

Customer Satisfaction: A Comparative Study of Public and Private Sector Banks in Bangladesh

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Abstract: The purpose of this study is to compare the customer satisfaction in public and private sectors banks operating in Dinajpur city of Bangladesh. The data were collected through a structured questionnaire utilizing a five point Likert scale. For statistical analysis of data, mean and standard deviation were used. The number of participants was 160 customers (80 from private banks and 80 from public banks). The results reveal significant differences between public and private sector banks with regard to customer satisfaction. The customer satisfaction in private bank is more as compared to public sectors banks. The service quality dimensions of tangibles, responsiveness, reliability, assurance and empathy influence the customers overall satisfaction. The tangibility dimension is found to be the most influential predictor of customer satisfaction, whereas empathy dimension is the least satisfaction influencing factor with customer satisfaction. The results of this research will be helpful to the bank managers and other stakeholders in order to assess the service quality of banks in Bangladesh and also help to take a better strategy to satisfy their existing customers' demands and requirements in the competitive business environment.

Keywords: customer satisfaction, public sector banks, private sector banks, service quality

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I. Introduction

Banks play a very significant role for the development of economy of a nation. Modern banking system is the key to growth and development of trade and commerce. In Bangladesh, nationalized commercial banks were established in 1972 through amalgamation of twelve commercial banks that were operating in pre-independent of Bangladesh. But, these banks could not play the adequate roles in the implementation of governmental plans and policies. Therefore, a trend of de-nationalization of banks started from mid 80's. In order to provide more credits and advances to local investors and businessmen, the private sector banking had been introduced. Now, the banking sector in Bangladesh operates in a more competitive environment than in the past. Due to the globalization and free market economy, this industry is facing severe competition in Bangladesh. Competition among banks is growing all the time and that is why providing good services to customers is becoming more and more important for these banks. To survive in the market, banks have to deal various types of customer everyday and give various types of services. The goal for every bank should be to make its customers satisfied. Customer is called the king of market. It is clear that if the bank can make the customer satisfied, the customer will come back again to the bank and the customers might also tell to some of their friends and relatives about the good services they got. So, for achieving the primary objective of any bank, creating new customers and retaining the existing one are very important. Quality in service has become an important factor in business enterprises especially for banking sectors. So, it is necessary to measure the service quality of banks. This paper tries to measure the customer satisfaction both in private and public sectors banks operating in Bangladesh.

II. Objectives of The Study

The objectives of the study are as follows:

- To identify various factors of customers' satisfaction of both private and public sectors banks in Dinajpur city of Bangladesh.
- To know in which service quality dimension the bank is performing well and in which dimension it needs improvement.
- To evaluate the impact of service attributes offered by the banks on the level of satisfaction of customers.

III. Literature Review

Customer satisfaction is a marketing term that measures how products or services supplied by a company meet a customer's expectation. It is the best indicator of how likely a customer will make a relation with a company. A customer can be defined as an individual or business that purchases the services produced by the business organizations. The efficiency of a banking sector depends upon how best it can deliver services to its target customers. Customer satisfaction of a bank is a measure how services supplied by a bank meet a customer's expectation. Every rationale customer compares the cost and benefit of any product or service. Customer satisfaction is a relative term and therefore it is difficult to determine. The level of satisfaction varies from person to person, product to product and service to service. Customer satisfaction aids to repurchase product that ultimately leads to increase the brand loyalty of business organization. **Kotler and Armstrong (2012)** stated that customer satisfaction is the degree to which a product's perceived performance matches a buyer's expectations.

Kaura (2013) has done a research on customer loyalty in Indian commercial banks. She categorized service convenience into decision convenience, access convenience, transaction convenience, benefit convenience and post benefit convenience. According to her, decision convenience influences customer satisfaction more than the other dimensions of service convenience.

Akhtar et al. (2016) suggested that service quality, customer satisfaction, loyalty programs have positive impact on customer loyalty so bank should introduce more loyalty programs to their loyal customers to satisfy them and also provide them best service quality to retain them.

Ali and Raza (2015) found that the multidimensional service quality scale is positively and significantly associated with the unidimensional scale of customer satisfaction.

Paul et al. (2016) carried out comparative analysis to examine the impact of various service quality variables on the overall satisfaction of customers and compare the private and public sector banks using a sample from India. They argued that the components of service quality that are positively associated are not the same in public sector banks as they are in private sector banks. Appearance is the only factor that is negatively associated with satisfaction of customer both in private and public sector banks.

Bilika et al. (2016) advocated that service quality has a positive and significant effect on customer satisfaction and that customer satisfaction bears a strong influence on customer loyalty.

