The Impact of Customer Satisfaction between Private Bank and Public Bank in the Area of Dinajpur, Bangladesh

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Abstract

A good banking sector with a good banking habit can accelerate the pace of development in a country. Banking is a key industry in the service sector and it can be considered as the financial nerve centre of the economy. The study is based on a survey conducted in Dinajpur city with the help of primary and secondary data. 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. Male participants are the majority respondents as represented by 73% in public sector banks and 71% in private sectors banks. In both sectors, male customers are dominated. The larger part of customers' educational qualifications in public banks is Higher Secondary & Post-graduates and in private banks is Post-graduates that the majority respondents are selected 36% of bank account both in Private & public bank, 33% only in public bank and 31% only in private bank. The respondent's average waiting time to receive any service is higher in public sector banks (18.55 ± 10.10) than private sector banks (5.11 ± 1.81). The more respondents say that interest rate is higher in private sector banks (68%) than public sector banks (32%). The customer prefer private sector banks (54%) than public sector banks (46%) in case they have deposit 10 lack taka of the customer prefer private sector banks (56%) than public sector banks (44%) in case of taking loans 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.

Keywords: *Customer, Satisfaction, Organization, Perceptions*

Introduction

A good banking sector with a good banking habit can accelerate the pace of development in a country. Banking is a key industry in the service sector and it can be considered as the financial nerve centre of the economy. Overall service quality level acts as an antecedent for customer satisfaction and it defines the future of any banking organization.

Customer satisfaction is influenced by perception of service quality, product quality and price. Due to globalization and free market economy, banking sector facing severe competition in Bangladesh. Technology has also made tremendous impact by introducing anywhere banking and anytime banking. The financial sector now operates in a more competitive environment than before and involves relatively large volume of international financial flows. In the wake of greater financial deregulation and global financial integration the biggest challenge before the public sector banks is to match market requirement market positioning, cost of intermediation and service delivery are likely to be determinants of the efficiency of banks with respect to their competitiveness. To meet the competition, customer satisfaction is the main objectives of the bank quality of the service is very important specially for growth and development of service sector business enterprise and for evaluating and satisfying customers and thereby increases the customer loyalty and average retention rate of customers. Among the service quality determinants, reliability, assurance and empathy have always played a vital role. In past quality was measured only for the tangible products because of les dominance of service sector in the economy. Due to increasing importance of service sector in the economy, the measurement of service quality is important. This study shows that banking sector of Bangladesh is the growing stage. Customer satisfaction with products or service of a company is considered an important factor leading toward competitiveness and victory (Hennig-Thurau and Klee, 1997). According to Md Abu Saleh (2018), customer satisfaction indicates that how can customer simply evaluation the current performances. Since early 1990s, after the open market policy of the Bangladesh government, this sector has been growing rapidly. In past, customers were simple person and became happy whatever banks dished out to them over the period of a time, with the competition and technological improvements, customers become more aware and conscious. In fact, over the period of time customer service become customer satisfaction.

Current Situation of Private & Public Banks

The current Bangladesh Economic Update focuses that the present situation of banking sector has been deteriorating in terms of growth of credit and disbursement and risk management. Besides this backdrop, questions are being raised concerning the far-sighted deregulation of the financial sector. Growth in investment exerts impact on the growth in GDP. The decline in the growth in credit illustrates the poor condition of investment which might drag down the current growth in GDP. For example, the government requires investment rate to rise at 32.0 percent of GDP for achievement of 7.2 percent rate of growth in GDP in FY 2013-14, some long term issues have been persisting in the banking sector. Growth of credit in private sector registered at 11.07 percent in September 2013 over September 2012,

and it was lower than the growth of 19.88 percent witnessed at the same period in the previous year. Growth of credit in public sector has observed a negative rate of growth of 43.15 percent in July-September, 2013-14 over July-September, 2012-13, which also grew at a negative rate of 4.95 percent over July-September, 2011-12. Low level of demand for credits by the private sector is manifested in the increasing situation of liquidity of the banking sector. Excess of liquidity of the banking business reached over Tk. 83000 crore at the end of November 2013 whereas this was Tk. 80000 crore in July, 2013. Furthermore, the loan-deposit ratio (LDR) has been on a declining trend for the past one year. In September 2013, LDR of the banking business stood at 71.65 percent, meaning that a bank has lent Tk. 71.65 against a deposit of Tk. 100. This ratio was 77.85 percent in the same period of the previous year. Growth of credit in both industry and agriculture has declined. The disbursement of industrial term loan stood Tk. 8880.79 crore in the first quarter of the current FY 2013-14, which is the lowest among the last five quarters. This amount was Tk. 9720.3 crore in the first quarter of the previous FY 2012-13.

