

Customer Satisfaction and the moderating effect of Demographics in Public Sector Banks

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Abstract: *The purpose of conducting this research was to explore the customer satisfaction in the public sector banks. The moderating effect of various demographic and situational factors was taken into consideration. This research was mainly based on primary data which had been collected through a well-structured questionnaire. The questionnaire had been distributed to 300 respondents. This paper makes a useful contribution as there are very low number of studies that have been conducted in India on such dimensions. This research showed that the customer satisfaction varies from person to person and, bank managers need to conduct more researches in order to evaluate it more strongly.*

Keywords: *Customer Satisfaction, demographics, Public Banks.*

I. Introduction

Nationalised banks or public banks dominate the banking System in India. The nationalisation of banks in India took place in 1969 by Mrs. Indira Gandhi the then prime minister. The major objective behind nationalisation was to spread banking infrastructure in rural areas and make available cheap finance to Indian farmers. Before 1969, State Bank of India (SBI) was the only public sector bank in India. Despite the entry of many new domestic private and foreign banks since liberalization, public sector banks continue to dominate the commercial banking industry.

Banking is a high involvement industry. Banks recognize the fact that delivery of quality service to customers is essential for success and survival in today's global and competitive banking environment (Wang, Han, & Wen, 2003). Researchers have found that customer satisfaction has a measurable impact on purchase intentions (Carter, 2010), on customer retention (Voss & Voss, 2008) and on a firm's financial performance (Chalmeta, 2006). Customer satisfaction is the key to long term success of any organization (Peppers & Rogers, 2005). Keeping the importance of customer satisfaction in mind, banks need to maintain stable and close relationships with their customers. Customer satisfaction levels need to be judged. The application of the knowledge of customer satisfaction is imperative to establishing and maintaining a long-term relationship with customers and long-term competitiveness (Kumar & Reinartz, 2006).

Customers' wants, needs, and expectations change quickly. Therefore, what would have delighted and surprised them a short while back might not satisfy them at present (Richards & Jones, 2008). Banks may not be able to provide superior services to the customers unless customer expectations are known (Leverin & Liljander, 2006). Customer expectations can be known through the knowledge of satisfaction levels of customers (Jham & Khan, 2009). Identifying the customer satisfaction levels should be a central concern for retail bank managers as well as service management academicians and practitioners. Satisfied customers help to build and maintain customer relationship that is the key success in current banking scenario. Satisfied customers typically can help to get higher market share and better returns. Many of the previous studies have been undertaken in western world with little inputs from Indian context. India is a culturally and economically diverse society with varying demographic characteristics as compared to western world. Hence scope of present research presents Indian economic context

II. Literature Review

2.1 Customer Satisfaction

Customer satisfaction is the degree of overall pleasure or contentment felt by the customer, resulting from the ability of the service to fulfill the customer's desires, expectations and needs in relation to the service (Kotler, 2004). It is the consumers' overall evaluation based on their overall experience and it can be viewed in two ways -transaction-specific outcome or cumulative evaluation (Wang et al., 2004). Anderson and Sullivan (1993) suggested that 'Satisfaction can be broadly characterised as a post-purchase evaluation of product quality given pre purchase expectations'.

According to Oliver (1996) 'Satisfaction is the consumer's fulfillment response. It is a judgment that a product or service feature, or the product of service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment including levels of under-or over-fulfillment'. Accordingly customers purchase goods and services with pre-purchase expectations about anticipated performance. When outcome matches expectations, confirmation occurs. Disconfirmation occurs when there are differences between expectations and outcomes. Negative disconfirmation occurs when product/service performance is less than expected. Positive disconfirmation occurs when product/service performance is better than consumer expectations, and dissatisfaction is caused by negative disconfirmation of consumer expectations.

Vavra's (1997) stated that customer satisfaction characterises satisfaction as the end-state resulting from the experience of consumption. This end state may be a cognitive state of reward, an emotional response to an experience or a comparison of rewards and costs to the anticipated consequences. Kotler and Armstrong (1999) defended the customer satisfaction as the customer's perception that compared their pre-purchase expectations with post purchase perception. Customer satisfaction was the customers' evaluation of services after purchase as opposed to their expectation (Oliver, 1997; Zeithaml and Bitner, 2000). Baker and Crompton (2000) defended satisfaction as a personal experience and mentality related the nitration between personal expectation and actual receive. Customer satisfaction was the overall evaluation to services. It was the reflection customers make to their previous purchase.

Thus, when a customer is contented with either the product or services it is termed Satisfaction (Kotler & Keller, 2009, p. 789). Satisfaction can also be a person's feelings of pleasure or disappointment that results from comparing a product's perceived performance or outcome with their expectations (Levy 2009).

