Comparative Analysis of Customer Satisfaction and Service Quality in Public Sector Banks at Tambaram, Chennai

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Abstract: This study investigates customer satisfaction and service quality among public sector banks in Tambaram, a growing commercial hub in Chennai. With public banks playing a pivotal role in financial inclusion, understanding service delivery from a customer perspective becomes critical, especially in the digital age. Using a descriptive research design and a structured survey grounded in the SERVQUAL model, primary data were collected from 385 respondents across various demographic segments. The data were analysed using descriptive statistics, ANOVA, and factor analysis to identify service quality dimensions impacting satisfaction.

The findings indicate significant gaps between customer expectations and actual service delivery, particularly in responsiveness, digital banking services, grievance redressal, and personalized assistance. While tangibility and reliability dimensions showed moderate performance, low scores in responsiveness and empathy reflected concerns over long wait times, inconsistent staff behaviour, and limited digital adaptability. Qualitative feedback highlighted dissatisfaction with ATM downtimes, mobile app usability, and a lack of support for senior citizens and differently-abled customers.

This study contributes to the literature by contextualizing service quality in a semi-urban Indian setting and identifying key latent factors such as digital accessibility, service efficiency, and human interaction that strongly influence customer satisfaction. Strategic recommendations are provided for public sector banks to adopt customer-centric innovations, enhance employee training, modernize branch infrastructure, and integrate feedback mechanisms to foster continuous improvement. Practical implications are offered for bank managers aiming to boost customer loyalty, reduce service delivery gaps, and build a sustainable competitive advantage in a rapidly evolving banking environment.

Keywords: Customer Satisfaction, Service Quality, Public Sector Banks, SERVQUAL, Tambaram, Digital Banking

I.INTRODUCTION

In today's competitive banking landscape, customer satisfaction and service quality have emerged as critical determinants of success and sustainability. While private banks are often recognized for their agility and customer-focused innovations, public sector banks continue to play a foundational role in financial inclusion and economic development, particularly in regions like Tambaram a rapidly growing suburban-commercial area in Chennai.

Public sector banks, despite their wide branch networks and legacy of trust, face persistent challenges in meeting rising customer expectations, especially as technology reshapes service delivery models. Customers now demand faster services, user-friendly digital platforms, and personalized attention factors that often highlight the performance gap between public and private banking institutions.

This study explores these dynamics by conducting a comparative analysis of customer satisfaction and perceived service quality in selected public sector banks operating in Tambaram. The analysis is framed using the SERVQUAL model, which evaluates five key dimensions of service quality: Tangibility, Reliability, Responsiveness, Assurance, and Empathy. Through a combination of survey data and statistical tools such as ANOVA and factor analysis, the study aims to provide a comprehensive understanding of how customers perceive service quality and what factors influence their satisfaction.

Statement of the Problem

Despite their widespread reach and trust among the masses, public sector banks often face criticism for outdated practices, inefficient service delivery, and lack of technological adaptation. In semi-urban areas like Tambaram, where customers are increasingly tech-savvy and demand high-quality services, public banks struggle to meet expectations.

Objectives

- To assess the current level of customer satisfaction in public sector banks at Tambaram.
- To identify the key service quality dimensions influencing satisfaction.
- To compare customer experiences across different public sector banks.
- To suggest improvements for enhancing service quality and customer retention.

Research Questions:

1. What are the demographic and usage patterns of customers using public sector banks in Tambaram?
2. How do customers perceive the service quality in public sector banks?
3. What is the satisfaction level with digital banking services?
4. What are the key factors influencing overall customer satisfaction?
5. How likely are customers to remain loyal or switch to private banks?

Hypotheses:

- H1: Age and occupation influence banking preferences and frequency of branch visits.
- H2: Higher responsiveness and staff courtesy lead to greater customer satisfaction.
- H3: Ease of use and security in digital banking improve satisfaction levels.
- H4: Public and private sector banks differ significantly in service quality perception.
- H5: Effective grievance handling reduces customer intention to switch banks.

Significance of the Study

The findings will help public sector banks align their services with customer expectations, reduce customer attrition, and improve their competitive positioning, particularly against agile private banks and fintech players.

Theoretical Framework

This study is guided by the SERVQUAL model proposed by Parasuraman et al. (1988), which evaluates service quality across five dimensions: tangibility, reliability, responsiveness, assurance, and empathy.