Ragavan and Mageh (2013) measured the influence of service quality dimensions on customer overall satisfaction. The result demonstrates that the most important service quality practice on customer satisfaction is responsiveness as it is perceived as a dominant service quality.

However in other study, customers are equally satisfied with both in Conventional and Islamic banks and also no difference of customer satisfaction was found from different regions (**Lone et al., 2017**).

In the light of the above studies, it can be concluded that there are very few studies focusing on a comparative analysis of service quality on customer satisfaction in public and private sector banks in the context of Bangladesh.

IV. Research Methodology

The study is based on a survey conducted in Dinajpur city with the help of primary and secondary data. The data collection took place from July to September 2017. Data were collected using the questionnaire and personal contact approach. Bilingual questionnaires (i.e., Bangla and English) were used for collection of data. Secondary data were collected from the books, magazines, periodicals and websites. Simple random sampling technique is adopted for collection of primary data. It included equal proportion from both private and public sector banks. Data were collected from four public banks viz., Sonali Bank Ltd., Agrani Bank Ltd., Rupali Bank Ltd., Janata Bank Ltd. and four private banks viz., Bank Asia Ltd., South Bangla Agricultural and Commerce Bank Ltd., Bangladesh Commerce Bank Ltd, Dutch-Bangla Bank Ltd. in Dinajpur city. It was planned to select 20 customers randomly from each bank making a total of 160 customers (80 from public sectors banks and the rest 80 from private sectors banks) as sample by making personal visit to the respective bank. The service quality model developed by **Parsuraman et al. (1988)** has been used to measure the service quality of banks. According to this model, customers can evaluate a firm's service quality by comparing their perceptions of its service with their own expectations. The questionnaire was a SERVQUAL one consisting of 20 statements in 5 key dimensions namely tangibles, reliability, responsiveness, assurance and empathy and each dimension has its own attributes. The list of service attributes based on different service dimensions are ranked and rated by the customer to identify the importance of each service attribute. The Likert scale used for the measurement of satisfaction level is:

- Strongly disagree= 1,
- Disagree= 2,
- Neutral= 3,
- Agree= 4,

Strongly agree= 5.

After the data have been collected, these were entered into Microsoft excel and were prepared for analysis. For analysis of the data, weighted mean and standard deviation of satisfaction level had been used.

V. Analysis & Interpretation of Data

Demographic Profile of the Respondents:

In this study, the demographic profile in terms of gender, age, duration of account with the bank etc. are categorized and their responses were analyzed as shown in the following Table 1 in order to show the diversity of participants of both private and public sector banks.

Table 1: Demographical data of the respondents

Type	Public Sectors Banks		Private Sectors Banks	
	N	%	N	%
Gender:				
Male	60	75	65	81
Female	20	25	15	19
Age:				
Less than 25 Years	10	12	1	2
25 - 35 Years	30	38	33	41
36 - 46 Years	25	31	29	36
47 - 57 Years	12	15	13	16
Above 57 Years	3	4	4	5
Educational Qualification:				
Primary	5	6	10	13
Secondary	18	22	21	26
Higher Secondary	19	24	21	26
Graduate	28	35	17	21
Postgraduate	10	13	11	14
Occupation:				
Business	25	31	43	54
Govt. Job	27	34	9	11
Private Job	17	21	19	24
Housewife	7	9	6	7
Others	4	5	3	4
Monthly Family Income:				
Less than Tk. 10000	13	16	8	10
Tk. 10000 - 15000	12	15	11	14
Tk. 15001 - 20000	22	28	21	26
Tk. 20001 - 25000	21	26	12	15
Above Tk. 25000	12	15	28	35
Duration of Account:				
Less than 1 Year	13	16	14	17
1 - 5 Years	34	42	47	59
6 - 10 Years	18	23	13	16
11 - 15 Years	10	13	4	5
Above 15 Years	5	6	2	3

Source: Primary Data, 2017

The results in Table 1 show that male participants are the majority respondents as represented by 75% in public sector banks and 81% in private sectors banks. In both sectors, male customers are dominated. In regard to age type in both sector banks the greater part of respondents' age is in the range of 25 - 35 years. If we see the occupation then majority respondents have govt. job in public banks, whereas in the private banks, the businessmen are the major respondents. The larger part of customers' educational qualifications in public banks is graduates and in private banks is higher secondary. Concerning the monthly family income, the respondents of public banks have less income than private banks. Lastly, in regard to duration of account with the bank, the larger number of respondents has been a customer for a period of 1 - 5 years in both sectors of banks.

