

**A STUDY ON CUSTOMER ATTITUDES TOWARDS  
SERVICE QUALITY ATTRIBUTES OF PUBLIC AND  
PRIVATE SECTORS BANKS IN EAST GODAVARI  
DISTRICT**

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### **1. Introduction**

The banking industry in India has undergone sea change since post independence. More recently, liberalization, the opening up of the economy in the 90's and the government's decision to privatize banks by reduction in the state ownership culminated in the banking reforms based on the recommendations of Narasimham Committee. The prime mover for banks today is profit, with clear indications from the government to perform or perish. Banks have also started realizing that business depends on client service and the satisfaction of customer and this is compelling them to improve customer service and build up relationship with customers. In the organized segment, banking system occupies an important place in nation's economy. It plays a pivotal role in the economic development of a country and forms the core of the money market in an advanced country. The commercial banks in India comprise both Public and private sector banks. There are total 28 Public sector and 27 private sector banks are functioning in the country presently. Banks have to deal with many customers everyday and render various types of services to its customer. It is a well known fact that no business can exist without customers. The banking industry like many other financial service industries is facing a rapidly changing market, new technologies, economic uncertainties, fierce competition and more demanding customers and the changing climate has presented an unprecedented set of challenges. Banking is a customer oriented services industry, therefore, the customer is the focus and customer service is the differentiating factors.

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## 2. Need for the Study

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. In the organized segment, banking system occupies an important place in nation's economy. It plays a pivotal role in the economic development of a country and forms the core of the money market in an advanced country. The main objective of this study is to find the interrelationships between service quality attributes, customer satisfaction and customer loyalty in the retail banking sector in East Godavari District. The study sought to identify the most important attributes in bank settings, which may be used to review characteristics of the banks as experienced by customers. This study suggests that a customer attitude towards SERVQUAL [service quality model] is a suitable instrument for measuring the bank service quality in the East Godavari District context. Therefore, bank managers can use this instrument to assess the bank service quality in East Godavari District.

## 3. Objectives of the Study

1. To study bank keeps best interest of the customers at heart
2. To study how the customers are perceiving the services offered by the public and private sectors banks in east Godavari district
3. To identify bank's pay individual attention to customers
4. To know all the staff members are technical savvy
5. To know staff members are having problem solving skills

## 4. Methodology of the Study

### 4.1 Sources of Information:

**4.1.1 Primary Sources:** This study focuses on primary data. A primary survey has been conducted to discover the factors which are instrumental to the customer in forming attitudes. Therefore several important attributes have been found and customers are surveyed based on those attributes.

**4.1.2 Secondary Sources:** As secondary source, a lot of journals, books and reports related to attitude measurement were used.

**4.1.3 Research Design:** Research design comprises data collection and analysis. This study has utilized survey research methodology and the Chi-square test has been used to assessing the goodness of fit between a set of observed values and those expected theoretically.

**4.1.4 Sample Design:** A total of 480 customers from the population sectors have been selected with following the Convenience sampling method, a non-probability sampling technique. Sample size has been selected after reviewing a lot of literature and study conducted on similar field. The accuracy of

representation also been assured from the evidences of those earlier researches. A total of 480 customers have taken part in interview with structured questionnaire.

### 5. Hypothesis of the Study

1.  $H_0$ : There is significant difference in the perception of customers on the Service Quality dimension of tangibles between Public Sector Banks and Private Sector Banks in Retail Banking.
2.  $H_1$ : There is no significant difference in the perception of customers on the Service Quality dimension of reliability between Public Sector Banks and Private Sector Banks in Retail Banking

**6. Scope of the Study** The scope of the study is confined to gauge customer attitudes towards service quality attributes of public and private sectors banks in east Godavari District. This study will be under taken on the basis of sample survey.

