The level of Customer Satisfaction in Public and Private Banks in Lahore

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Abstract

In this study we compare customer satisfaction in public and private banks of Pakistan and our main focus is Lahore city. This is an empirical study which is based on Primary data that has been collected through a well-structured questionnaire. The questionnaire has been distributed to 500 different chosen respondents on different convenient locations of Lahore. There are hardly any number of studies has been conducted in Pakistan on this topic and these variables like technology, reliability, Bank Reputation and service environment. This research shows that different customers have different opinion about satisfaction. Bank managers should conduct more researches to estimate customer satisfaction more strongly. Empirical analysis shows that customers of private banks were more satisfied in Lahore as compared to public banks because private banks provides multiple branches at suitable locations, extra ordinary services and latest technology systems they are using.

Keywords: Customer Satisfaction, public and private banks
JEL Code: E5, P46

I. Introduction

Customer satisfaction with products or services of a company is considered as important factor leading toward competitiveness and victory. (Hennig-Thurau and Klee, 1997). According to (Gustafsson, 2005) customer satisfaction indicates that how can customer simply evaluates the current performance. According to the (Oliver, 2011) customer satisfaction considered as mental state which is comprises by two thing, (1) Basic customer expectation before purchase (2) perception of the customer after purchase. In many authors point of view customer satisfaction is the feeling of customer regarding expectation and perception about purchase decision and wants and need about purchase decision. Objective of this study is to present the comparative analysis of customer satisfaction between private & public banks in Pakistan. Hence, factors affecting customer satisfaction is significance to know the reasons or the factors which are responsible to create satisfaction among customers for a particular brand. Customer satisfaction is established when brand fulfill the needs and wishes of customers (Muzammil Hanif, 2010). In banking sector factors affecting on the customer satisfaction involving overall performance of banks including customer expectation and perception, technologies used by the bank, accurate electronic banking operations, image and reputation of bank, performance, packages, location and customer care and service environment, security and privacy, speedy transitions and submission of bills etc that easily satisfy the customer. This study will help the banking sector (public & private) by improving weak areas regarding customer satisfaction and satisfy them at maximum level. In market private & public sectors banks, Islamic and microfinance banks are also working. These developments have resulted in competition in banking organization and industry which have shifted their focus of intention towards the customer satisfaction in order to increase the number of customers and also included existing customers. In this environment only those companies can survive which offer the best products and services to their customers, so many options in the same market place it's really tough job and banking sector is also the part of that which is facing. Because banking sector have to become more to customized the services and customer oriented to meet the basic needs of their customers and to attract them regarding that one product in which those organizations providing to them. Success of the baking organization starts from retention and loyalty of the customers. According to many authors it is investigated that in private banking sector customers are more satisfied than public banking sectors with these dimension ((Ali and Naeem, 2017; Ali, 2011; Ali, 2015; Ali, 2018; Ali and Bibi, 2017; Ali and Ahmad, 2014; Ali and Audi, 2016; Ali and Audi, 2018; Ali and Rehman, 2015; Ali and Senturk, 2019; Ali and Zulfiqar, 2018; Ali et al., 2016; Ali et al., 2015; Arshad and Ali, 2016; Ashraf and Ali, 2018; Audi and Ali, 2017; Audi and Ali, 2017; Audi and Ali, 2016; Haider and Ali, 2015; Kaseem et al., 2019; Sajid and Ali, 2018)) (Waqar ul Haq, 2012). Therefore, customer satisfaction shows a very important role in banking industry. So, customer satisfaction is defined as an "evaluation of the perceived discrepancy between prior expectations and the actual performance of the product" (Tse, 1988). This study will provide the insights of how bank managers can improve their weak areas regarding customer satisfaction so by improving that weak areas customer could be satisfy at maximum level. This study will extend the body of knowledge

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in respective field. This research will also contribute a model of customer satisfaction. The future researches will be able to take guidelines if they are to conduct research study in respective area.