The rate of growth of the disbursement of the industrial term loan stood negative at 15.53 percent in the first quarter of the FY 2013-14, compared to the positive rate of growth of 4.49 percent in the last quarter of the FY 2012-13. The current statuses of private and public banks are describe in below:

Credit, Investment and GDP

The failing of the government to achieve growth of credit target is contributing to lower investment. At the same time, the incremental capital output ratio (ICOR) that measures investment required to increase GDP has deteriorated in the past few years. For example, the

government would require investment rate to rise at 32.0 percent of GDP for achievement of 7.2 percent GDP rate of growth in FY 2013-14, if the ICOR remains same of the outgoing year. This tendency of the ICOR is also necessitating greater investment, and thus further growth of credit in the private sector. Moreover, if the existing policies remain unchanged, the savings-investment gap might increase sharply and might continue to increase in the upcoming fiscal years. This gap might increase5.47 percent and 5.81 percent of the nominal GDP in FY 2013-14 and FY 2014-15. Low credit delivery is likely to have an adverse effect on this gap as well.

Credit Disbursement between Private and Public Sector

The target of credit in private sector in the current MPS (Monetary Policy Statement) has been set at 15.5 percent by December 2013. This target is 3.0 percentage points less than the target (18.5 percent) of previous monetary policy statement.

Table 1: Targets and Achievements

Particulars	Target	Actual
Credit to the Private Sector	The credit in private sector to grow by 15.5 percent in December 2013.	The rate of growth on credit to private sector declined to 8.89 percent in July-May 2012-13 from targeted 18.5 of previous MPS.
Net Domestic Assets	Target set at 16.8 percent by December 2013.	The net domestic assets increased by 8.69 percent till July-April, 2013* against the target of 18.4 percent in previous MPS

Source: Unnayan Onneshan, 2013. Abdicating Accountability: The Monetary Policy Statement of July - December 2013

Growth of credit in private sector registered at 11.07 percent in September 2013 over September 2012 and it was lower than the growth of 19.88 percent witnessed at the same time of the previous year. Growth of credit in this sector slowed in recent time mainly due to consecutive contractionary monetary policy taken by Bangladesh bank as well as recent political ambiguity in the country. In public sector it has observed a negative rate of growth of 43.15 percent in July-September, 2013-14 over July-September, 2012-13, which also grew at a negative rate of 4.95 percent over July-September, 2011-12. Domestic credits recorded an increase of 11.52 percent at the end of September, 2013 against the increase of 17.72 percent in corresponding period of the last year.

Table 2: Growth of credit in Private and Public Sector

Particulars	Sep. 2013 over Sep. 2012	Sep.2012 Over Sep. 2011	Jul-Sep 2013-14 over Jul-Sep 2012-13	Jul-Sep 2012-13 over Jul-Sep 2011-12
Domestic credit	11.52	17.72	9.9	15.77
Credit in private sector	11.07	19.88	10.18	16.68
Credit in public sector	-	-	-43.15	-4.95

Source: Author's calculation based on Statistics Department, Bangladesh Bank 2013

