A STUDY TO IDENTIFY FACTORS RESPONSIBLE FOR CUSTOMER SATISFACTION IN SELECTED BANKS OF SOUTH GUJARAT

MEHUL GANJAWALA

ABSTRACT

Customer satisfaction is an important component of the Marketing function and it can be simply de¬fined the number of customers, or percentage of total customers, whose reported experience with a bank, its products, or its services exceeds specified satisfaction goals. With many banks in the industry turning customer centric, customer satisfac¬tion levels are measured and plans for its improvement are done by all most all the banks in the industry.

The focus of the present study is to gain knowledge about the factors influencing the consumers to prefer a particular bank and the problems and challenges faced by the customers on using such banks. For the purpose of obtaining the data, structured ques¬tionnaire method is used. Suitable tools have been exploited to obtain scientific evidence and further suggestions useful for the industry have also been presented.

Factor Analysis is the statistical tool that has been used for data analysis. In analysis part initially KMO (Kaiser-Meyer-Olkin) and Bartlett's Test was applied to the collected data. Kaiser-Meyer-Olkin Measure of Sampling Adequacy test shows the value of .875.The Principal Component Analysis extraction method was used to analyze the data with Varimax Rotation Method. The extracted communalities are above 0.500. For clarity of the factor definitions, factor loadings of more than 0.500 were considered. The factor analysis yielded 6 factors in all which explaining 55.125 percent of total variance. Applicative value: Implications of this research work will help the bankers of to identify that what are the various factors that can affect their customer satisfaction the most in the present competitive market. May be they can use these factors to drive Customer loyalty out of customer satisfaction.

Keywords: customer satisfaction, customer centric approach, challenges

I. INTRODUCTION:

Marketing is getting more and more customer centric with all the big brands focusing on what customer needs and what satisfies their customers more. In such a customer focused business world, studying the customer satisfaction has become necessary for all the businesses and industries. Surveying the customers regularly and in a variety of ways is a critical part of running a successful business, regardless of your industry, product or service. Thus this paper is an endeavor to identify the important factors that results in to customer satisfaction.

In the service industry, a long-term relationship with customers (Gronroos, 1994; Berry, 2002) is the key success factor that is enormously increasing with the electronic channels. The proliferation of new channels and the high demand for differentiated products has presented customers with a wide choice in terms of which service to use in order to profitably interact with the bank.

Indian Customer Satisfaction Index (ICSI) will help organizations in India to improve thus enhancing the Customer/Citizen Satisfaction. This important Customer Satisfaction benchmarking index will help India to join the ranks of other countries to mature and improve through citizen satisfaction.

II. BACKGROUND OF THE PROBLEM

Banking operations are becoming increasingly customer dictated. The demand for 'banking supermalls' offering one-stop integrated financial services is well on the rise. The ability of banks to offer clients access to several markets for different classes of financial instruments has become a valuable competitive edge. Convergence in the industry to cater to the changing demographic expectations is now more than evident. Banc assurance and other forms of cross selling and strategic alliances will soon alter the business dynamics of banks and fuel the process of consolidation for increased scope of business and revenue. The thrust on farm sector, health sector and services offers several investment linkages. In short, the domestic economy is an increasing pie which offers extensive economies of scale that only large banks will be in a position to tap. With the phenomenal increase in the country's population and the increased demand for banking services; speed, service quality and customer satisfaction are

going to be key differentiators for each bank's future success. Thus it is imperative for banks to get useful feedback on their actual response time.

The working of the customer's mind is a mystery which is difficult to solve and understanding the nuances of what customer satisfaction is, a challenging task. This exercise in the context of the banking industry will give us an insight into the parameters of customer satisfaction and their measurement. This vital information will help us to build satisfaction amongst the customers and customer loyalty in the long run which is an integral part of any business. The customer's requirements must be translated and quantified into measurable targets. This provides an easy way to monitor improvements, and deciding upon the attributes that need to be concentrated on in order to improve customer satisfaction. We can recognize where we need to make changes to create improvements and determine if these changes, after implemented, have led to increased customer satisfaction. "If you cannot measure it, you cannot improve it." - Lord William Thomson Kelvin (1824-1907).

As a result banks are concentrating on various ways to achieve customer satisfaction. The major challenges in front of all the banks are to identify a different factor which leads to customer satisfaction.