IV. Literature Review

Satendra (2011) examinee customer satisfaction among group of customer towards the public sector banks. Service quality has become very important to improving customer satisfaction in the public sector organization. Public sector bank personally knows that customer satisfaction is one of the most basic factors in the public view. The public complaint about long lines, poor service delivery and lack of physical facilities are direct cause on the level of service quality in the public sector banks. 400 questionnaires distributed to the customer of different departments and agencies, where 304 is return back. The hypotheses were tested through multiple regressions. The finding shows that service product is significant and positive related to customer satisfaction. The name of Article is "Customer Satisfaction: A Comparison of Public and Private Banks of Pakistan". By Waqar-ul-haq,(2012). In this Research paper researcher compared the private and public banks of Pakistan through customer satisfaction. The purpose of this research is to evaluate public and private sector banks of Pakistan to estimate their customer satisfaction. Primary data has been collected through a well-defined questionnaire and number of respondents was 351 from different locations. Mean standard deviation was used as Descriptive Statistics. Results show highest customer satisfaction in price charged by banks, convenient location of banks and staff attitude toward problem solving of customers. And when public banks are compared with private banks customers are highly satisfied with private banks because of their facilities. In this Article "Evaluation of Bank Customer Satisfaction in Pakistan, Comparing Foreign and Islamic Banks" by Haroon Rasheed, (2012).The most recent approach in this view are start of Islamic banking system and introduction of foreign banks and use of modern Technology Information tools and methods. All these developments have focus of banking organizations turned towards Customer Satisfaction due to better competition in the industry to increase and grip the number of customers. This study presents a related study of customer satisfaction taking foreign banks and Islamic banks as case. With the help of statistical methods like arithmetic Correlation, mean calculation, a positive relationship between customer satisfaction and factors has been found. The name of article is "Customers' satisfaction towards Islamic banking: Pakistani perspective" by Ali Raza, (2012). The purpose of this study was to categorize those factors which are linked with customer satisfaction and find out association between customer satisfaction and known factors. A structured questionnaire was developed to get the responses of Islamic banking customers. Correlation technique was applied in order to examine the relationship between studied variables. Study establishes a positive relationship between customer satisfaction and known factors. Imran and Adeel (2013) Conducted a study "factors influencing customer satisfaction in banking sector of Pakistan". This study shows the factors which influence customer's satisfaction in banking sector of Pakistan. Customer satisfaction is strong on banks efficiency and financial performances. Customers are satisfied when quality services meet their expectations. The study is basis of convenient sampling and one thousand questionnaires were used for corporate customers of different banks located in four provinces of Pakistan. Factor examination was used for measure items which may strongly influence customer's level of satisfaction. The result shows that main services of banks are best predictors of customer satisfaction. Raja (2014) Conducted a study "Factors Affecting Customer Satisfaction in Banking Sector of Pakistan" in which he discussed the factors affecting customer satisfaction in banking sector of Pakistan and locate the relationship between customer satisfaction, service quality and customer loyalty. The design of research is quantitative and survey based. Data was collected from four cities which include Sahiwal, Arifwala, Okara and Pakpatan. Number of respondents are 72. Correlation and Regression analysis used to measure the impact of service quality of customer satisfaction on customer loyalty. Results show that there is a significant relationship between service quality and customer satisfaction also positive relationship between customer satisfaction and customer loyalty.

V. The Conceptual Model
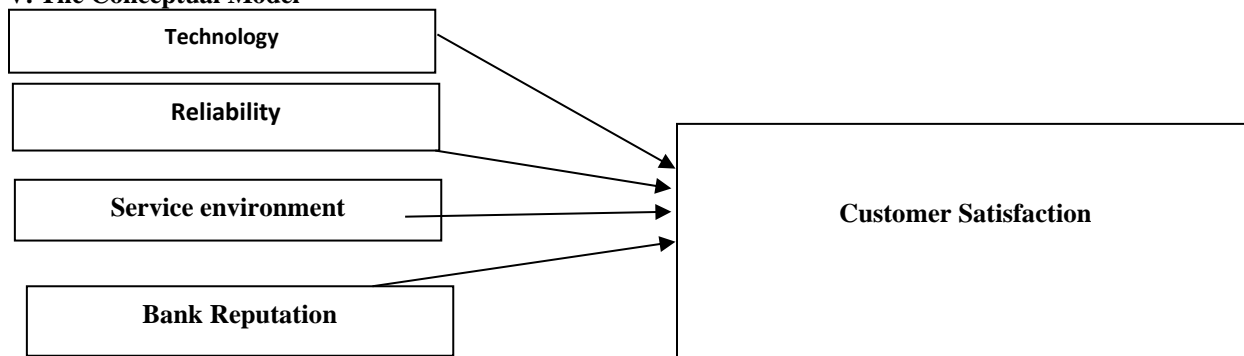
In this Theoretical Framework Technology and Reliability (Waqar-ul-haq, 2012), Service Environment (Satendra Thakur, 2011) and Bank Reputation (Ali Raza, 2012) are the independent variables and Customer Satisfaction as dependent variable.