**7. Literature Review** Work done by Berry (Bart Allen) and Brodeur between [1990] and [1998] defined ten “quality values” which influence satisfaction behavior, further expanded by ten domains of satisfaction include: quality, value, timeliness, efficiency, ease of access environment, inter-departmental teamwork, frontline service behavior commitment of the customer and innovation. These factors are emphasized for continuous improvement and organizational change measurement and are most often utilized to develop the architecture for satisfaction measurement as an integrated model.

Work done by Parusuraman, Zenithal and Berry (Leonard L) between [1985] and [1988] provides the basis for the measurement of customer satisfaction with a service by using the gap between the customer’s expectation of performance and their perceived experience of performance. This provides the measurer with a satisfaction “gap” which is objective and quantitative in nature. Work done by Cronin and Taylor propose the “confirmation/disconfirmation” theory of combining the “gap” described by Parusuraman.

The All India Rural Credit Review Committee [1969] observed that commercial banks have generally been more successful than co-operative institutions in mobilizing deposits in the semi-urban areas. This may be partly on account of superior customer services and partly because of a more sustained drive for deposits. The committee further pointed out that an important implication of the challenge which awaits banks generally and co-operative banks in particular is that they can win the confidence and patronage of the prospective depositor, urban or rural, only if they can provide him with banking services attuned to his needs, preferences and ' convenience. What is more important, in providing these services the banks have to display a degree of enterprise and spirit of innovation? The innovation may have to vary from area to area and can only come up from experience depending on the local circumstances and preferences.

The Banking Commission [1972] viewed that proximity of institutions to the depositor and availability of varying schemes tailored to suit the liquidity and other considerations, which weigh with the depositors, the return on deposits appeared to be of some significance. Hence the effects of administered interest rates on bank deposits need to be studied carefully and a well thought out comprehensive approach to the question of the structure of interest rates on deposits worked out. It is necessary for banks to take into account the motivation for savings to attain a larger measure of success in deposit mobilization from small persons. While the efforts that the banks have been taking to mobilize deposits have to continue, it is important to see that the standard of services for the existing depositors is also maintained at a high level.

The PEP Committee [1977] opined that the rationale behind the need for a business plan or performance budget is that banking operations should be re-oriented to provide better service and to obtain the maximum business growth by adopting a market approach. Banks world over have been making increasing use of Marketing approach. It is recognized that market segmentation leads to better quality customer services. The Committee warned that if diversity of market is ignored, it is possible that market opportunities represented by unfulfilled customer needs might be ignored and lost.

The working group on customer service [1977] noted that there was considerable imbalance about the facilities and services offered by banks and the roles they were required to play. Most bank customers are unaware of various schemes and services offered by banks. The group recommended educational campaign to be carried out by banks illustratively and every customer of bank should be provided a booklet containing the range of services offered by banks. The survey conducted by the working group pointed out that by and large less educated people and females are . far away from banks. Since developing banking habits is not a strategy for social uplift only but is equally important a strategy for bank marketing in the long run the committee took serious note on this finding.

American Bankers Association's observation on consumer attitudes [1984] - a three part telephone study of 500 hundred middle income and affluent U.S. households covered competitive advertising and positioning, consumer financial services usage and their perceptions. The survey revealed that though banks were by far still the most popular financial service provider, particularly for traditional accounts like checking, savings accounts and loans, brokers are often the preferred vendors of "newer" more profitable services. The study highlighted a growing perpetual blurring of financial institutions, with all institutions more likely to be perceived to offer "any service", compared to the previous years. 62 percent customers were found confident of the safety of their own money in banks.

## 8. Importance of Attitude in Service Marketing

In the area of service marketing customer's attitude plays an important role for the marketers. It is one of the important determinants in buying behavior. Marketers should always be concerned about the

service related issues which directly affects the customer's attitude. A savvy marketer can build a model for prospecting new consumers from the attributes of a satisfied customer. Direct marketing companies create higher response rates by using look-alike modeling based on existing customers—individuals with a positive attitude. Marketing spans many disciplines including mathematics, and psychology. Math plays an important role is predicting consumer behavior. Understanding the reasons behind consumer behavior requires knowledge of several theories of psychology. These two disciplines combine to aid in the complete rationalization of consumer behavior. Attitudes are easily formed, but difficult to change. Consumer behavior is the study of how a consumer thinks, feels, and selects between competing products. Moreover, the study of attitudes is critical to understanding the motivation and decision strategies employed by consumers. The combination of beliefs, attitudes, and behaviors influence how a consumer reacts to a product or service. Marketers develop relative, compelling marketing messages using the same combination of information, and ultimately influence consumer behavior.