Growth of credit in private sector has been declining over the years after October-December, 2012 and projection says that in the first quarter of the 2013 and in the last quarter of the 2014 rate of growth of credit in private sector might decline from 2.21 percent in July-September, 2013 to 1.98 percent in October-December, 2013.
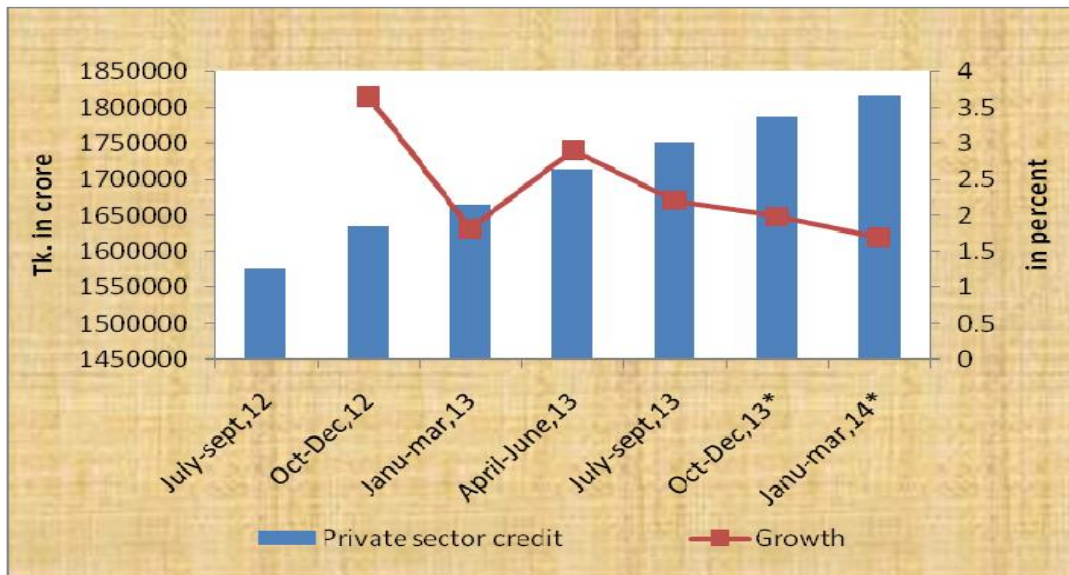
Figure 2: Growth of Credit in Private Sector (quarterly)
Source: Authors calculation based on monthly economic trend, November 2013 Bangladesh Bank.

Liberalizations of Interest Rate and Financial Inclusion

The Bangladesh Bank (BB) introduced a flexible market oriented interest rate policy in January 1990, abolishing the earlier system of centrally administered interest rate structure and providing for sector specific concessional refinance facilities. Banks are now free to fix their rates of interest on their deposits of different types after withdrawal of restriction

about the floor rate of interest in 1997. Banks are also free to fix their rates of interest on lending except for export sector, which has been fixed at 7 percent per annum with effect from January 10, 2004. A high spread could also mean that the deposit rates are unusually low which discourage savings and reduce resources available to finance bank credit.
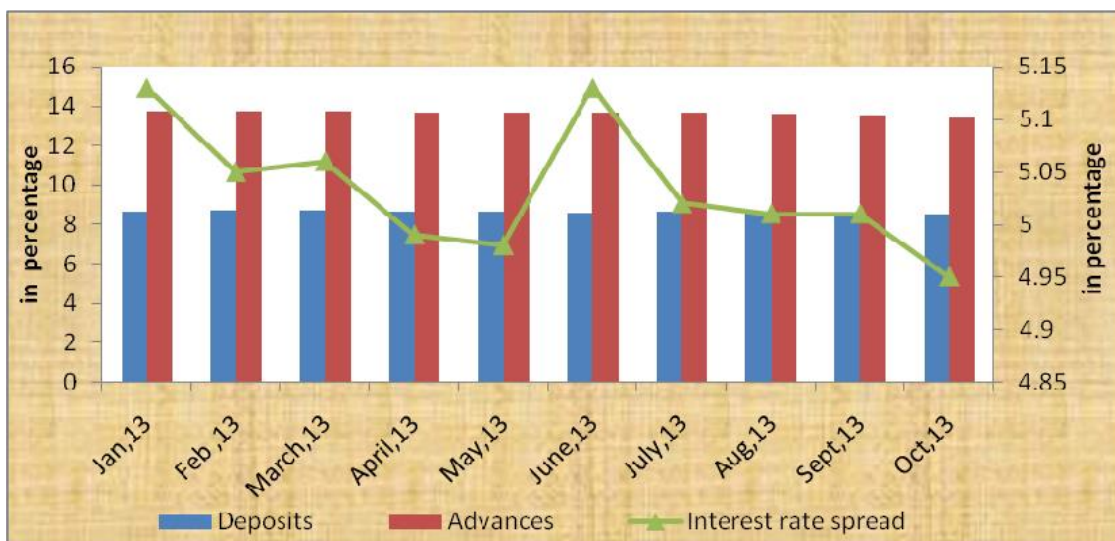

