

IMPACT OF SERVICE QUALITY ON CUSTOMER SATISFACTION OF ICICI BANK

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ABSTRACT

Banks play a vital role in economy of any nation. Banks like other service providing firms always try to improve their service quality to make customers satisfied with their services in order to maximize sales. No Banking firms can survive without a good service quality. The purpose of this research is to understand the customer's satisfaction with respect to service quality of ICICI bank. The data was collected from both primary and secondary resources. A structured questionnaire was designed to collect data through a survey administered on 120 customers to find out the correlation between service quality and customer satisfaction of ICICI bank. The study finds that there is strong positive correlation between service quality and customer satisfaction ($r = 0.836$) and service quality has positive impact on customer satisfaction. It is quite clear from the result that good services give more customer satisfaction.

Keywords: Bank, Correlation, Customers Satisfaction, Economy, Service Quality.

INTRODUCTION

ICICI was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian industry. The principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian businesses. In the 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services group offering a wide variety of products and services, both directly and through a number of subsidiaries and affiliates like ICICI Bank. In 1999, ICICI become the first Indian company and the first bank or financial institution from non-Japan Asia to be listed on the NYSE. ICICI Bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. ICICI's shareholding in ICICI Bank was reduced to 46% through a public offering of shares in India in fiscal 1998, an equity offering in the form of ADRs listed on the NYSE in fiscal 2000, ICICI Bank's acquisition of Bank of Madura Limited in an all-stock amalgamation in fiscal 2001, and secondary market sales by ICICI to institutional investors in fiscal 2001 and fiscal 2002.

Service quality can be defined as the difference between customers' expectations of service and their perceptions of the actual service performance.

A consumer's evaluation of service quality is the gap between the customer's expectations of service and the customer's assessment (perception) of the service actually delivered. Service quality is the core concept for ensuring a successful supply of services in general. This holds in particular for the private banking sector, which is a clean service industry in which the service is performed almost completely in the attendance of the customer. Private banking involves

insubstantial goods requiring the participation of the customer in the process. In such a setting, bank services aim to optimize the service quality in order to attain a superior outcome level. The outcome of service quality, what firms expand by delivering a high-quality service, is the return on quality concept, and service profit chain. Service Quality establishes linkages between the value of the service, customer loyalty, customer satisfaction, service quality, and financial results. Service quality can be defined as the customer's satisfaction with the actual performance of the service.

After consideration of various corporate structuring alternatives in the context of the emerging competitive scenario in the Indian banking industry, and the move towards universal banking, the managements of ICICI and ICICI Bank formed the view that the merger of ICICI with ICICI Bank would be the optimal strategic alternative for both entities, and would create the optimal legal structure for the ICICI group's universal banking strategy. The merger would enhance value for ICICI shareholders through the merged entity's access to low-cost deposits, greater opportunities for earning fee-based income and the ability to participate in the payments system and provide transaction-banking services. The merger would enhance value for ICICI Bank shareholders through a large capital base and scale of operations, seamless access to ICICI's strong corporate relationships built up over five decades, entry into new business segments, higher market shares in various business segments, particularly fee-based services, and access to the vast talent pool of ICICI and its subsidiaries.

ICICI Bank's equity shares are listed in India on Bombay Stock Exchange and the National Stock Exchange of India Limited and its American Depositary Receipts (ADRs) are listed on the New York Stock Exchange (NYSE).

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ICICI Bank (formerly Industrial Credit and Investment Corporation of India). ICICI Limited was established by the World Bank, the Government of India and the Indian Industry, for the promotion of industrial development in India by giving project and corporate finance to the industries in India. ICICI Bank has grown from a Service quality can be defined as the difference between customers' expectations of service and their perceptions of the actual service performance. ICICI highlighted that a consumer's evaluation of service quality is the gap between the customer's expectations of service and the customer's assessment (perception) of the service actually delivered. Service quality is the core concept for ensuring a successful supply of services in general. This holds in particular for the private banking sector, which is a clean service industry in which the service is performed almost completely in the attendance of the customer. Private banking involves insubstantial goods requiring the participation of the customer in the process. In such a setting, bank services aim to optimize the service quality in order to attain a superior outcome level. The outcome of service quality, what firms expand by delivering a high-quality service, is the return on quality concept, and service profit chain. Heskett, establish linkages between the value of the service, customer loyalty, customer satisfaction, service quality, and financial results. Service quality can be defined as the customer's satisfaction with the actual performance of the service.

