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Customer satisfaction in public sector banks and private sector banks in Bangladesh: A comparative study

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Abstract

Banking industry is to be considered as an authentic financial service industry and responsible for economic development of an economy. Customer satisfaction is the vital for retaining existing customers and attracting future customers to widen the operation level. A tough competition is spreading out among business sector day by day. The ultimate success of a business organization depends on customer satisfaction. In Bangladesh public bank and Private bank are giving financial services. The policies and strategies of public bank and private bank quite different that create the variation of customer satisfaction. This paper tries to identify the satisfaction level of customers of various public and private banks and factors that responsible for variation in the satisfaction of customers between the public and private sector banks in Bangladesh. The Purpose of this paper is to know the satisfaction level, find the variations in satisfaction level reason responsible of variation of satisfaction or dissatisfaction in public and private bank in Bangladesh. This research is based on the primary information. The data were collected from the field survey in a structured way. There are 150 customers have included from private and public banks for measuring the satisfaction level of customers. Overall the level of customer satisfaction of public and private banks are satisfied expect some tangibles and behavioral factors of the banks employees due to some strategy and nullity of the employees. So, there are need to improve this factor. This paper helpful for formulating strategy to upgrade the service level of banking activities.

Keywords: finance, public banks, private banks, service quality, customer satisfaction

Introduction

Banking sector is based on financial servicing activities and responsibilities for the economic growth of a country. Customer's satisfaction is influential for maintain existing customers and attracting desirable fresh customers to elaborate the level of operational activities in any concern. In Bangladesh, Private and Public banks are introducing the financial services. Public and private sector bank pursue some philosophy and fetch for withhold customers' satisfaction level. The purpose of the research is to find the satisfaction level, variations in satisfaction level and causes responsible for variations in satisfaction level or dissatisfaction in public and private banks. This research paper is flourished on primary data obtained from customers of Public and Private sectors banks in Mymensingh. Scheduled banks are formulated under the Bank Company Act, 1991 and Amended up to 2013. At the present time, there are 60 scheduled banks in Bangladesh. There are 6 commercially state-owned banks which are fully or partially owned by the Govt. of Bangladesh. Basis of agricultural or industrial development are now operating specialized banks. These banks are also fully or majorly owned by the Government of Bangladesh. Total 42 Private commercial Banks in Bangladesh are in existing right now. They are maximally owned by private subsistence and classified into two types Conventional and Islamic Shariah Based private bank. 24 conventional bank, 8 Islamic banks, 9 are foreign commercial bank. Non-scheduled banks are licensed only for some specific functions and objectives, and do not offer the same range of services as scheduled banks. Now 5 non-scheduled banks in Bangladesh.

Review of Literature

Vijay and Agarwal, (2013) provide their statement in that research customer support are the behavioral influence for a better customers' satisfaction. Sometimes the behavior of staff majorly influences the customer satisfaction.

Some other factors like Tangibility and empathy which create satisfaction among customers. By improving the weak zone of a customer can be increase their satisfaction level ^[1]. Mishra US, Mishra BB, Praharaj S, and Mahapatra R, (2011) observed that a challenge among the customers for attracting and retaining. They found that in attracting and retaining customers public sector banks are better than private sector banks. When a customer opens a new account then they considered the location and the reputation of that Bank. Commercially established person always tries to hold their existing position and gradually widen that position for this reason they prefer reputed public sector banks. The private sector banks are providing pure banking services while public sector banks have to deploy some social responsibilities ^[2]. Mishra US, Sahoo KK, Mishra S and Patra SK, (2010) explained in their statement among service quality, satisfaction of customers, retention of customers, loyalty of customers etc. are the core challenges to in capturing and retaining customers in banking sector. For creating a brand loyalty among customers bankers follow some policies ^[3]. Fornell, (1992) stated in his statement that high satisfaction of customer will help to raise loyalty for the business company and that customers will be less prone to overtures from competition ^[4]. Singh and Arora, (2011) found that training on stress management is very effective initiate for who deals with customers. In their paper they also suggested that state owned banks provide less facilities from private banks by serving poor behavior and infrastructure. Whither customers were not satisfied with high charges of private and foreign banks, accessibility and communication ^[5]. Anderson and Sullivan, (1993) Levesque and McDougall, 1996. Therefore, increase the satisfaction of customer should be a core point for bankers in maintaining a long-term relationship with their customers. Customer satisfaction is an essential element of the correlation between the provider and the customer of the inventories and services in the banking sector ^[6]. Justin P, Arun M and Garima S, (2016) provided statement about Private Banks prompt services, fast connected to the right person, try to reduce processing time of transactions, knowledge about products of the banks and feedbacks of the employees are positively related with the customers' satisfaction level. In Public sector banks, delay services, poor knowledge about banking products and services are generating a negative impression on the satisfaction level of the customers ^[7]. Alabar, t. timothy, (2012) has explained about E-banking and customer satisfaction in Nigeria. He also explained that how Nigerian bank handling their customer and how they created loyalty of customers ^[8]. Boyd *et al*, (1994) conducted a study on financial institution customer choice selection criteria in USA and found that interest rates of advance as well deposit rates and brand loyalty are more influential than friendliness of employees, modern facilities and service ^[9]. Huu Phuong Ta and Kar Yin Har, (2000) this research paper created on the banking system impact on customer satisfaction in Singapore. In this study, nine criteria for choosing bank and five banks were identified, and the decision problem was hierarchically classified into three-level and implementing the Analytic Hierarchy Process. Researcher found that pricing is a major factor for any firm's products and services ^[10]. According to Liang *et al* (2004), in this article provide a statement about two types of attributes in banking sector is to provide. One is product related, and another one non-product related. This