### **9. Factors Affecting Customer's Attitudes in Banking Industry:**

Banking industry is one of the industries where consumer's attitudes play an important role. People deposit their money into the banks and banks on the other hand lend it to different organizations. In a country there exists many financial organizations and different people choose different banks based on their attitudes and preferences. Some people may look for high interest rate and other may look for smooth services. Consumer's attitude towards the banking services depends on several factors. First of all the location of a bank can have different attitudes on people's mind. People may choose a bank which is very near to their home. Some people may choose their financial institutions based on its internal environment. The behavior of the employees plays an important attitude in developing customer's attitude. Here employees should be very much friendly giving much emphasis on customer's preference. Degree of complexity in terms of transactions is another important factor in developing customer's attitude. Some banks have introduced with modern technology which helps to develop positive customer's attitude. Some banks are providing unique services e.g. night banking, online banking which is also helpful to develop positive customers' attitude. Some customers prefer to be given individual care and attention from their financial institution and if they do not receive this, it may have a negative impact on the customers' attitude. Another important factor is customers always want to feel relax about the safety of their deposits. Deposits are the main asset of a bank. Therefore banks should keep customers informed that their deposits are safe which will help to develop a positive attitude to their banks. If a well reputed bank fails to meet customers' expectation, this might negatively affect the brand image of that bank. In addition to this there are some other factors e.g. reliability and credibility, services charge, Objection handling, hospitality, delivering services as promised, variety of products, internal environment, employees skill etc. which are responsible for developing positive or negative attitude of

customer to the banking sectors. Therefore marketer should always be careful in delivering services so that customers can have a positive attitude toward their services.

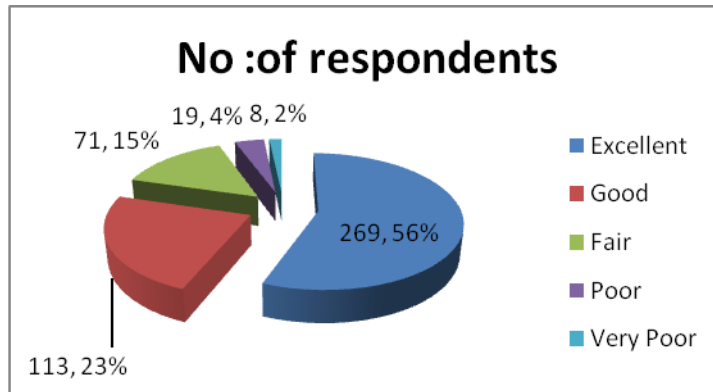
**Most prominent factors taken into consideration to contribute the service quality of banks**

S.No	Prominent Factors
1	Feeling safe in transacting with the bank
2	Bank keeps best interest of the customers at heart
3	Employee courteous
4	Employee's understanding on the specific needs of the customer
5	Provision of prompt services to customers willingness of employees to help
6	Immediate solutions to customer problems
7	Immediate solutions to customer problems
8	Providing up to date information to customer
9	Motivating the customers
10	Speedy action of the staff members
11	Employee's knowledge to answer customers' questions
12	Update communication material
13	Building confidence of customers
14	Information network
15	To identify bank's pay individual attention to customers
16	To know all the staff members are technical savvy

**10. Data Interpretation and Analysis**

**1. Employees trustworthy**

Employees Trustworthy		
Rating	No :of respondents	% of respondents
Excellent	269	56.04
Good	113	23.54
Fair	71	14.79
Poor	19	3.95
Very Poor	08	1.66
Total	480	100