Figure 3: Interest Rate Spread
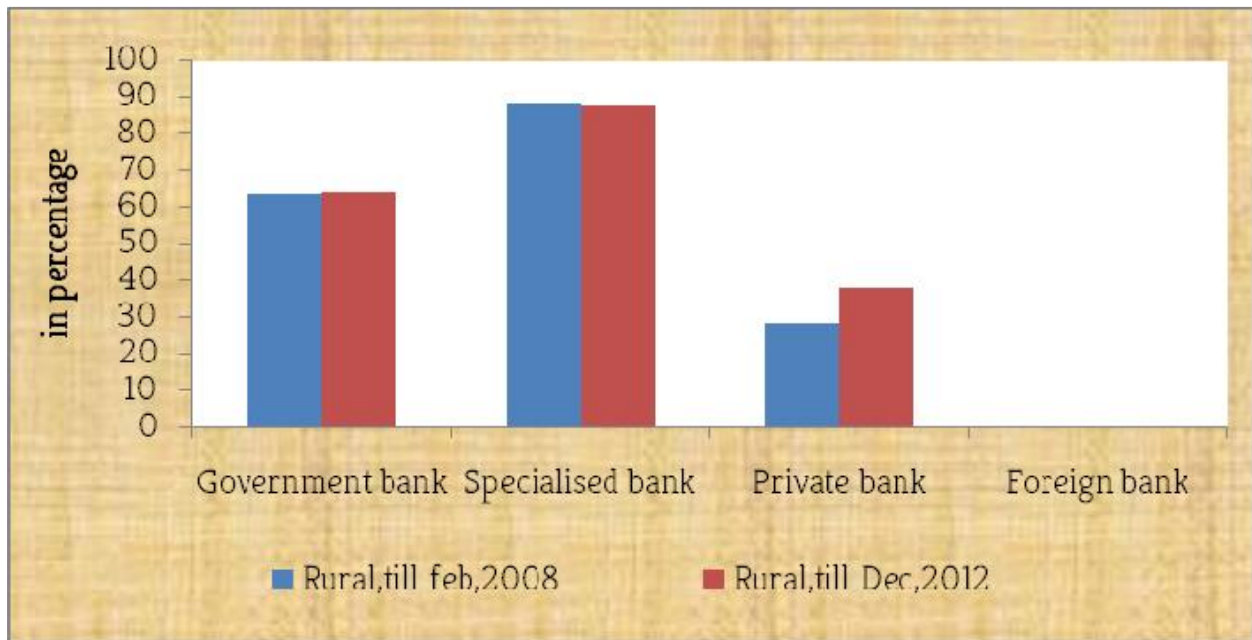**Source: Major Economic Indicators, November 2013, Bangladesh Bank**

Figure 4: Expansion of Bank Branches in Rural Areas
Source: Bangladesh Economic Review 2008 and 2013

Material & Method

Study Period & Data Collection

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 September/2017 to February/2018. 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 dissatisfied= 1,

Dissatisfied= 2,

Neutral= 3,

Satisfied= 4,

Strongly Satisfied= 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.

Result & Discussion
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 3: Demographical data of the respondents

Type			Public Sector		Private Sector	
			N	%	N	%
Gender:						
		Male	24	73	20	71
		Female	9	27	8	29
Educational Qualification:						
		Primary	6	18	6	21
		Secondary	5	16	7	25
		Higher Secondary	8	24	2	7
		Graduate	6	18	5	18
		Postgraduate	8	24	8	29
Monthly	**Family**					
Income:						
		Less than Tk. 10000	7	21	6	21
		Tk. 10000 - 20000	11	34	7	25
		Tk. 20000 - 30000	8	24	6	21
		Tk. 30000 - 50000	6	18	8	29
		Tk. 50000 - 70000	1	3	1	4
Duration of Account:						
		1-5 Years	19	58	16	57
		6-10 Years	13	39	12	43

11-16 Years	1	3	0	0

The results in Table 3 show that male participants are the majority respondents as represented by 73% in public sector banks and 71% in private sectors banks. In both sectors, male customers are dominated. The larger part of customers' educational qualifications in public banks is Higher Secondary & Post-graduates and in private banks is Post-graduates. 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.