research paper's result strongly highlighted that customer satisfaction create customer trust and customer trust become a customer as a loyalty customer ^[11].

Objectives of the Research

The objectives of the research are as follow:

1. To measure the satisfaction level of customers from private and public sector bank.
2. To compare the satisfaction level of public sector and public sector customers of banks considering various aspect of satisfaction.
3. To know the reason responsible for low satisfaction level among the banking customers.
4. To recommend some suggestions to enrich the level of satisfaction of the customers of the bank.

Methodology

Questionnaire design and data collection

Data was collected in questionnaire method. We take for research the customer of some public and private banks which is situated in Mymensingh cities. Primary data was collected from responders by using self-administered questionnaires in this study. The structure of the questionnaire is straightforward, easy to understand, and transparent. For testing the hypothesis, the questionnaire was accumulated for what to find out. In the questionnaire most of the questions are in Likert style, which is a five-point rating scale. This scale has specific category and each specific category has its own description. Gender basis, occupation basis and the service provide by the bankers are the questionnaire topic of this study.

Sample size

We take 150 respondents from five public banks customer and five private banks customer in Mymensingh cities. Some were men and women in different age different profession and they takes different services from those Banks. From those responders there was 45 man in private banks and 51 responders from public or state-owned bank. Remaining responders from 150 they were women private bank responders 30 and public 24 total 54-woman responders. Data was collected from Sonali Bank Limited, Rupali Bank Limited, Agrani Bank Limited, Janata Bank Limited and Bangladesh Development Bank Limited from public and private bank were Dutch-Bangla Bank Limited, City Bank Limited, BRAC Bank Limited, Southeast Bank Limited and Trust Bank Limited.

Tools used

We collect data from responders of public and private sectors banks by using Random sampling methods. In the questionnaire most of the questions are in Likert style, which is a five-point rating scale. This scale has specific category and each specific category has its own description. In my research questions I have defined categories and those are, strongly (disagree + disagree) = below average, moderate = average, and (agree + strongly agree) = satisfactory. After collecting the data, we found some results.

Hypothesis of the study

The null and alternative hypothesis of the study are as follow:

H0: There is no significant difference between public and private banks in term of customer satisfaction.

H1: There is significant difference between public and

private banks in term of customer satisfaction.

Importance of Customer Satisfaction

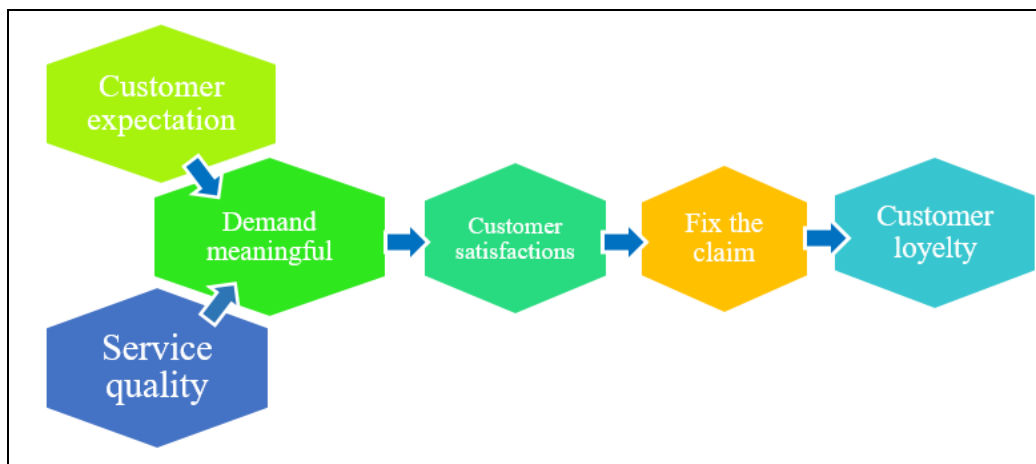


Fig 1: Customer satisfaction model.