III. DEFINING THE PROBLEM

Expectations have a central role in influencing satisfaction with services, and these in turn are determined by a very wide range of factors lower expectations will result in higher satisfaction ratings for any given level of service quality. This would seem sensible; for example, poor previous experience with the service or other similar services is likely to result in it being easier to pleasantly surprise customers. However, there are clearly circumstances where negative preconceptions of a service provider will lead to lower expectations, but will also make it harder to achieve high satisfaction ratings - and where positive preconceptions and high expectations make positive ratings more likely. The expectations theory in much of the literature therefore seems to be an over-simplification.

The ISO Guideline:

Measurement of Customer Satisfaction is a new and significant addition to the new ISO9000: 2000 standard. Organizations certified to this standard are now required to identify parameters that cause customer satisfaction or dissatisfaction and consciously measure them. We cannot create customer satisfaction just by meeting customer's requirements fully because these have to be met in any case. However falling short is certain to create dissatisfaction.

With many banks in the industry turning customer centric, customer satisfaction levels are measured and plans for its improvement are done by all most all the banks in the industry. The focus of the present study is to gain knowledge about the factors influencing the consumers to prefer a particular bank and the problems and challenges faced by the customers on using such banks.

IV. CONCEPTUAL THEORETICAL FRAMEWORK AND REVIEW OF LITERATURE

Anderson and Sullivan, 1993; Patterson et al., 1997, indicate that customer satisfaction is related to the size and direction of disconfirmation, which is defined as the difference between the post-purchase and post-usage evaluation of the performance of the product/service and the expectations held prior to the purchase (Sharma and Ojha, 2004).

If customers perceived that they are obtaining additional benefits from their relationship with establishment employees, their satisfaction level with the service provider will increase (Beatty et al., 1996).

Relational benefits can then be considered as an important factor for satisfaction with financial businesses. Therefore, relational benefits meaning special treatment, confidence and social benefits, which were identified by Gwinner et al. (1998), would have a great influence on customer satisfaction with their habitual establishments.

Customer Satisfacton Literature Levesque, T and mcdougall, G.H.G. (1996), the study investigated the major determinant of customer satisfaction and future behavioral intensions in the retail banking sector. The study identifies the determinants that include service quality dimensions (e.g. Getting it right the first time), service features (e.g. Competitive interest rates), service problems,

service recovery and products used. The study finds, in particular, that service problems and the bank's service recovery ability have a major impact on customer satisfaction and intention to switch banks.

Malhotra, M., and Arora, S. (1999). The study investigates that level of customer satisfaction in the public sector banks and the private, with the purpose of helping bank managements to formulate marketing strategies to attract customers towards them.

Athanassopoulous, A., Gounraris, S. And Stathakopuoulos V. (2001), the paper investigates the behavioral consequences of customer satisfaction in the banking industry. The authors examine the impact of customer satisfaction on customers behavioral responses. The findings indicate that when customers assessed customer satisfaction to be high, they either decided to stay within the existing service provider or subdue their negative behavioral intensions. Customer satisfaction is also found to have strong positive association with word-of mouth communication.

Sureshchandar G.S., Rajendran C. And Anantharaman R.N. (2002) adopt a different approach and view customer satisfaction as a multi dimensional construct just as service quality, but argues that customer satisfaction should be operationalized along the same factors (and the corresponding items) on which service quality is operationalized. Based on this approach, the link between service quality and customer satisfaction has been investigated. The results indicate that the two constructs are indeed independent but are closely related, implying that an increase in one is likely to lead to an increase in another.

Saha P. And Zhao Y. (2005) analyzes the relationship between service quality and customer satisfaction in internet banking and five service quality dimensions are selected. A qualitative research approach issued to get a better understanding of this issue. A small quantitative survey has been also conducted to support the results obtained from the qualitative study. Nine service quality dimensions i.e. Efficiency, reliability, responsiveness, fulfillment, privacy, communication, personalization, technology update and logistic/technical support are identified in this study.The quality performance of all the nine dimensions is shown to have a strong impact on customer satisfaction.

Mishra J.K. and Jain M. (2007) study various dimensions of customer satisfaction in nationalized and private sector banks. Two-stage factor analysis is computed to arrive at the dimensions of customer satisfaction. The study analyzes ten factors and five dimensions of customer satisfaction for nationalized and private sector banks respectively. The study concludes that satisfaction of the customers is an invaluable asset for the modern organizations, providing unmatched competitive edge; it helps in building long term relationship as well as brand equity. The best approach to customer retention is to deliver high level of customer satisfaction that result in, strong customer loyalty.