LITERATURE REVIEW

Khare (2011) has conducted a study on "Customers' perception and attitude towards service quality in multinational banks in India". The research attempts to understand the Indian customer's perceptions towards the service quality of multinational banks. It was concluded from the study that to be successful in banking. Banks would have to understand the expectations of the Indian customers. The research attempts to identify the customers' perceptions about multinational banks. It can help these banks in planning their marketing strategies and expanding in the smaller cities of the country. The results show that Indian customers are positive towards the multinational banks and consider them efficient and competent. For a country where banking sector liberalisation is in full swing, the findings can help banks in understanding the expectations of the customers.

Prabaharan & Ananth (2011) conducted study on "Service Quality Gap Analysis in Private Sector Banks - a Customers Perspective". They found in his study that bank should deliver superior quality to retain existing customers as well as to attract new customers. Banks have to understand the changing needs of customers, aspirations and expectations to create value. 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. This will enhance their service quality to a large extent.

Bhatia & Lohani (2012) conducted study on "Assessment of Service Quality in Public and Private Sector Banks of India with Special Reference to Lucknow City". This study compares customer's perceptions of service quality of both public and private banks of India. They concluded in their study that in the modern marketing customer satisfactions is of paramount importance. The respondents of both the banks mostly concentrate on the staffs of the banks for improving customer satisfaction while the bank have more concentration on the tangible factors like computerization, physical facilities, etc. to attract the customers. If banks want to sustain customers on a long term basis, bankers should work towards 100% customer satisfaction that automatically foster customer delight.

Thangapandi & Gobinath (2016) conducted study on "A Study on Customer Service Quality of Banks in Tamilnadu". In their study concluded that, the banks should focus on pooling and retention of customers. Large database would create a trust and reliability culture which would bring in more and more customers. Addressing to the individual customer needs is one crucial aspect to be considered, as the customer would find himself as a part of the organization. This would build a good relationship between the bank and the customers. Popularizing the bank in the right area adds value to the brand. In the same way foreign banks utilize the proper media resource for promoting their services. It's very important that both the public and the private sector banks come forward and use the same to a greater extent. Public sector banks have been rated second in all parameters except that of responsiveness and private banks stands the last in all the parameters.

Singh & Gupta (2016) conducted study on "Customer's Perception and Satisfaction towards Services of Public & Private Sector Banks". The study analyzed relative customer satisfaction levels of private and public sector banks. They found in their study that Public sector banks should work to win the confidence of salaried class and lower age group customers specially students as these banks had a better image in the eyes of customers of higher age group, businessmen and self-employed people. On the contrary, private sector banks should give much attention to the lower income group customers also because the higher income group found the services provided by these banks to be more effective. Both the private and public sector banks have been empathetic towards their customers because it is the need of the hour in today's competitive world.

Manjunath & Kumar (2012) conducted study on "Service Quality Impact on Customer Satisfaction - A Study of ICICI Bank In Mysore City". They found in their study that the Banking industry is evolving into an exceedingly competitive scene, with both foreign and local players fighting for a share in the customers' minds. Service quality has long been accepted as the most basic marketing tool for bankers to create competitive advantage. Hence there is a need to monitor and maintain the service quality from time to time. The study

revealed that all the dimensions in the ICICI bank positively related to customer satisfaction.

METHODOLOGY

Methodology used for Data Collection: The data were selected from both primary and secondary sources. Data collection instrument which was used is in the form of questionnaire which is designed using Likert scale. The data were collected from 120 respondents of ICICI bank in Delhi city. The techniques used for data analysis were correlation and regression. A structured questionnaire was used in study to collect data.

OBJECTIVES OF STUDY

- (a) To study the relationship between customer satisfaction and service quality of ICICI bank.
- (b) To analyse the impact of service quality on customer satisfaction of ICICI bank.

