce Queuing Time	0.060	0.028	0.052	2.121	0.035

IVs – Independent Variables

Table 4: Excluded Variables

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics
9						
IVs						Tolerance
1	Space Availability	-0.005	-0.197	0.844	-0.013	0.919
2	ATM Location	0.035	1.438	0.152	0.092	0.837
3	Complaint Handling	0.002	0.027	0.978	0.002	0.163

IVs – Independent Variables

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.706	0.498	0.496	0.875
2	0.713	0.508	0.504	0.868
3	0.722	0.521	0.515	0.858

Table 6: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
3	Regression	197.027	3	65.676	89.227	0.000
	Residual	181.069	246	0.736		
	Total	378.096	249			

Table 7 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
IVs		B	Std. Error	Beta	B	Std. Error
	(Constant)	-0.365	0.435		-0.838	0.403
1	Knowledge of Product	0.727	0.060	0.809	12.097	0.000
2	Fast Service	0.329	0.099	0.278	3.341	0.001
3	Appearance	-0.154	0.059	-0.179	-2.621	0.009

IVs – Independent Variables

Table 8: Excluded Variables

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics
3						Tolerance
IVs						
1	Efforts to Reduce Queuing Time	-0.049	-0.558	0.577	-0.036	0.256
2	Pleased to be Assisting	-0.007	-0.078	0.938	-0.005	0.254
3	Space Availability	0.077	0.928	0.354	0.059	0.282
4	ATM Location	0.092	1.760	0.080	0.112	0.705
5	Handling Complaints	0.118	1.892	0.060	0.120	0.495
6	Follow Up	-0.027	-0.568	0.570	-0.036	0.880
7	Response to Need	0.036	0.314	0.754	0.020	0.146
8	Solving Questions	0.040	0.768	0.443	0.049	0.718
9	Quickly Connected to the Right Person	0.008	0.155	0.877	0.010	0.661

IVs – Independent Variables

Figure 1: Variables having Positive/Negative Impact on ‘Well cared Facility’ with respect to Private Banks

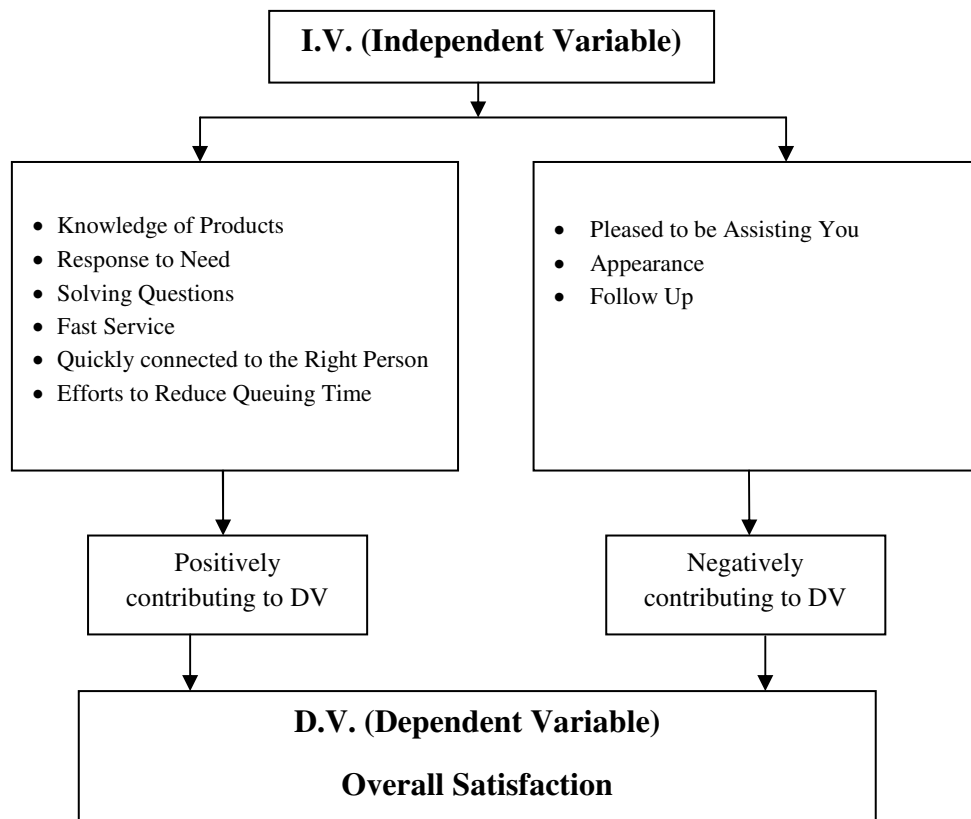
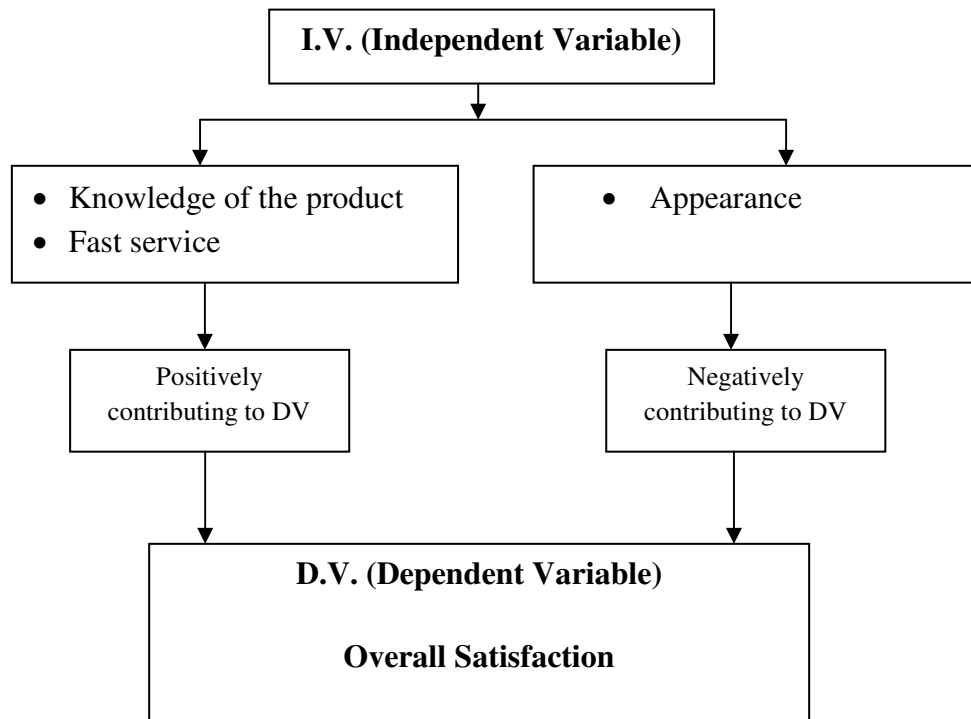