It has however been identified that human needs, quality of services and products, the user friendly nature of product and services, and comfort assurance (Homburg et al.,(2001)) are some of the important determinants of customer satisfaction. Even though different customers will require different levels and combinations of these variables, they generally are important factors that affect customer satisfaction. Matzler et al., (2002), went a step forward to classify factors that affect customers' satisfaction into three factor structures;

- Basic factors: these are the minimum requirements that are required to prevent the customer from being dissatisfied. They do not necessarily cause satisfaction but lead to dissatisfaction if absent. These are those factors that lead to the fulfillment of the basic requirement for which the product is produced. These constitute the basic attributes of the product or service. They thus have a low impact on satisfaction even though they are a prerequisite for satisfaction. In a nutshell they are competence and accessibility
- Performance factors: these are the factors that lead to satisfaction if fulfilled and can lead to dissatisfaction if not fulfilled. These include reliability and friendliness.
- Excitement factors: these are factors that increase customers' satisfaction if fulfilled but does not cause dissatisfaction if not fulfilled. In other words, positive performance on these attributes has a greater impact on overall satisfaction than negative performance. Excitement factors surprise the customer and generate "delight."

Zeithaml, Bitner & Gremler(2009) identified the combination of following elements for measuring satisfaction; perception of service quality, price, product quality, personal factors and situational; this is illustrated in **Fig-1**below.

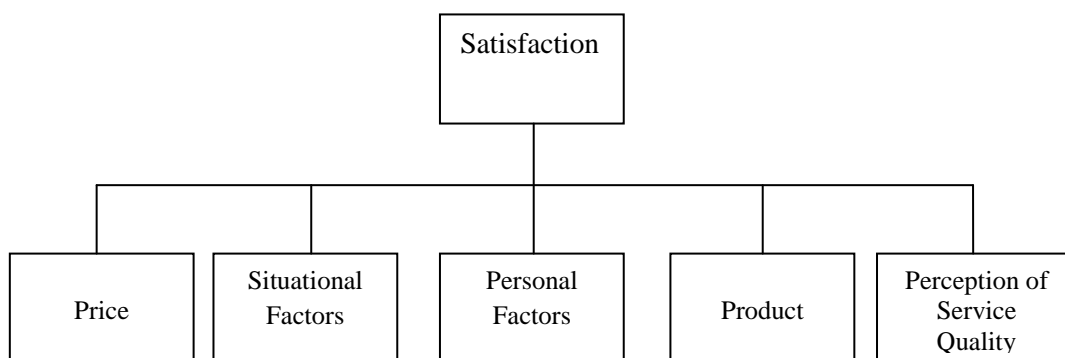


Figure-1 Satisfaction components (Source: Adapted from Zeithaml, Bitner and Gremler (2009))

2.2 Moderating effect of Demographics and Situational factors on Customer Satisfaction

Demographic information allows researchers to obtain characteristics of their sample therefore making the classification of the data more meaningful (Elanain, 2003).

Other studies found that there are differences in shopping behaviour when it involves gender (Foucault & Scheufele, 2002). Gender is important in the Arab world, for instance females prefer to go to banks that have

dedicated female branches. Other research supports the need to have banks that are in line with the social and religion values of the customer (Jabnoun &Khalifa, 2005). Women-only branches are preferred because they are in line with social and religious values for some customers.

Bryant et al. (1996) conducted a study on 400 companies using the American Customer Satisfaction Index (ACSI) and demonstrated that there is significant relationship and consistent differences in the levels of satisfaction among demographic groups

Palvia and Palvia (1999) found out that age is a significant determinant of satisfaction with information technology industry. Oyewole (2001) in his research on customer satisfaction with airline services reported also that gender, occupation, education, and marital status have significant influence on customer satisfaction, while age and household income had no significant influence.

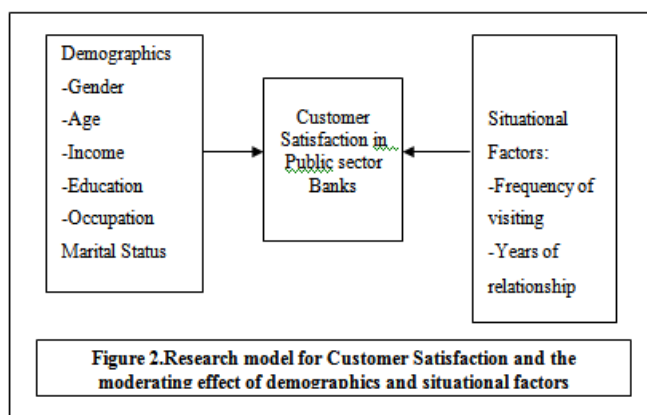
According to Ogden & Ogden (2005) the most important demographic information is 'marital status' because it shows if customers are buying for themselves, for a spouse, or a family with children. Education level is an important demographic information because as customers `become more educated they demand different products and different levels of service (Kent & Omar, 2003).