Dimension-wise Service Quality Analysis:

In this study, service quality for private and public sector banks was measured through the questionnaire in which respondents were required to indicate the extent to which they agree or disagree with each attribute of service dimensions namely tangibility, reliability, assurance, responsiveness and empathy. The statistical analysis and explanations of these service attributes are depicted in the Tables below:

Table 2: Perceptions of customers in relation to banks tangibility

Service Attributes	Public Sectors Banks		Private Sectors Banks	
	Mean Scores	S.D.	Mean Scores	S.D.
1. Bank has modern-looking equipments & technology.	3.74	0.78	4.39	0.65
2. Employees of the bank are neat & tidy in appearance.	3.74	0.73	4.45	0.57
3. The interior and exterior of bank is visually appealing and spacious.	3.27	1.11	4.21	0.69
4. The bank is located in suitable place.	3.65	1.13	4.04	0.70
Weighted Mean & S.D	3.60	0.94	4.27	0.65

Source: Computed Data

The data in Table 2 fetch to light the distinction in the perceptions of the banks—public sectors banks and private sectors banks with their relevant customers on tangibles dimension. More mean and less standard deviation indicates more important factors for customer satisfaction. In case of all the attributes of tangibility the mean ranks of private banks are higher than the public sector banks. Public banks have a weighted mean value of 3.60 and standard deviation of 0.94. On the other hand, private banks have a weighted mean value of 4.27 and standard deviation of 0.65. This clearly reveals that private sector banks provide better tangible services and indicates that in case of private banks the physical facilities are more attractive and the employees are also more impressive in their appearances than the public banks. The lowest satisfaction mean score for public banks is for the visibility of interior and exterior side of banks and for private banks, the lowest mean is for the location of bank attribute. It is also apparent that among all the attributes of tangibility dimension, the neat and tidy appearance of employee has shown the highest satisfaction mean score in both private and public sector banks.

Table 3: Perceptions of customers in relation to banks reliability

Service Attributes	Public Sectors Banks		Private Sectors Banks	
	Mean Scores	S.D.	Mean Scores	S.D.
1. Whenever I request for banking service, bank provides it at the promised time.	3.54	0.84	4.08	0.67
2. Always bank maintains error-free records service.	3.63	0.75	4.13	0.62
3. Whenever I experience problem, bank staffs handle it sincerely.	3.24	0.85	4.04	0.72
4. Whenever I request for service viz., cash deposit, cash withdrawal, bank statement, etc., bank staffs provide it as promised.	3.51	1.03	3.96	0.61
Weighted Mean & S.D	3.48	0.87	4.05	0.66

Source: Computed Data

Results in Table 3 indicate the major variations in the observation of public sectors banks with their respective customers when this is compared with private sector banks. Private sector banks have an average mean score of 4.05 with standard deviation of 0.66 and public sector banks have an average mean score of 3.48 with standard deviation of 0.87. This implies that customers are more satisfied with private sector banks than in

public sector banks. The factor wise analysis of reliability dimension explains that customers feel the private banks have better ability to perform the promised services dependably and accurately. On the other hand, in public sector banks the highest attribute for reliability dimension is maintaining error free record service by the bank. The lowest satisfaction mean score for public sector banks is marked for the attribute i.e. whenever customer experiences problem, the bank staffs handle it clearly. Private sector banks are better in case of showing interest in solving customer’s problems and performing right service at the first time.

Table 4: *Perceptions of customers in relation to banks assurance*

Service Attributes	Public Sectors Banks		Private Sectors Banks	
	Mean Scores	S.D.	Mean Scores	S.D.
1. I always feel safe in my transactions & dealing with bank.	3.90	0.69	4.29	0.64
2. Always employees of bank have the knowledge to answer my questions.	3.34	0.93	4.00	0.68
3. Every time employees in bank are constantly courteous & polite with me.	3.18	1.08	4.28	0.66
4. The bank has experienced management team.	3.31	0.95	4.00	0.78
Weighted Mean & S.D	3.43	0.91	4.14	0.69

Source: Computed Data

The factor wise analysis of assurance dimension illustrates that private sectors bank is greater than the perceptions of their customers than public sector banks (Table 4). Both in private and public sectors banks, felling safe in transactions has the greatest mean score than the other attributes. Courteous and polite behavior of employee in public banks shows the lowest mean score among all the attributes. The satisfaction scores for all attributes of assurance dimension in private sector banks are satisfactory. On the other hand, in public sector banks, the average mean score for all attributes are not up to the standard. That is why customers are more satisfied in all attributes for assurance dimension in private sector banks than in public sector banks.