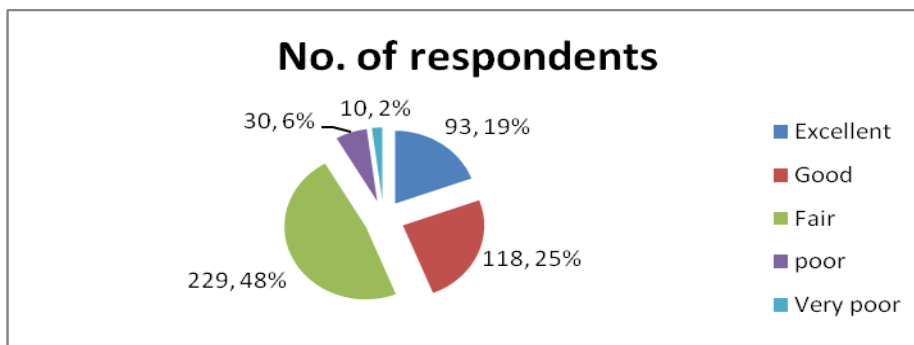


### Data Interpretation

The diagram explains about that 56% are accepting the fact that employees are trust worthier in nature and the remaining percentages are differing in their views. The inferences from the analysis are drawn below and they are as follows: Trust helps avoid or eliminate bureaucracy, unnecessary process, and excessive oversight that can both inhibit innovation and slow progress. It is by building trust that organizations can create high performing teams. Rust in the workplace boils down internalizing the idea that a company is a team of interconnected people that have to move together to be most effective, rather than islands of individuals jockeying for position.

### 2. Bank keeps best interest of the customers at heart

Rating	No. of Respondents	% of respondents
Excellent	93	19.375
Good	118	24.58
Fair	229	47.08
Poor	30	6.25
Very Poor	10	2.08
Total	480	100

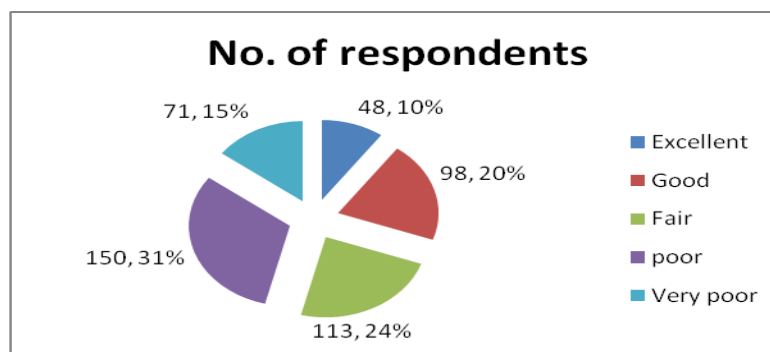


### Data Interpretation

The diagram explains about that 19% are accepting the fact that bank keeps best interest of the customers at heart and the remaining percentages are differing in their views. The inferences from the analysis are drawn below and they are as follows: Since the 2008-2009 global financial crises, banks have focused on rationalizing products, trimming costs and regaining customers' trust. Most have been bystanders as other industries applied digital technologies to reinvent the customer experience and deliver satisfying and meaningful experiences that meet if not exceed consumer expectations. Customer experience is much more than a flashy mobile app or sticky Web site. In actuality, it includes four main components. These are user experience, Next best action, Omni-channel, process digitalization. User experience (UX) is an intuitive, simple and exciting digital interaction that personalizes account on boarding and customer service. Next best action (NBA) is Relevant and timely advice that adds value to the customer-bank relationship. NBA helps banks acquire new accounts, increase wallet share and decrease attrition. Omni-channel is Orchestration of service delivery across multiple channels without loss of context and continuity so that the customer experience is connected and consistent. Process digitization is Flawless connection of the digital front-end experience to back-end people, processes and systems. To create this experience, banks need to progressively build the required capabilities and enablers, including design thinking, a UI/UX strategy, segmentation, personas, journey mapping, analytics, mobile platforms, Agile development methodologies and big data analytics.