Figure 2: Variable having Positive/ Negative Impact on ‘Well cared Facility with respect to Public Banks



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Author Biography:

Dr. Justin Paul, has the unique status as an author/co-author of eight books which are used as textbooks or reference books worldwide - International Business (6th edition)^{[2][3][4]}, Business Environment (3rd edition)^{[5][6]}, Export-Import Management^[7], International Marketing (2nd edition)^[8], Services Marketing^{[9][10]}, Economic Environment & Policies for Business^{[12][13]}, published by Prentice Hall, McGraw-Hill, Oxford University Press and Pearson & Cengage respectively.^{[1][15]} He is also appreciated to have authored three Bestselling Case studies published by Ivey-Canada & Harvard Business School.^{[1][16][17][18]} Dr. Paul has published several research papers in refereed journals including International Business Review^[19], Marketing Intelligence & Planning, Harvard Business Review^{[16][17][20]}, Journal of Small Business Management, Journal of Consumer Marketing^[21], Competitiveness Review^[22], Asian Case Research Journal^[23], Journal of International Marketing, IIM-B Management Review^[24], and International Journal of Indian Culture and Business Management^[25]. Dr. Paul also serves on the editorial boards and Advisory committees of different academic journals and is known as a public speaker on contemporary affairs in Business.^{[1][26][27][28][29]}

He currently works as a professor at the Graduate school of Business Administration at University of Puerto Rico, USA.^[1] And has served as an Associate Professor with the Nagoya University of Commerce & Business- Japan, and as a full time faculty member with the University of Washington, USA. Dr. Paul has also served as a visiting professor in many universities across different continents and has taught full courses at many places including Universite De Versailles, France,^[30] Aarhus University, Denmark^{[31][33]}, Grenoble Eco le de Management- France^{[32][33]} and ISM University, Lithuania^[33]. At the age of 29, Dr. Paul was the youngest faculty member at Indian Institute of Management (IIM), the premier business school in South Asia.^{[1][34]} He has examined or guided over ten scholars to secure their Ph.D. and over 70,000 MBA students in Asia & Europe have attended his public speeches during last 5 years.^[35]