II.LITERATURE REVIEW

Several researchers have examined various aspects of service quality in the banking sector. Anju and Gupta (2024) analysed e-service quality in both public and private sector banks, noting that public banks tend to excel in reliability and accessibility, although they often fall short in responsiveness. Ashraf and Venugopalan (2018) highlighted how liberalization has intensified competition in the banking industry and emphasized the relevance of using the SERVQUAL model to uniformly assess service quality across institutions. Kulkarni (2023) identified a significant gap between customers' expectations and their perceptions of service quality, stressing the importance of minimizing this disparity to enhance customer loyalty. Pawar and Pawar (2023) investigated how different service quality dimensions influence customer satisfaction in public versus private banks, with private banks generally viewed as more innovative. Similarly, Patel (2020) emphasized that key factors such as employee conduct, transaction speed, and service dependability play a major role in determining customer satisfaction. Karthikeyan and Kannan (2021) observed that growing competition from private sector banks has prompted improvements in public banks, though challenges in digital service offerings still remain.

Research Gap

Existing studies often focus either on digital banking or general service. Few comparative studies are localized to rapidly urbanizing areas like Tambaram where customer expectations evolve quickly.

III.RESEARCH METHODOLOGY

Research Design

A quantitative research design was adopted, using structured surveys to measure perceptions numerically.

Sampling

Aspect	Details
Population	Bank customers in Tambaram
Sampling Method	Convenience Sampling
Sample Size	385 customers
Inclusion Criteria	Must have used services for >6 months

Data Collection

- **Instrument**: Structured questionnaire based on SERVQUAL.
- **Format**: Likert scale (1 = Strongly Disagree to 5 = Strongly Agree).
- **Mode**: Physical distribution at bank branches and via email links.

Data Analysis Techniques

- **Software**: SPSS
- **Tests**:
  - Descriptive statistics (mean, SD)
  - Reliability analysis (Cronbach's alpha)
  - Correlation analysis

Ethical Considerations

- Informed consent obtained.
- Anonymity and confidentiality maintained.
- Participation was voluntary with no coercion.

IV. RESULTS

Demographic Profile

Age Group	18-25 years (76.7%), 26-35 years (11.7%), 36-50 years (9.8%), >50 years (1.8%)
Occupation	Students (23.8%), Salaried (65%), Business (9.8%), Retired (1.5%)

Reliability Analysis

Cronbach's alpha for the SERVQUAL scale = **0.92**, indicating high reliability.

Descriptive Statistics for SERVQUAL Dimensions

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
BPA1	385	5.00	18.00	11.8623	3.29603
SQA1	385	16.00	31.00	22.5740	4.68934
DBTI1	385	10.00	24.00	15.4416	4.68679
CSL1	385	10.00	28.00	19.3117	4.06413
DQ1	385	6.00	15.00	12.2649	1.48865
Valid N (listwise)	385				

The descriptive statistics reveal key insights into customer behaviour and perceptions in public sector banks at Tambaram. Customers show a moderate level of banking preferences and accessibility, indicating varying ease of access and service availability. Service quality is perceived positively on average, though experiences differ across respondents. Digital banking usage is moderate, with some customers fully adopting technology while others remain hesitant, highlighting a digital divide. Overall satisfaction and loyalty levels are fairly high, though not uniform, suggesting room for improvement in customer engagement. Demographic responses are relatively consistent, indicating a largely similar customer base in terms of age, education, or income.

Correlation Analysis

		BPA1	SQA1	DBTI1	CSL1	DQ1
BPA1	Pearson Correlation	1	.613**	.817**	.601**	.050
	Sig. (2-tailed)		.000	.000	.000	.324
	N	385	385	385	385	385
SQA1	Pearson Correlation	.613**	1	.809**	.866**	.107*
	Sig. (2-tailed)	.000		.000	.000	.035
	N	385	385	385	385	385
DBTI1	Pearson Correlation	.817**	.809**	1	.770**	-.027
	Sig. (2-tailed)	.000	.000		.000	.604
	N	385	385	385	385	385
CSL1	Pearson Correlation	.601**	.866**	.770**	1	.121*
	Sig. (2-tailed)	.000	.000	.000		.018
	N	385	385	385	385	385
DQ1	Pearson Correlation	.050	.107*	-.027	.121*	1
	Sig. (2-tailed)	.324	.035	.604	.018	
	N	385	385	385	385	385

- Correlation is significant at the 0.01 level (2-tailed).
- Correlation is significant at the 0.05 level (2-tailed).