Vimi Jham & Kaleem Mohd Khan, (2008), conducted a study on Customer Satisfaction in the Indian banking Sector, among five Indian banks, aimed at identifying customer satisfaction variables which lead to relationship building, and developing a conceptual framework of relationship marketing practices in Indian banks by capturing the perspectives of customers with respect to their satisfaction with various services. It also sought to identify whether demographics have a role to play in customer satisfaction. The three relationship dimensions, namely, traditional services, multi channel banking and internal marketing, which lead to customer satisfaction, were identified through factor analysis.

Puja Khatri & Yukti Ahuja (2008) have analyzed customer satisfaction in public and private sector banks and revealed that the Indian banking sector has witnessed heightened competition with so many banks coming up with all their potential and using their global strength to their advantage in order to establish themselves in the market. Private Banks seem to have satisfied its customers with good services and they have been successful in retaining its customers by providing better facilities than Public sector banks. But, still Private Banks need to go a long way to become customer's first preference.

R.K. Uppal (2009) studied customer service and customer satisfaction in Indian commercial banks and concluded that in the emerging competitive environment and IT era with little or no distinction in the product offering, it is speed of rendering service that sets apart one bank from another. Prompt service is equated with quality service. Time is a major factor which affects the quality & reputation of the banks.

Dr. Naveen Kumar & Dr. V.K.Gangal(2011), held a study on customer satisfaction in new generation banks (a case study of hdfc bank) and found that the majority of India's banks are not very diversified in terms of the products and services they offer. One strategic focus that banks can implement to remain competitive would be to retain as many customers as possible. And customer retention is possible through customer satisfaction only.

Jyoti Agarwal (2012) studies customer satisfaction in banking services in Aligarh district. She examined that the banking sector in India is undergoing major changes due to competition and the advent of technology. The customer is looking for better quality services which enhance his/her satisfaction.

V. Research gap

Researcher found from the existing literature that customer satisfaction is affected by so many factors. So it is important to identify various factors affecting customer satisfaction for banking industry. It is also found from the literature that banking sector is very growing in India and competition in banking increasing day by day and so many new companies want to enter in banking sector. To cope up with the competition banks must concentrate on customer satisfaction by delivering good quality and prompt services. It can be possible by identifying various factors that leads to the customer satisfaction. Also it is very clear from the existing literature that there are so many unidentified variables by past literature which are important for the customer satisfaction in banks.

VI. METHODOLOGY

The Objectives of the Study was:

- To identify factors responsible for customer satisfaction in selected banks of south Gujarat.

- To know the view of customers of selected banks of south Gujarat.

- To identify the difficulties faced by the customers in selected banks of south Gujarat.

- To know the views of customers about various services offered by selected banks.

Research Design:

A descriptive research design has been used in this study to identify different and important factors responsible for the customer satisfaction in selected banks of south Gujarat.

Unit of Study:

The target population of this study includes customers of the selected banks of south Gujarat.

Sample Selection:

Non-probability sampling techniques have been used like convenience sampling to collect the Data from the customers of the selected banks with the help of structured questionnaire. Attempt has been made to collect samples from the 27 branches of selected banks. Sample size was 360 customers of selected banks. Some customers have been interviewed to get the idea about the difficulty faced by them in dealing with the banking services.

Collection of data:

Primary data were collected with the help of structured questionnaire .the secondary information was obtained from the reports of RBI, different branches, websites, journals and magazines. Questionnaire consists of 23 statements. Five options given to the respondent on the bases of 5 point likert scale ranging from strongly agree to strongly disagree. With the help of pretested structured questionnaire, researcher tried to know the different views of customers regarding their satisfaction levels with respective bank.

Technique used:

Factor analysis technique is used by researcher to identify different factors that affect customer satisfaction in banking industry. Factor analysis is a statistical approach that can be used to analyze interrelationships among a large number of variables and to explain these variables in term of their common underlying dimensions (factors).

The objective is to find a way of condensing the information contained in a number of original variables into a smaller set of factors with a minimum loss of information. Factor analysis is generic name given to a class of multivariate

statistical methods whose primary purpose is to define the underlying structure in a data matrix. Broadly, it addresses the problem of analyzing the structure of the interrelationships among a large number of variables. Once these dimensions and the explanation of each variable are determined, the two primary uses for factor analysis- summarization and data reduction can be achieved. (hair et al., 1998). Here factor analysis is used by researcher for the same purpose of identifying different factors out of so many important variables for the construct customer satisfaction for banking industry.