### 3. Employee understands on the specific needs of the customer

Rating	No. of respondents	% of respondents
Excellent	48	10
Good	98	20.41
Fair	113	23.54
poor	150	31.25
Very poor	71	14.79
Total	480	100



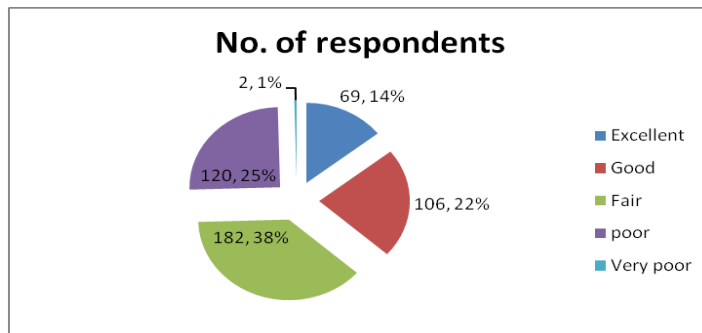


**Data Interpretation**

The diagram explains about that 10 % are accepting the fact employee understands on the specific needs of the customer and the remaining percentages are differing in their views. The inferences from the analysis are drawn below and they are as follows: Banks have to understand the changing needs of customers, their aspirations and expectations to create value. Banks should also have a strong customer relationship management system that would indicate the worth of the customer and be able to understand his needs while interacting with him, so as to cross sell their products. To manage growth and continuity in business, human resources play an important role. The new generation private sector banks and foreign banks enjoy a lead in this regard when compared to PSBs and old generation private sector banks. Skill sets of employees need up gradation so as to make them more comfortable with the latest technology that will increase their comfort level while educating customers to use the same in their day to day dealings..Banks may follow a feedback system to know the customer expectations for improving the level of customer satisfaction to maximum level. Remarks on service reliability should be continuously obtained from customers. This will enhance their service quality to a large extent.

**4. Provision of prompt services to customer’s willingness of employees to help**

Rating	No. of respondents	% of respondents
Excellent	69	14.375
Good	106	22.08
Fair	182	37.91
Poor	120	25
Very Poor	2	0.41
Total	480	100



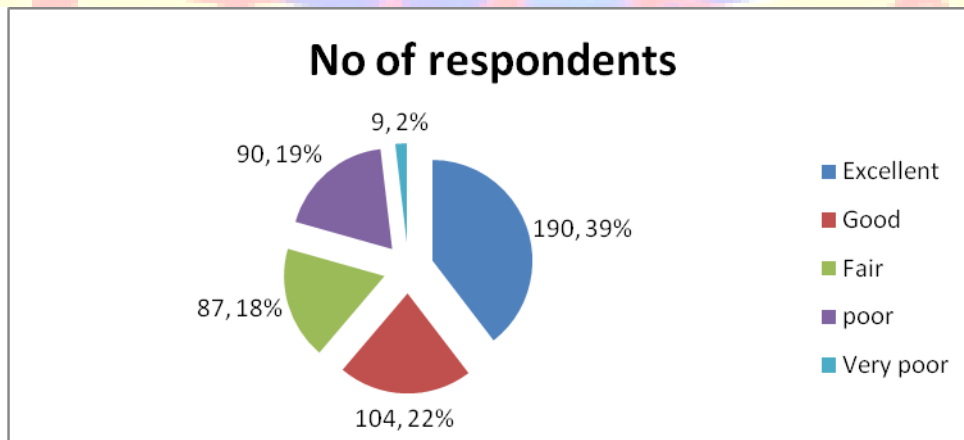
**Data Interpretation**

The diagram explains about that 14.375 % are accepting the fact provision of prompt services to customer’s willingness of employees to help and the remaining percentages are differing in their views. The inferences from the analysis are drawn below and they are as follows: Customers want to

count on their providers. They value that reliability. Don't providers yearn to find out what customers value? This is it. It's three times more important to be reliable than have shiny new equipment or flashy uniforms. Service providers have to do both. But providers' first and best efforts are better spent making service reliable. Service providers must communicate their expertise and competencies – before they do the work. This can be done in many ways that are repeatedly seen by customers, such as Display industry certifications on patches, badges or buttons worn by employees, Include certification logos on emails, letters & report, Put certifications into posters, newsletters & handouts. By communicating competencies, providers can help manage customer expectations. And influence their service quality assessment in advance.