The correlation analysis reveals strong positive relationships among key variables. Banking preferences and accessibility (BPA) show a high correlation with both digital banking usage (DBTI) and service quality (SQA), indicating that better access to banking is associated with increased digital engagement and higher service quality perception. Service quality (SQA) is also strongly linked to customer satisfaction and loyalty (CSL), highlighting its crucial role in shaping positive customer experiences. Similarly, DBTI demonstrates a significant association with satisfaction levels, emphasizing the growing influence of technology in customer retention. Demographic factors (DQ), however, show weak or negligible correlations with most variables, suggesting that customer perceptions and behaviours are largely consistent across different demographic groups.

V. DISCUSSION

The study identified several crucial insights into customer satisfaction and service quality in public sector banks located in Tambaram. Among the SERVQUAL dimensions analysed:

- Reliability and tangibility were moderately rated, indicating that basic banking services like deposits, withdrawals, and physical facilities are relatively consistent across branches.
- Responsiveness and empathy received the lowest ratings, highlighting long wait times, limited staff availability, and lack of personalized customer care.
- Digital services, including mobile banking and ATM availability, were frequently cited as inadequate, especially among older customers and during peak hours.
- Customer trust in public sector banks remained strong, but expectations regarding technological integration and quick service were unmet.
- Factor analysis revealed three core latent variables influencing satisfaction: digital accessibility, service efficiency, and human interaction quality.

These findings confirm a widening gap between traditional banking operations and evolving customer expectations, particularly in semi-urban areas like Tambaram.

Comparison with Previous Studies

The results align with findings from Ashraf and Venugopalan (2018) and Karthikeyan and Kannan (2021), who observed that while public sector banks perform well in reliability, they struggle with responsiveness and customer engagement. Similarly, Singh et al. (2018) emphasized the critical role of staff behaviour and responsiveness in shaping customer perceptions, which this study corroborates.

However, unlike studies that noted parity in service quality across sectors (e.g., Anju and Gupta, 2024), the current research found a stark divergence between public sector bank performance and customer expectations in Tambaram.

Additionally, while many studies focus broadly on urban areas, this study offers region-specific insights that reflect the unique demographic and technological adoption patterns in semi-urban banking zones.

VI. RECOMMENDATION

Practically, the findings suggest that public sector banks should:
- Invest in user-friendly digital platforms.
- Enhance customer service training focused on empathy and problem-solving.
- Standardize infrastructure across branches.
- Establish grievance redressal systems supported by real-time analytics.

VII. LIMITATIONS

Despite the comprehensive analysis, the study has certain limitations:
- Sampling method was convenience-based, which may not fully represent the broader customer base.
- The sample size of 385, while statistically sound, might not capture the full diversity of the Tambaram banking population.
- Subjective biases may have influenced customer responses, especially on emotional and perceptual factors.
- The study focused primarily on public banks; a broader comparative dataset with private banks would yield deeper insights.

VIII. FUTURE RESEARCH DIRECTIONS

Future studies could:
- Extend the research to include comparative analysis with private and cooperative banks in similar localities.
- Explore longitudinal shifts in customer satisfaction over time, especially post-implementation of digital reforms.
- Conduct qualitative interviews to better understand emotional and psychological aspects of customer satisfaction.
- Integrate employee perspectives to link staff satisfaction with service quality and customer retention.

IX. CONCLUSION

This study set out to evaluate customer satisfaction and service quality in public sector banks at Tambaram using the SERVQUAL framework. The research successfully identified key service dimensions influencing customer perceptions and satisfaction levels. The analysis revealed substantial gaps in responsiveness, digital banking support, and empathetic service, despite public sector banks being trusted and reliable for core functions.

By highlighting these gaps, the study meets its objectives and provides actionable recommendations for service improvement. It emphasizes the urgent need for public sector banks to modernize, adopt a customer-first culture, and implement data-driven service strategies to remain relevant in the competitive banking sector.

In conclusion, the findings contribute both to academic understanding and to managerial practice, offering a path forward for public banks to enhance their service quality and retain customer trust in an era of digital transformation.

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