VI. ANALYSIS RESULTS

FACTOR ANALYSIS:

The data was analyzed using SPSS software with the help of factor analysis technique to identify factors important for the customer satisfaction. Initially the compatibility of data set is tested, so that it can be determined whether factor analysis can be used for analysis or not. The sample size is 360 customers and variable used is 22, which satisfy the first two conditions that sample size should be more than 100 and ratio between them should be at least 5:1.

Principal component analysis requires that the Kaiser-meyer-olkin measure of sampling adequacy be greater than 0.50 for the set of variables. From the table 1 we can see that as KMO value is more than 0.5, i.e. 0.875 therefore it is meaningful to run factor analysis. Moreover the significance value is 0.000 which is less than 0.05 and therefore we reject HO which shows that interrelated matrix is not identity matrix. It is another indication of the result of factor analysis.

Principal component analysis requires that the probability associated with the Bartietts test of sphericity be less than the level of significance. as shown in the table 1, this requirement also gets satisfied. Therefore, the preliminary analysis proves that factor analysis can be satisfactorily used for the present data.

Communalities represent the proportion of the variance in the original variables that is accounted for by the factor solution. The factor solution should explain at least half of each original variables variance, so the communality value for each variable should be more than 0.50 or higher. We can see from the table 2 that

majority of the communality values are more than 0.5 and nearer to 1 so it indicates validation of factor analysis.

From the above table 3 we can see that SPSS output of the total variance explained by the component extracted from the input data. The 6 component explain 55.125 of the total variance in the variables which are included in the component. So it is reasonable enough to go with the analysis. Also from the table 3 we can see that the eigan values of first 6 component are more than 1 thus this components are significant for the analysis of as it contribute positively in the analysis.

It can use table 4 and 5 to extract the relevant variables to be loaded on each factor. We attribute variables which have loading more than 0.500 to a particular factor. From the table 4 we can see that total 22 variables are divided between 6 factors. Below table shows that factor 1 includes 10 variables. Factor 2 includes 4 variables. Factor 3 includes 2 variables. Factor 4 includes 2 variables. Factor 5 includes 1 variable and factor 6 includes 2 variable.

VII. CONCLUSIONS

The present study aimed at identifying factors related to customer satisfaction from the point of view of the customers of selected banks of south gujarat. In order to identify major factors, principal component analysis or factor analysis is used as statistical tools. The data is collected through the survey of customers of the selected banks of south Gujarat through well structured questionnaire.

The factor analysis results showed that there are 6 important factors related to customer satisfaction. The study proves significant for selected banks who have interest to achieve customer satisfaction in their system and who are planning to achieve high level of customer satisfaction.. There are lots of opportunities for banks to get competitive advantage with the use of achieving customer satisfaction. However, since the six factors account for only 55 % of the variance and the survey has been conducted only for the surat city.

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ANNEXURES
Table 1. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.875
Bartlett's Test of Sphericity Approx. Chi-Square	2024.578
Df	253
Sig.	.000

H0: Inter correlated matrix is identity matrix.
H1: Inter correlated matrix is not identity matrix.

Table 2. Communalities

	Initial	Extraction
The knowledge and skills possessed by the employees of your bank are perfect.	1.000	.707
The employees of your bank are very responsive to your questions and concerns.	1.000	.660
You found friendly relationship with the employees of your bank.	1.000	.592
The employees of your bank understand and satisfy your need.	1.000	.478
The employee solves your query very promptly.	1.000	.522
The employee always informs you about the new services offered by banks.	1.000	.508
Your bank offers variety of products and services.	1.000	.486
Your bank does not offer reasonable interest rates to customers.	1.000	.520
The service charges of your bank are quite reasonable.	1.000	.626
Your bank offers special products (leasing, consumer	1.000	.318

financing etc.)		
Bank always upgrade their products and services for the welfare of customers.	1.000	.611
Your bank has excellent technology and modern looking equipment.	1.000	.562
Your bank has low credibility among the other commercial banks of India.	1.000	.384
Your bank will satisfy your needs in future.	1.000	.429
Compare to other banks your bank is having good image.	1.000	.602
Your Bank is very customer oriented.	1.000	.780
The physical appearance of your bank is visually appealing.	1.000	.554
You have to wait very long for availing the bank services.	1.000	.634
The service processes used at your bank are inflexible.	1.000	.503
Your bank provides you with complete information (new products, account statements etc.).	1.000	.440
Your bank has expanded network(branches, ATMs etc)	1.000	.649
The ATM network of your bank always remains functional.	1.000	.471
Your bank has inconvenient location.	1.000	.642

Extraction Method: Principal Component Analysis.