HYPOTHESIS

- (a) **H_{A1}**: There is significant relationship between customer satisfaction and service quality of ICICI bank.
- (b) **H_{A2}**: There is significant impact of service quality on Customer satisfaction of ICICI bank.

RESULTS AND DISCUSSION

In this study, the main focus is to evaluate the impact of service quality on customer satisfaction of ICICI bank in Delhi/NCR. The questionnaire carried 15 statements on likert scale for both service quality and customer satisfaction. The reliability analysis result showed that the Cronbach’s Alpha was 0.825 for service quality and 0.851 for customer satisfaction. The Cronbach Alpha indicates how well the items in a set are positively correlated to one another. Since, Cronbach’s Alpha value were greater than 0.7, hence, the questionnaire was found to be reliable to be used for the study. The Table 2 depicts that Pearson coefficient of correlation between Customer satisfaction and service quality is 0.836. This signifies that there is Service Quality. The value of P value (sig) is .000 less than chosen significance level of .05, which means alternate hypothesis, is accepted. So it is concluded that there is significant relationship between customer satisfaction and service quality of ICICI bank.

Table 1: Reliability Statistics of Service Quality and Customer Satisfaction

	Cronbach's Alpha	No. of Items
Service Quality	0.825	15
Customer Satisfaction	0.851	15

Regression

For further testing how much impact of service quality is there on the customer satisfaction, regression analysis is applied. This table 3 provides the R and R² values. The R² value (the “R Square” column) is .698, which indicates 69.8% of the total variation in the dependent variable i.e. Customer satisfaction, is explained by the independent variable i.e. Service quality. The Table No. 4 explains how well the regression equation fits the data (i.e., predicts the dependent variable). This table indicates that the regression model predicts the dependent variable significantly well. Here, p is 0.000, which is less than 0.05, and indicates that, overall, the regression model statistically significantly predicts the outcome variable (i.e., it is a good fit for the data). The Table No. 5 provides us with the necessary information to predict customer satisfaction impact from service quality. The values in the “B” column under the “Unstandardized Coefficients” column are responsible to create regression equation.

Regression equation becomes

$$Y=10.367+ 0.819X$$

Y= Dependent Variable i.e. Customer Satisfaction

X= Independent Variable i.e. Service Quality.

The result is indicating that if service quality will be zero than customer satisfaction will be not be zero (10.367) and if we will increase one unit in service quality than customer satisfaction will increase by 0.819 units. It shows that service quality has significant influence on customer satisfaction.

MANAGERIAL IMPLICATIONS

The study provides some implications for banks to re design their service qualities. The banks have to focus on service quality which customers want. Moreover, banks provide their service quality in such a way that customer satisfaction will more.

CONCLUSION

Based on the study it can be concluded that there is high correlation between Customer Satisfaction and Service Quality of ICICI Bank.

It is quite clear from result that good services give more customer satisfaction. The impact of service quality on customer satisfaction is 69.9 %. So service quality is very important for customer satisfaction. Based on the study conducted it can be concluded that responsiveness, assurance and reliability are the critical dimensions of service quality of ICICI bank and they are directly related to overall service quality.

Table 2: Pearson Correlation Test between Service Quality and Customer Satisfaction

Correlations			
		Service Quality (SQ)	Customer Satisfaction (CS)
Pearson Correlation	SQ	1.000	0.836
	CS	0.836	1.000
Sig. (1-tailed)	SQ	-----	0.000
	CS	0.000	-----

Table No-3: Model Summary

Adjusted R Square	Std. Error of the Estimate	Change Statistics				
		R Square Change	F Change	df1	df2	Sig. F Change
0.696	5.73140	0.698	272.854	1	118	0.000

Table No-4: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8962.986	1	8962.986	272.854	0.000
	Residual	3876.180	118	32.849		
	Total	12839.167	119			

Table No-5: Coefficients Statistics

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std Error	Beta		
1	(Constant)	10.367	2.876		3.604	0.000
	SQ	0.819	0.050	0.836	16.518	0.000

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