Table 4: Perception of respondents according to banks account selection

Both Public & Private		**Only in Public**		**Only in Private**	
N	**%**	**N**	**%**	**N**	**%**
22	36	21	33	19	31

Figure-5: Perception of respondents according to banks account selection

The results in Table 4 & Figure 5 show that the majority respondents are selected 36% of bank account both in Private & public bank, 33% only in public bank and 31% only in private bank.

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 reliability, assurance, responsiveness and empathy. The statistical analysis and explanations of these service attributes are depicted in the Tables below:

Table No-5 Perceptions of customers in relation to average waiting time (minutes)

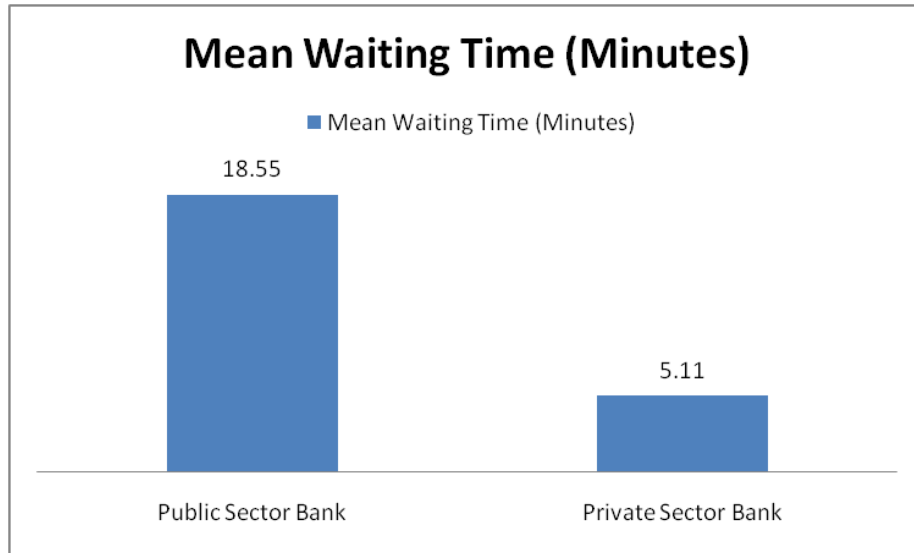| Public Sector Banks		Private Sector Banks	
Mean waiting time	SD	Mean waiting time	SD
18.55	10.10	5.11	1.81

Figure 6: Perceptions of customers in relation to average waiting time (minutes)

The results in Table 5 & Figure 6 show that the respondent's average waiting time to receive any service is higher in public sector banks (18.55±10.10) than private sector banks (5.11±1.81). This implies that customers are more satisfied with private sector banks than in public sector banks.
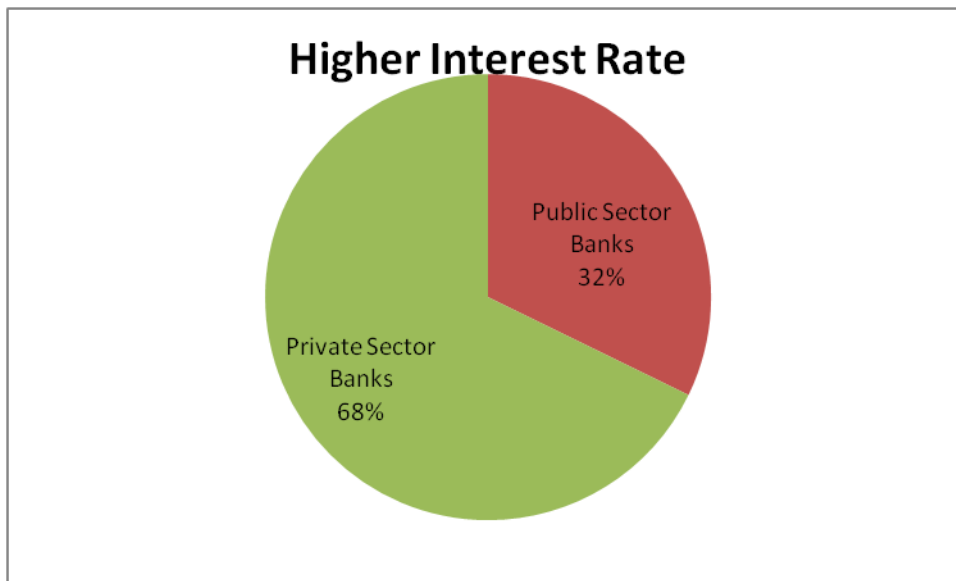
Figure 7: Higher Interest rate in banking sector