VII. Methodology

Instrument Development Table

Construct	Item	Operational Definition	Reference
Technology	Technology gives satisfaction level to customers. Our bank invest heavy amount in technology	Technology services give different satisfaction level to the customers. banks are investing heavily in the technologies	(R. Seranmadevi, 2012)
Reliability	We provide level of transaction and security We focus on those elements that make user trust	defines the level of transaction and security focusing on the elements that may contribute to user trust	(Diniz Eduardo, 2005)
Service Environment	Accurate work place and conditions are good for health and performance. The inspiring atmosphere delight customers to stay longer	Accurate work place condition is significant factor for health and performance. The overall atmosphere filled with inspiring delight-affected customers to stay longer	(Satendra Thakur, 2011)
Bank Reputation	We Communicate and educate people. We win business and good will of customers.	Communicate and educate Bank wins the battle for customers' goodwill and business.	(Marks, 2012)
Customer Satisfaction	Fulfill the need and desire Satisfied with my bank.	fulfills the needs and desires of customers Satisfied with bank	(Muzammil Hanif, 2010) (Waqar-ul-haq, 2012)

This study will provide an insight of customer satisfaction in public and private banks. A descriptive research design was chosen in this research. Data were collected through questionnaire by adopting survey research from different public and private banks of Lahore city. Sample size of 200 questionnaire was taken for this research. Five point Likert scale was used to collect data. The questionnaire was divided into two parts, one was for demographic and other contained data regarding variables. Software IBM SPSS 20 has been used for analysis. Researcher found Mean and Standard Deviation for descriptive statistics and correlation analysis has been used to find out the relationship between variables.

VIII. Results of Reliability Analysis

No	Dimensions	Items	Cronbach's Alpha
1	Technology	2	0.90
2	Reliability	2	0.273
3	Service Environment	2	0.20
4	Bank Reputation	2	0.78
5	Customer Satisfaction	2	0.183

Age

	Frequency	Percent
15 year but below 30 year	450	90.0
30 year but below 45 year	50	10.0
Total	500	100.0

Gender

	Frequency	Percent
Male	345	69.0
Female	155	31.0
Total	500	100.0
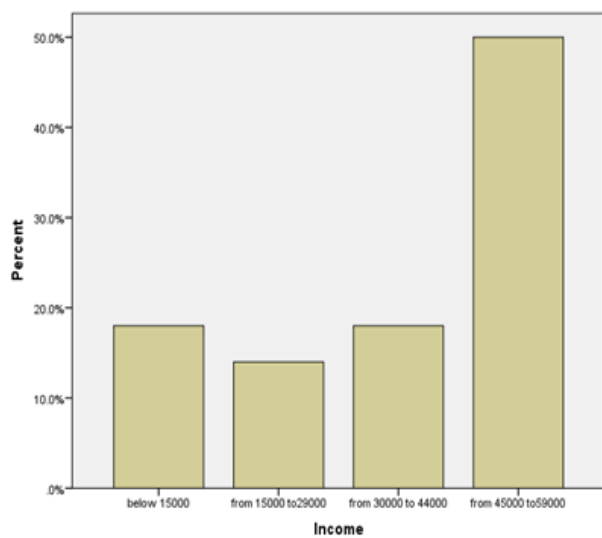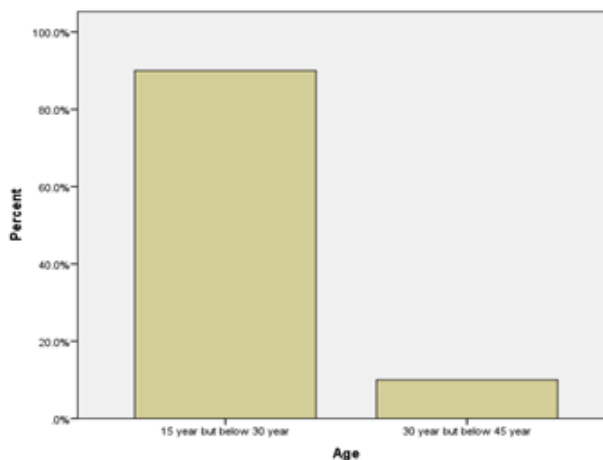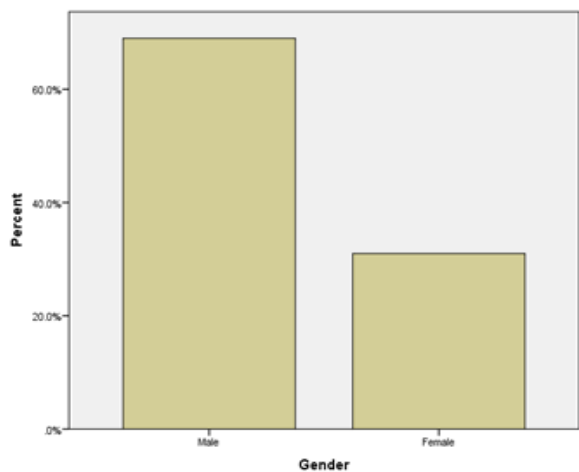
Income