Kotler& Armstrong (2010) suggest there has been an increase in educated people in the United States and this leads to an increase in the demand for quality products.

A study by Kim & Jin (2002), looked at the number of visits the customers made to their preferred discount shop in Korea and USA, but there were no further analyses made to find any correlations between the number of visits and the different dimensions.Income has a relationship with purchasing decisions, thus high income customers gather information prior to buying a product and this may have an influence on satisfaction (Homburg &Giering, 2001).

From this literature review, it is suggested that consumers differ in behaviors and attitudes and one of the factors responsible for this difference is demographics. It is therefore necessary to investigate the moderating effect of demographic factors (age, gender, type of employment, marital status and income) and situational factors (frequency of visits, years of relationship) on customer satisfaction.

III. Model and Hypotheses



Hypotheses

The study considered the moderating effect of variables which included 6 demographic factors: (i) Gender (ii) Age (iii) Income (iv) Education (v) Occupation (vi) Marital Status and two situational factors (i) Frequency of visiting the bank (ii) Years of relationship with the bank. The review of literature indicated that the customers differ in their satisfaction levels. The difference may be due to some demographic factors and situational factors. The hypotheses were formulated as under:

- H1:** There would be a significant difference in the Customer satisfaction of SBI customers on the basis of gender.
- H2:** There would be a significant difference in the Customer satisfaction of the SBI customers on the basis of age.
- H3:** There would be a significant difference in the Customer satisfaction of the SBI customers on the basis of income.
- H4:** There would be a significant difference in the Customer satisfaction of the SBI customers on the basis of educational backgrounds.

H5: There would be a significant difference in the Customer satisfaction of the SBI customers on the basis of Occupation.

H6: There would be a significant difference in the Customer satisfaction of the SBI customers on the basis of marital status.

H7: There would be a significant difference in the Customer satisfaction of the SBI customers on the basis of frequency of visiting the Bank.

H8: There would be a significant difference in the Customer satisfaction of the SBI customers on the basis of years of relationship with the Bank.

IV. Methodology

The research has been conducted in the tricity region of Chandigarh, Panchkula and Mohali. The three branches of State Bank of India with 300 customers have been selected for the present study through convenient sampling technique and data and information pertain to the year 2012-2013. **Customer Satisfaction** was operationalised by 12 items which measured overall general satisfaction. It included items related to concern for customers needs, fair charges, services as value for money, procedures of the bank and overall delight in choosing the bank. All items were measured on the five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Thus the score ranged from (12-65). The validity of the questions for measuring customer satisfaction was checked through reliability coefficient Cronbach's alpha (the value was .887). In order to accomplish the objectives, T-test and Anova have been applied.

V. Results and Discussions

5.1 The Demographic and Situational characteristics of customers

The demographic characteristics of customers of the public sector bank were analysed and the results are presented in **Table-1**. Results of description showed that the SBI sample consists of greater percentage of males customers (62.9%) than female customers. Majority of the respondents/customers (76.5%) were in the age group 25-40 years. Most of the customers were Post graduates (73.5%). Majority of the respondents belonged to the salaried class (61.4%). Most of the customers had an annual income of up to 5 lacs (62.9%). The respondents of the SBI had a greater percentage of married customers (64.4%) than the unmarried customers. The frequency of visiting the bank was the maximum for monthly visitors (62.1%). When the years of relationship were considered, maximum number of respondents belonged to greater than 5 yrs group (59.1%).

Table-1 Demographic and Situational Characteristics of the Customers

Particulars	Frequency	Percent
Gender		
Male	166	62.9
Female	98	37.1
Age		
<25 yrs	16	6.1
25-40 yrs	202	76.5
>40 yrs	46	17.4
Annual Income		
Upto 5 lacs	166	62.9
5 lac-15lac	84	31.8
>15 lac	14	5.3
Education		
Graduate and below	70	26.5
Post Grad and above	194	73.5
Occupation		
Salaried	162	61.4
Business	22	8.3
Retired	12	4.5
Housewife	20	7.6
Student	48	18.2
Marital Status		
Married	170	64.4
Unmarried	94	35.6
Frequency of visiting the bank		
Once a week	24	9.1
2-5 times/week	32	12.1
Fortnightly	44	16.7
Monthly	164	62.1
Years of Relationship		
<1 year	14	5.3
1-2 years	40	15.2
2-5 years	54	20.5
>5 years	156	59.1

5.2 Difference in the customer satisfaction of SBI Customers on the basis of Gender

Independent t-test revealed (Table-2) that there was a significant difference in the Customer satisfaction of SBI customers on the basis of Gender (t=2.227). The calculated t-value is greater than the table value. Thus Hypothesis H.1 for significant difference based on gender was accepted.