The results in Figure 7 show that the more respondents says that interest rate is higher in private sector banks (68%) than public sector banks (32%). This implies that customers are more satisfied with public sector banks than in private sector banks because of higher interest rate.
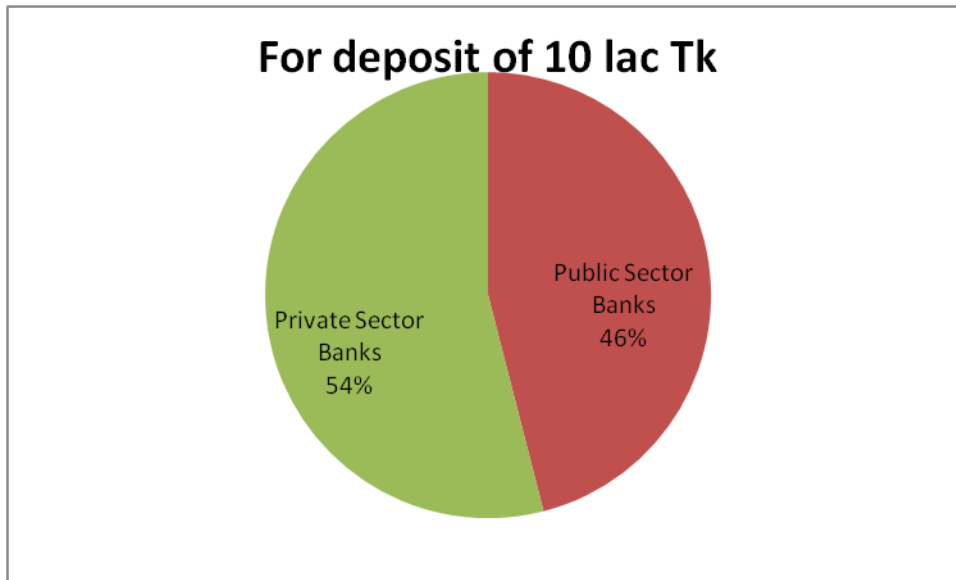

Figure 8: For Deposit of 10 lac Tk customer prefer

Figure 8 shows that most of the customers prefer private sector banks (54%) than public sector banks (46%) in case they have deposit 10 tk. This implies that customers believe that private sector banks are more reliable for deposit their money.
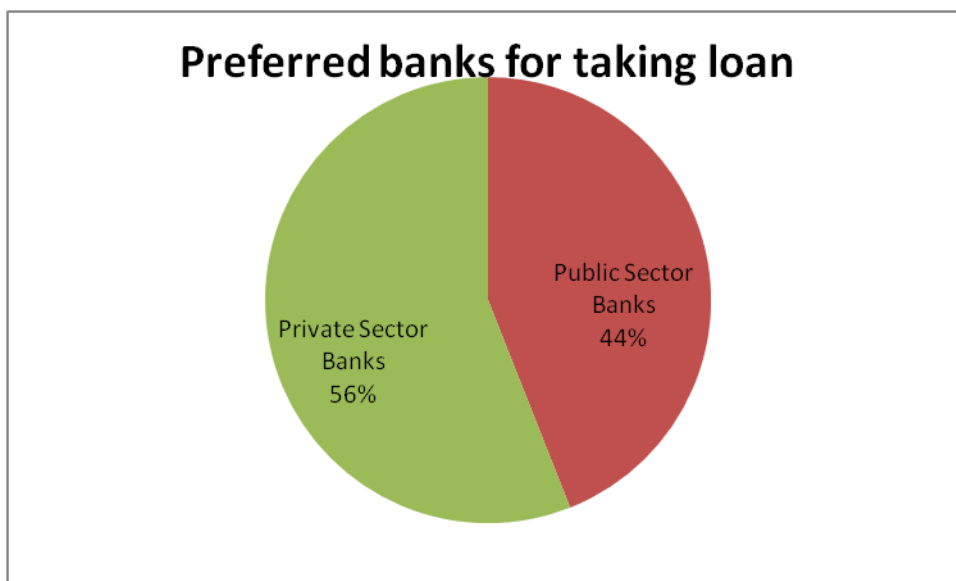

