A Study on Service Attribute Factors Affecting Customer Satisfaction and Loyalty: Government Commercial Banks in Batticaloa District

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Abstract

Customer satisfaction and loyalty remain key issues of marketing scholars and marketers and will remain so in the future. There is considerable evidence that customer satisfaction and loyalty depend on service quality and lead to the higher profitability of the business. Quality in service can be determined by the extent to which customers' needs and expectations can be satisfied (Banerjee, 2012). Main purpose of this study is to examine to what extent Government Commercial Banks in Batticaloa District to make customers satisfaction and loyalty a special focus of its basic banking service, advanced banking service and cost & prestige issues of service received. Researcher adopted quantitative methodology and structured questionnaires for data collection. Descriptive statistics were used for data analysis. Results showed that there is a significant relationship observed among advanced service, cost & prestige and customer satisfaction. There is an insignificant relationship observed between basic service and customer satisfaction and finally a positive significant relationship observed between customer satisfaction and customer loyalty relationship.

Key Words: Customer Satisfaction; Government Commercial Bank; Customer Loyalty

Introduction

Service sector holds significant portion (61.2% in 2015) in the Sri Lankan Gross Domestic Production. Within the huge service sector, the banking sector is one of the most prominent institutions to provide support service to both industry and agriculture. Customer needs have been rapidly changing in day by day due to stiff competition in both local and international market. According to Aggarwal and Singh (2004) under such competitive environment, only those who deliver superior value to their consumers on a continuous basis could survive and grow.

In today's business, a customer lost is a customer gained for a competitor. Due to stiffer market competition, commercial banks need more efforts to be done to retain their existing customers, i.e. as much as they do on acquiring them (R. Khouri, H. Boulos, 2013).

Banking industry in Sri Lanka has become more integrated especially private commercial banking with privatization, liberalization, deregulation and change in the technological environment. Therefore, this has created a highly competitive market environment in the government banking industry as the business environment is very dynamic, competitive and complex environment where financial products and services offered by the commercial banks have only minor differences, where the industry situation is having a tremendous increase in customer demand and this require greater transformation with intense focus on customer satisfaction and loyalty.

This research is conducted to study the efforts of Bank of Ceylon and People's Bank to make customers satisfaction and loyalty a special focus of its basic banking service, advanced banking service and cost & prestige issues of service received. Therefore, the following research problem is advanced for investigation in this research.

"To what extent Government Commercial Banks in Batticaloa District to make customers satisfaction and loyalty a special focus of its basic banking service, advanced banking service and cost & prestige issues of service received.?"

Research Objective

From the already identified research problem the following research objective has been derived. Hence this research is carried out with the following specific research objective.

- To find out the level of influence of basic service on customer satisfaction.
- To find out the level of influence of advanced service on customer satisfaction.
- To find out the level of influence of cost & prestige on customer satisfaction.
- To examine whether there is a positive relationship between customer satisfaction and customer loyalty.

Literature Review

Customer satisfaction and loyalty remain key issues of marketing scholars and marketers and will remain so in the future. There is considerable evidence that customer satisfaction and loyalty depend on service quality and lead to the higher profitability of the business. Quality in service can be determined by the extent to which customers' needs and expectations can be satisfied (Banerjee, 2012). Delivering superior service quality to customers

in today's business environment is very crucial and important due the stiff competition in the market. The ability to provide high service quality will strengthen the image, enhance retention of customers, attracting new potential customers via positive word-of-mouth and eventually increase the profit of the business (Zeithaml, 1996). Service quality is one of the critical elements in determining the success and the competitiveness of a particular organization. Organizations such as banks can distance themselves from the competitors by performing high quality services for their customers. Service quality is one the favorite areas of researchers in their studies in retail banking industries (Johnston, 1997). Service quality has been considered as one of the most critical elements in the retail banking industry (Stanford, 1994). Zeithaml et al. (1990) found that in order for business organizations to be successful and survive in the competitive environment, the most critical strategy is to deliver superior service quality to their customers. Customer service quality is the driving force in both the traditional and virtual business worlds. In today's dynamic business environment, it is about building and sustaining a strong relationship with an organization's customers by understanding the ingredients of customer satisfaction (Banerjee, 2012).

Methodology

Quantitative methodology was adopted for this study. Thus survey method was used for this study.

Sample Selection

According to the Central Bank of Sri Lanka (2015), there are 13 licensed commercial banks (LCBs) with 124 Outlets (Banks and other outlets i.e. savings and pawing centres) in Batticaloa District. However, 02 Government licensed commercial banks with 78 outlets

(Banks and other outlets i.e. savings and pawing centres) chosen for the study. Hence researcher distributed 04 questionnaires in each outlet .