Table 5: *Perceptions of customers in relation to banks responsiveness*

Service Attributes	Public Sectors Banks		Private Sectors Banks	
	Mean Scores	S.D.	Mean Scores	S.D.
1. Whenever I need service, bank staffs give me quick service.	3.65	0.77	4.25	0.50
2. Always bank staffs are enthusiastic to solve customer problems.	3.45	0.88	4.14	0.73
3. Whenever I ask for service, bank staffs serve me readily in a good manner.	3.38	0.95	4.04	0.74
4. Customers requests are handled promptly.	3.35	1.00	4.03	0.76
Weighted Mean & S.D	3.46	0.90	4.12	0.68

Source: Computed Data

The Table 5 exhibits the different attributes mean score for responsiveness dimension for both private and public sector banks. Analysis clearly shows that private sector banks exceed the level of satisfaction of their customers when compared to public sectors banks in respect of responsiveness dimension. The weighted mean ranks of all the items under the responsiveness dimension are higher in case of private sector banks (4.12) in comparison to the public sector banks (3.46). Among the attributes of responsive dimension, the customers’ requests are handled promptly has the lowest satisfaction level in both sector banks. The highest satisfaction mean score in both private and public sector banks has shown .On the other hand, giving quick services to customers by the bank staff has shown the highest satisfaction mean score in both sector banks.

Table 6: Perceptions of customers in relation to banks empathy

Service Attributes	Public Sectors Banks		Private Sectors Banks	
	Mean Scores	S.D.	Mean Scores	S.D.
1. All employees in bank pass transactions in a caring manner.	3.63	0.83	3.88	0.57
2. All employees of bank understand my specific needs with a specific attention.	3.31	1.05	3.73	0.55
3. Bank has convenience operating hours to all their customers.	3.46	0.91	3.56	0.74
4. Bank has convenient branches and operates in extended hours to all its customers without spending much time on long queues.	3.25	1.09	3.50	0.85
Weighted Mean & S.D	3.41	0.97	3.67	0.68

Source: Computed Data

In case of the service dimension for empathy there is little significant difference in any of the attributes between the private and public sectors banks (Table 6). The weighted mean score is almost the same in public and private sectors banks. The factor i.e. passing transactions in a caring manner has the highest satisfaction scores in both sector banks. On the other hand, the lowest mean for public banks is the case for spending customers' much time on long queues and this is also the same in private sector banks.

VI. Conclusion & Recommendation

In modern competitive business environment meeting up of customer satisfaction is important. Customer satisfaction varies according to the nature of the services provided by banks. According to the study, the highest customer satisfaction is shown in the tangibility dimension for both private and public sector banks. The tangibility attributes such as, modern looking equipment, the neat and tidy appearance of employees, the suitable location of banks influence highly the customer satisfaction. The almost same satisfaction level is shown in the responsive dimension such as- whenever service needed bank staff gives quick services, solving customers' problems etc. On the other hand, moderate satisfactions are in the reliability areas such as maintaining error free record, giving services at promised time etc. This is followed by assurance areas such as feeling safe in transactions, banking knowledge of employee etc. Customer level of satisfaction for the empathy dimension does not differ significantly in both private and public sectors banks which mean that operating hour of banks and employee desire to understand the customers do not differ much in both sector banks. After all, from the above study, it can be concluded that when the attribute-wise analysis is made, the private sector banks have contributed much to their customers than by public sector banks in all the service attributes and in all perspectives. Hence, the customers are more satisfied with private banks than in public sector banks.

In order to satisfy the customers, both public and private sector banks need to find out the weak areas to assist the managers to take plan and decisions for meeting up the customers' requirement. As the average satisfaction level for all dimensions of public sector banks is lower than private sector banks, the public sector banks should emphasize more on improving the services in terms of tangibility, reliability, responsiveness, assurance and empathy. Courteous and polite behaviors of employee are essential to satisfy the customers in public sector banks. They should have appealing and spacious comfortability conditions, audio visual screen, public notice board etc. Moreover, both public and private sectors banks should give more attention to increase the satisfaction level with empathy dimension as it has shown the lowest weighted mean satisfaction level. This can be possible by passing transactions in a caring manner, having convenience operating hours and also convenient branches and outlets to all their customers. On the whole, both sector banks need to focus on customers' oriented services in order to achieve success of business.

VII. Limitations of The Study

Some limitations have been observed during this research. The study is geographically restricted to Dinajpur city only and does not represent the whole state, which makes it difficult to generalize the findings. Moreover, limited number of banks was covered under the study and the actual respondent numbers were meager because of limited time period. Finally, the result is based on primary and secondary data that has its own limitations.

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