**5. Information Network**

Rating	No of respondents	% of respondents
Excellent	190	39.58
Good	104	21.66
Fair	87	18.125
poor	90	18.75
Very poor	9	1.875
Total	480	100



**Data Interpretation**

The diagram explains about that 39.58 % are accepting the fact information network and the remaining percentages are differing in their views. The inferences from the analysis are drawn below and they are as

follows: Core banking became possible with the advent of computer and telecommunication technology that allowed information to be shared between bank branches quickly and efficiently. Before the 1970s it used to take at least a day for a transaction to reflect in the account because each branch had their local servers, and the data from the server in each branch was sent in a batch to the servers in the data center only at the end of the day. Over the following 30 years most banks moved to core banking applications to support their operations where core Banking may stand for "centralized online real-time exchange". This basically meant that all the bank's branches could access applications from centralized data centers. This meant that the deposits made were reflected immediately on the bank's servers and the customer could withdraw the deposited money from any of the bank's branches. Core banking solutions is jargon used in banking circles.

### 11. Chi-Square Analysis for Prominent Factors



## 12. Findings

- Public sector banks are satisfying and focusing on three segments like high class ,middle class and lower class customer because of maintaining minimum balance is less to open and operating the account where as in private banks providing prompt services but minimum balance is high in open up and operating the account. Public sector banks concentrate large number of small and

S.No	Prominent Factors	O	E	(O-E)	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E	
1	Feeling safe in transacting with the bank	480	238	242	58564	246.1	
2	Bank keeps best interest of the customers at heart	480	247	233	54289	219.8	
3	Employee courteous	480	243	237	56169	231.1	
4	Employee's understanding on the specific needs of the customer	480	253	227	51529	203.7	
5	Provision of prompt services to customers willingness of employees to help	480	255	225	50625	198.5	
6	Immediate solutions to customer problems	480	237	243	59049	249.2	
7	Immediate solutions to customer problems	480	245	235	55225	225.4	
8	Providing up to date information to customer	480	227	253	64009	282.0	
9	Motivating the customers	480	215	265	70225	326.6	
10	Speedy action of the staff members	480	221	259	67081	303.5	
11	Employee's knowledge to answer customers' questions	480	217	263	69169	318.8	
12	Update communication material	480	225	255	65025	289.0	
13	Building confidence of customers	480	234	246	60516	258.6	
14	Information network	480	222	258	66564	299.8	
15	To identify bank's pay individual attention to customers	480	203	277	76729	378.0	
16	To know all the staff members are technical savvy	480	210	270	72900	347.1	
	<b>Total</b>						4377.2
	<b>Chi-Square Calculated Value</b>						43.77
	<b>Chi-Square Tabulated Value</b>	30.84 with degree of freedom 15 at 5% L.O.S					
	<b>Remarks</b>						Rejected
	<b>Hypothesis</b>						H <sub>1</sub> is not significant

medium customers where as private banks concentrates on small no of high net worth individuals in the society.

2. Customers have negative attitudes on nationalized commercial banks on most of the attributes e.g. internal environment, ATM services, skilled employees, objection handling, hospitality, degree of complexity, office automation, updated information and so on.
3. The study also found that private commercial banks performed well on most of the attributes like internal environment, ATM services, updated information, skilled employees, and timeliness of services, office automation, and hospitality and so on.
4. Finally the study has also identified that customers feel secured in depositing their money in nationalized commercial banks. They also believe that nationalized commercial banks are more reliable and credible.
5. Reliability and credibility has been found the most important attribute followed by security of deposits, updated information, and smooth services and so on.