Table -2 T-test for the difference in the customer satisfaction of SBI Customers on the basis of gender and marital status

Group Statistics						
	Gender	N	Mean	Std.	t-value	
Customer Satisfaction	Male	166	39.40	8.305	2.227*	
	Female	98	41.59	6.649		
	Marital Status		N	Mean	Std.	t-value
	Married	170	39.53	8.019	1.97*	
	Unmarried	94	41.45	7.240		

*0.05 level of significance

5.3 Difference in the customer satisfaction of SBI Customers on the basis of Marital Status

Independent t-test revealed (Table 2) that there was a significant difference in the Customer satisfaction of SBI customers on the basis of Marital status (t=1.97). The calculated t-value is greater than the table value. Thus Hypothesis H6 for significant difference based on marital status was accepted.

5.4 Difference in the customer satisfaction of SBI Customers on the basis of Age, Income, Education, Occupation, Frequency of visiting and Years of Relationship with the bank

ANOVA test indicated (Table-3) that there was a significant difference in the Customer Satisfaction of SBI customers on the basis of age, occupation and frequency of visiting the bank (F calculated is greater than the table value at 5% level of significance). Hence Hypotheses H2, H5, H7 based age, occupation and frequency of visiting the bank respectively are accepted. The remaining hypotheses H3, H4, H8 for significant difference based on income, education, and years of relationship with the bank were not accepted for customer satisfaction.

ANOVA test for the difference in the customer satisfaction of SBI Customers on the basis of Age, Income, Education, Occupation, Frequency of visiting and Years of Relationship with the bank

ANOVA					
	Customer Satisfaction	Sum of Squares	df	Mean Square	F
Age	Between Groups	1405.558	3	468.519	8.367*
	Within Groups	14558.563	260	55.994	
	Total	15964.121	263		
Annual Household Income	Between Groups	207.179	3	69.060	1.140
	Within Groups	15756.942	260	60.604	
	Total	15964.121	263		
Education	Between Groups	199.984	2	99.992	1.656
	Within Groups	15764.138	261	60.399	
	Total	15964.121	263		
Occupation	Between Groups	2308.725	4	577.181	10.947*
	Within Groups	13655.396	259	52.724	
	Total	15964.121	263		
Frequency of visiting the Bank	Between Groups	3077.057	3	1025.686	20.693*
	Within Groups	12887.064	260	49.566	
	Total	15964.121	263		
Years of Relationship with the Bank	Between Groups	245.480	3	81.827	1.353
	Within Groups	15718.641	260	60.456	
	Total	15964.121	263		

*0.05 level of significance

Table 4 Mean and Standard Deviation of the Customer Satisfaction of SBI customers on basis of Age, Occupation and frequency of visiting the bank

Age		Total Customer Satisfaction
<25	Mean	40.50
	N	16
	Std. Deviation	8.181
25-40	Mean	39.17
	N	202
	Std. Deviation	7.970
>40	Mean	44.70
	N	46
	Std.	4.821
Occupation		
Salaried	Mean	39.41
	N	162
	Std.	7.235
Business	Mean	35.09
	N	22
	Std. Deviation	13.578
Retired	Mean	36.25
	N	12
	Std. Deviation	4.224
Student	Mean	45.58
	N	48
	Std.	4.748
Housewives	Mean	41.85
	N	20
	Std.	2.300
Frequency of visiting the bank		
Weekly	Mean	48.17
	N	24
	Std. Deviation	6.391
2-5/week	Mean	33.44
	N	32
	Std. Deviation	4.704
Fortnightly	Mean	39.09
	N	44
	Std.	6.675
Monthly	Mean	40.67
	N	164
	Std.	7.572

VI. Conclusion

When customer satisfaction was analyzed it was observed that there was a significant difference in the Customer satisfaction of SBI customers on the basis of gender, marital status, age, occupation and frequency of visiting the bank. The male customers of the SBI were more delighted and pleased with the bank as compared to the female customers. The married customers were more pleased and satisfied as compared to the unmarried customers. The students group was the most satisfied followed by the housewives and the salaried class. When the satisfaction levels were analyzed on the basis of frequency of visiting the bank it was found that the weekly visitors were the most satisfied as compared to the monthly and fortnightly visitors

Thus, this present research concluded that customer satisfaction is one of the most important factors in the public sector banks. The finding reinforces the need for banks managers to place an emphasis on satisfying the customers and take into account the moderating effect of demographics and situational factors. The managers should periodically assess and monitor customer satisfaction levels in their banks and recognize its importance in developing and maintaining enduring relationship with their customers as crucial parameters leading to increased performance.

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