	Frequency	Percent
below 15000	90	18.0
from 15000 to29000	70	14.0
from 30000 to 44000	90	18.0
from 45000 to59000	250	50.0
Total	500	100.0
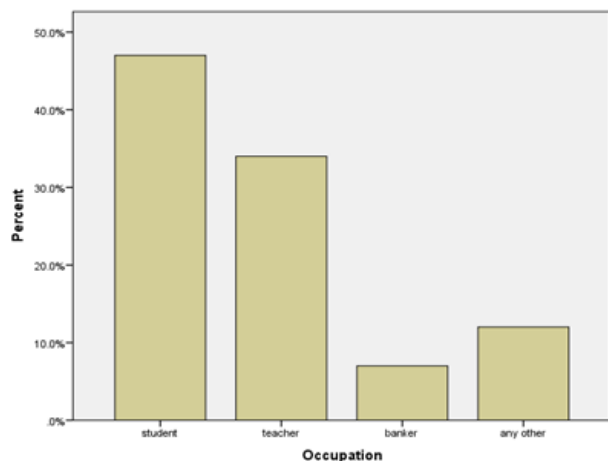
Occupation

	Frequency	Percent
student	94	47.0
teacher	68	34.0
banker	14	7.0
any other	24	12.0
Total	500	100.0

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Technology1	500	1.00	5.00	3.6100	1.06940
Technology2	500	1.00	5.00	3.6800	.88403
Reliability1	500	1.00	5.00	3.8100	.96881
Reliability2	500	1.00	5.00	3.1300	1.24129
ServiceEnvironment1	500	1.00	5.00	2.5300	1.00706
ServiceEnvironment2	500	1.00	5.00	3.4900	1.03696
BankReputation1	500	1.00	4.00	3.0500	1.00626
BankReputation2	500	1.00	4.00	2.3900	.99137
CustomerSatisfaction1	500	1.00	4.00	3.3800	.98000
CustomerSatisfaction2	500	1.00	4.00	3.1000	1.03700
Valid N (listwise)	500				

Correlation Table

		Technology	Reliability	Service Environment	Bank Reputation	Customer Satisfaction
Technology	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	500				
Reliability	Pearson Correlation	-.026	1			
	Sig. (2-tailed)	.713				
	N	500	500			
Service Environment	Pearson Correlation	.075	.045	1		
	Sig. (2-tailed)	.290	.523			
	N	500	500	500		
Bank Reputation	Pearson Correlation	.276**	-.039	.322**	1	
	Sig. (2-tailed)	.000	.588	.000		
	N	500	500	500	500	
Customer Satisfaction	Pearson Correlation	-.080	-.012	-.065	-.182**	1
	Sig. (2-tailed)	.260	.862	.364	.010	
	N	500	500	500	500	500

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

IX. Conclusions

This study shows that level of customer satisfaction is different in these variables like Technology, Reliability, Service Environment and bank reputation which shown in Mean and standard deviation table. And correlations of these variables are shown in correlation table. When we compare private banks with public banks of Lahore, customers of private banks were more satisfied in Lahore because they are well reputed in market, they have good service environment and they are using latest technology systems. All these facilities are less in public banks, but people feel

more reliable public banks compared to private banks because they are owned by government. Generally when we compare both private and public banks mostly people are satisfied with private banks. So this study will provide a kind of guideline to concerning managers. Both private and public banks in Pakistan must pay proper attention to their weak areas and improve their services for increase in satisfaction level of customers.

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