### 13. Recommendations

After analyzing the outcome of the survey analysis the study has recommended some of the strategies which might be effective in gaining positive customer's attitudes for the banking industry. These are:

1. In public sector banks have to hire young staff and assign more number of responsibilities. They are able to bare the hectic pressures because they belong to 'Y' generation and especially have good hold on latest technologies and able to deliver the services in a speedy manner.
2. Public sector banks associate with the technology and good infrastructure (ambience) in order to draw the attention of the customer and satisfy them by providing timely and efficient service to customers.
3. Banks should focus more on safety and security of deposits as well as reliability and credibility. Especially it is important for the private commercial banks since customers feel unsecured in depositing their money in those banks
4. Irrespective of the type of banks, the gap between the customer's expectations and perceptions on the responsiveness (Respond quickly, promptly, rapidly, immediately, instantly) dimension is the highest. In private and public sector banks honest, discipline and trust worthy employees, reasonable interest rates found. In federal bank and private banks found trained, friendly employees and simple loan procedures. The challenges faced to deliver services as expected by customers are handling customer attitude, difficulty in communicating with customer. In foreign banks customer is having high expectations, no recovery of loans and maintaining rapport and communication with customer.
5. Nationalized commercial banks should introduce more ATM services since they are lagging behind in this particular segment. At the same time survey outcome shows that customers prefer more and available ATM services. International Journal of Managing Value and Supply Chains

6. Nationalized commercial banks should increase their technological competencies to compete with other banks.
7. Service charges of private commercial banks are found a bit higher by the survey outcome. It can be reduced in correlation with services. More comprehensive training should be given to the employees of nationalized commercial banks so that they can deliver services effectively.
8. Nationalized commercial banks can offer a convenient business hours for the specific group of customers so that they can compete in this particular segment. Night banking service for the executive can be introduced. 8 to 8 banking and 365 days banking by IndusInd bank is really a good thought in providing the services to the customers.
9. Nationalized commercial banks should provide quick and updated service to their customers. Nationalized commercial banks need to improve their internal environment since customers have negative attitude on it.
10. Private commercial banks: a good customer-banker relationship can be developed in order to assist them to become more dependable and creditable to their customers.
11. There is a significant difference of SERVQUAL between private and public sector banks in Kakinada and Rajahmundry.
12. The dimensions of SERVQUAL gap in banks exhibits a similar pattern for all the areas in East Godavari District.
13. In private and public sector banks assurance gap is highest. Irrespective of the banks, train the human resource to answer or respond to the customer queries patiently. Lack of patience found in more number of banks and in some of the banks govt. servants are not tolerating the customer. If continues the customer switch over to private and foreign banks where ever the service is good, because he is living in global era not traditional era. He has “N” number of choices and always the money lending organizations run behind him for deposits and loan in order to improve organizational performance.

***“A MAN IS BUT THE PRODUCT OF HIS THOUGHTS. WHAT HE THINKS, HE BECOMES. YOU MUST BE THE CHANGE YOU WISH TO SEE IN THE WORLD.”***

## **14. Conclusion**

Measuring customer's attitude has become an important phenomenon in the service industry. As a service industry banks should deliver quality services so that customers are satisfied and have positive attitudes towards the services. The study has been conducted in East Godavari District and found some important attributes regarding customer's attitude in order to compare between private commercial banks & nationalized commercial banks. It has been found from the study that customers give much emphasis on the safety and security of their deposit items. The study also has found that customers have more positive attitude on private commercial banks. It should be mentioned that attitude are not permanent. Attitude changes as the services changes. Therefore the study recommends the banks to improve the quality of services further. This is virtually a partial study for evaluating the customer's attitude because all the variables have not been taken for consideration for attitude measurement. The study has been conducted despite some of the limitations. The study proposes to contribute to the economic and social viewpoint in the country.

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