Figure 9: Preferred banks for taking loan

Figure 9 shows that most of the customer prefer private sector banks (56%) than public sector banks (44%) in case of taking loans. This implies that customers believe that private sector banks are more reliable for taking loan.

Table 6: 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.	3.94	0.88	4.52	0.64
3. Whenever I experience problem, bank staffs listen it carefully.	3.25	0.88	3.67	0.63
Weighted Mean & S.D	3.60	0.88	4.10	0.63

Results in Table 6 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 4.10 with standard deviation of 0.63 and public sector banks have an average mean score of 3.60 with standard deviation of 0.88. 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.

Analyzing the impact of customer satisfaction on the basis of private and public bank, Wahidur R (2016) shown that, customer satisfaction is becoming an increasingly salient topic in many firms and customer satisfaction is a measure of how products and services provide by any organization meet the expectations of customer. Silky et al.(2007) stated some of the factors responsible for customer satisfaction. The factors that influence the customer satisfaction are innovative services, network access and technicalities, behavior comfort and large customer will consider service quality as low when the desired performance of services provided by their banks falls to meet up their expectations and alternatively, will consider the service quality as high when banks desired performance matches or exceed their expectation. Selvaklemar J.J(2015) have examined the effect of customer satisfaction and

service quality on the degree of customer satisfaction in private and public banks. If poor customer service is realized at any time in a business are retained at an increased rate, a business can be able to realize profits increased by 25% on average scale (Griffin, 1995).

Dr. Anita (2014) from Bronacharya institute of management and technology have shown that, private banks are ahead of public banks in strategic intent that is very consider the customers while making new policies and services for winning other satisfaction. Nautiyal G and Tanushree from Banarsidas chandiwala institute of professional studies, New delhi have used the SERVQUAL model to understand which of the five service quality dimensions of tangibility, realiability, responsiveness, assurance and empathy have an impact on customer satisfaction in public sector and private sector bank. Kaura V. and Datta S.K (2012) in their respective studies determined that service quality affected customer satisfaction which in turn had an impact of customer locality. Patil & Swapna (2017) in his research give special attention to human resource development by giving timely training to the employees to conduct themselves better. Jahanzaid, Aslam, A and Ahmed, K (2015) on their research have shown the level of customer satisfaction is different in variable like technology, reliability, service environment and bank reputation which shown in mean and standard deviation. Singh and Arora (2011) suggested that training on stress management and public dealing should be imparted to the employees of nationalized banks. Salma, U and Shahneaz M.A (2013) analyzed customer satisfaction vary according to the nature of the services and in this case, highest customer satisfaction is shown in such areas like price charged by banks is nominal, convenient location of bank branches and staff attitude toward problem solving of customers. Moreover, satisfied customers always suggest others to go for the product while dissatisfied customers will also recommend others in huge numbers but in the context of negative marketing most probably dissatisfied customers recommend others not to use the product (La Barbera and Mazursky, 1983).

Conclusion

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.

Conflict of Interest

The authos certify that they have NO affiliations with or involvement in an organization or entity with any financial interest (such as honoraria; educational grants; participation in speakers' bureaus; membership, employment, consultancies, stock ownership, or other equity interest; and expert testimony or patent-licensing arrangements), or non-financial interest (such as personal, or professional relationships, affiliations, knowledge or beliefs) in the subject matter or materials discussed in this manuscript.

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