Data Collection Methods and Instruments

Structured questionnaires were used to collect data. These questionnaires consist of two parts. They are customer oriented practices and profile of organization. Likert scale of 1-5 which ranges from "Strongly Disagree" to "Strongly Agree" was applied in the part I of the questionnaire to identify responses on customer orientation. Furthermore each

institution was considered as the unit of analysis. Therefore one questionnaire was given to the marketing manager in each institution.

Data Analysis and Evaluation

Descriptive analysis was used for data analysis. Hence under the descriptive analysis, mean and standard deviation were derived. Statistical package of SPSS 13.0 has been used for this purpose. Furthermore criteria shown in table 1 were adopted to evaluate mean values. This was established to determine the degree of customer orientation.

Table 1. Evaluation Criteria for Mean Values

Range	Degree
$1 < X_1 =< 2.33$	Low level
$2.34 < X_1 =< 3.66$	Moderate level
$3.67 < X_1 =< 5$	High level

Source-Developed for this study

Data Analysis, Findings and Discussion

Descriptive statistics such as mean and percentage were used to measure the percentage of variables and also used to describe the mean of dependent and independent variables. Table 2 shows the mean value of basic service was 4.22 and standard deviation (.63469). The mean value of advanced service was 3.9780 and standard deviation (.65003). The mean value of cost and prestige was 3.9820 and standard deviation (.66551). The mean value of customer satisfaction was 4.0540and standard deviation (.60024).

The mean value of customer loyalty was 4.2060 and standard deviation (.49682) with minimum value was 1.00, and the maximum value was 5.00 and therefore variability of each factor is measured in terms of standard deviation.

Table 2 Descriptive Statistics (Survey, 2013)						
Factors	**Statements**	*X*	*V*	**Average** *X*	**Average** *V*	
Basic Service *(Independent variable)*	Help in Opening Account	4.1900	.84918	4.2200	.63469	
	Advice on deposit	4.1400	.91032			
	Deposit is Secure	4.4800	.59425			
	Credit Facilities	4.0700	1.03724			

	Security in Bank Premises	4.2200	.75985		
Advanced Service *(Independent variable)*	New Facilities for customer	3.9000	.92660	3.9780	.65003
	Overtime Banking Facilities	3.7000	1.03962		
	Good Internal Physical Environment	4.1600	.82536		
	Confidentiality on Deposit	4.1800	.77041		
	Available Service Provider	3.9700	1.00960		
Cost and Prestige *(Independent variable)*	Responsive to Customer Complain	3.9400	.89691	3.9820	.66551
	Convenient Service Charges	3.9500	.88048		
	Friendly Attitude	3.9600	.90921		
	Positive Mentality	4.0700	1.01757		
	Contribution for Society	3.9900	.94810		
Customer Satisfaction *(Intervening variable)*	Ease of Transaction	3.9700	.91514	4.0540	.60024
	Prompt Service	4.0400	.85185		
	Getting Advice	4.0100	.92654		
	Arrangement for Customer	4.1100	.88643		
	Attractive Interest Rate	4.1400	.75237		
Customer Loyalty *(Dependent variable)*	Value Added Service	4.1300	.69129	4.2060	.49682
	Interested to Deposit	4.2900	.59110		
	Take Credit Facility	4.2100	.79512		
	Inform New Banking Service	4.1100	.77714		
	Strong Relationship with bank	4.2900	.70058		

Conclusions

Measuring customer satisfaction and loyalty relationship in terms of basic service, advanced service, cost & prestige investigated therefore positive significant relationship observed among advanced service, cost & prestige and customer satisfaction and loyalty relationship and insignificant for basic service employed by Government Commercial Banks. The customer becomes very much dynamic and the customer satisfaction relationship may fluctuate suddenly; therefore, special concentration of Government Commercial banks on basic service should be employed for maximizing customer value and preferences for making them satisfied and loyal. Employees should be well trained to understand the needs and preferences of customers and provide services accordingly that the organization is supposed to provide for its customers. Customer satisfaction and loyalty relationship in terms of service quality dimensions is complex and dynamic. Therefore special attention from service providers on customer value maximization and expectation fulfilment should be employed in order to make them satisfied and loyal.

With the growing up of the world economy, a dramatic change has been observed in the

banking sector. This has brought higher employment opportunities, increases in income level, and changes in consumption patterns and consequently there emerges a competitive environment.

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