Table 3. Total variance explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.373	23.360	23.360	5.373	23.360	23.360	5.188	22.558	22.558
2	2.521	10.962	34.323	2.521	10.962	34.323	2.381	10.352	32.910
3	1.395	6.065	40.388	1.395	6.065	40.388	1.395	6.067	38.977
4	1.246	5.418	45.805	1.246	5.418	45.805	1.364	5.931	44.907
5	1.122	4.876	50.682	1.122	4.876	50.682	1.202	5.226	50.133
6	1.022	4.443	55.125	1.022	4.443	55.125	1.148	4.992	55.125
7	.895	3.893	59.018						
8	.840	3.651	62.669						
9	.779	3.386	66.054						

10	.748	3.252	69.306						
11	.726	3.155	72.462						
12	.717	3.117	75.579						
13	.650	2.827	78.406						
14	.636	2.764	81.170						
15	.610	2.654	83.824						
16	.575	2.499	86.323						
17	.530	2.305	88.628						
18	.513	2.229	90.857						
19	.479	2.084	92.941						
20	.454	1.974	94.915						
21	.431	1.872	96.787						
22	.374	1.628	98.415						
23	.365	1.585	100.000						

Table 4. Rotated component matrix

	Component					
	1	2	3	4	5	6
The knowledge and skills possessed by the employees of your bank are perfect.			.828			
The employees of your bank are very responsive to your questions and concerns.			.784			
You found friendly relationship with the employees of your bank.	.691					
The employees of your bank understand and satisfy your need.	-.650					
The employee solves your query very promptly.	-.669					
The employee always informs you about the new services offered by banks.	-.555					
Your bank offers variety of products and services.	.640					
Your bank does not offer reasonable interest rates to	-.706					

customers.					
The service charges of your bank are quite reasonable.					.584
Your bank offers special products (leasing, consumer financing etc.)					
Bank always upgrade their products and services for the welfare of customers.				.710	
Your bank has excellent technology and modern looking equipment.		.729			
Your bank has low credibility among the other commercial banks of India.	-.572				
Your bank will satisfy your needs in future.		-.530			
Compare to other banks your bank is having good image.			-.659		
Your Bank is very customer oriented.				.869	
The physical appearance of your bank is visually appealing.		.700			
You have to wait very long for availing the bank services.	.738				
The service processes used at your bank are inflexible.	.612				
Your bank provides you with complete information (new products, account statements etc.).					
Your bank has expanded network(branches, ATMs etc)	.770				
The ATM network of your bank always remains functional.		.660			
Your bank has inconvenient location.					-.668

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a Rotation converged in 7 iterations.

Table 5 naming the factors

NAMING THE FACTORS

Factor 1 (services of employees and bank)	Factor 2 (technology and physical appearance)	Factor 3 (knowledge and skills of employee)	Factor 4 (image)	Factor 5 (customer oriented approach)	Factor 6 (service charges)
You found friendly relationship with the employees of your bank.	Your bank has excellent technology and modern looking equipment.	The knowledge and skills possessed by the employees of your bank are perfect.	Bank always upgrade their products and services for the welfare of customers.	Your Bank is very customer oriented.	The service charges of your bank are quite reasonable.
The employees of your bank understand and satisfy your need.	Your bank will satisfy your needs in future.	The employees of your bank are very responsive to your questions and concerns.	Compare to other banks your bank is having good image.		Your bank has inconvenient location.
The employee solves your query very promptly.	The physical appearance of your bank is visually appealing.				
The employee always informs you about the new services offered by banks.	The ATM network of your bank always remains functional.				
Your bank offers variety of products and services.					
Your bank does not offer reasonable interest rates to customers.					
Your bank has low credibility among the other commercial banks of India.					

You have to wait very long for availing the bank services.				
The service processes used at your bank are inflexible.				
Your bank has expanded network(branches, ATMs etc)				

ABOUT AUTHOR

Mehul Ganjawala is a working at Navnirman Institute of Management, Surat as an assistant professor. His area of interest is marketing management, strategic management and research methodology. He has completed his graduation in the field of engineering with specialization in electrical subject from Gujarat university. He has completed his post graduation in the field of management with specialization in marketing subject from Veer Narmad South Gujarat University.