This model wellly defines how a customer meet their expectation with actual service they get from bankers. When meet the expectation with service quality then this service meaningful to the customer. If those service provide by the banker does not meet the expectation their customer satisfaction level may be going down. When fixed the claim of the customer then those customers would be a loyalty customer for any organization.

Customer satisfaction is expressed about a measurement that mentioned how pleased customers are with a company’s products, services, and capabilities. Information of customer satisfaction, including surveys and ratings, can help a bank

and business organization to determine how the best improve or changes its products and services. Every bank and business organization’s main target must be to satisfy its existing customers. Customer satisfaction formula applies to retail and wholesale businesses, service companies, industrial firms, government bodies and nonprofit organizations.

Analysis Part

In this study we identify some criteria and analysis those area to find some result and those result are helpful for banker for dealing with their customers.

Table 1: clustered the respondents on the basis of Gender.

Gender based					
Responders			Type of Bank		Total
			Private bank	Public bank	
Gender	1) Man	Amount	45	51	96
		Percent	60%	68%	64%
	2) Woman	Amount	30	24	54
		Percent	40%	32%	36%
Total			75	75	150
			100%	100%	100%

At first, we took 150 responders and broke them into two part in gender basis. From those responders there was 45 man in private banks and 51 responders from public or state-owned bank. Remaining responders from 150 they

were women private bank responders 30 and public 24 total 54-woman responders. We found that women are more interested in private bank than public banks.

Table 2: Classified the respondent on the basis of their occupation.

Respondent types		Type of Bank		Total
		Private Bank	Public Bank	
occupation	Govt. Employee	10	21	31
		13.33%	28%	20.67%
	Private Employee	18	13	31
		24%	17.33%	20.67%
	Businessman	20	12	32
		26.67%	16%	21.33%
	Student	7	10	17
		9.33%	13.33%	11.33%
	professional	11	14	25
		14.67%	18.67%	16.67%
	Housewife	9	5	14

		12%	6.67%	9.33%
Total		75	75	150
		100%	100%	100%

Occupation basis the responders of private and public bank were divided into six professional criteria first one government employee who took service from private and public banks. 10 people related to private bank and 21 people customers of public bank. Government employee more interested to public banks. Private employee more interested in private banks but businessman more interested in private bank because of the extra care of a bankers to the

customer. Student responders more interested in public bank because of there are many financial facilities and stipend provided by the govt. banks. Professionals are more interested in public banks. Housewives are trying to avoid the activities during the transaction and private bankers are more helpful for smoothing the customer activities relating to the banking transection.

Table 3: classifying some bank related activities and it was measured on the Likert scale

	Public Bank				Private bank			
	Below average	average	satisfactory	Total/ %	Below average	average	Satisfactory	Total/%
Helping attitude of stuff	4	23	48	75	2	28	45	75
	5.33%	30.67%	64%	100%	2.67%	37.33%	60%	100%
Internet Banking Services	14	40	21	75	5	31	39	75
	18.67%	53.33%	28%	100%	6.67%	41.33%	52%	100%
ATM Services	19	51	5	75	3	25	47	75
	25.33%	68%	6.67%	100%	4%	33.33%	62.67%	100%
Extra charges	3	27	45	75	7	52	16	75
	4%	36%	60%	100%	9.33%	69.33%	21.34%	100%
	40 +	141 +	119 = 300		17 +	136 +	147 = 300	

At the table 3 we included some service and conditions which is served by a bank and banker. These issues are helping attitude of bank staffs, internet banking service, ATM service and Extra charges. At first 150 respondent feedback measured in Likert scale and fix the satisfaction level among three steps. Below average, average and satisfactory measured with percentage. In helping attitude of staffs both public and private are provided satisfying performance but below average responders more than public from private. In internet banking service satisfied responder below from private. So, we found that internet service is better in private sectors bank. On the behalf of public bank responders only 5 people were satisfied in ATM service. Only a few ATM booth for public bank in Mymensingh cities. In extra charges private bank responders are less satisfied so extra charges create a bad impression on customers.

Barriers

- i. Very few ATM booth in Mymensingh cities from public banks and the ones that are not in the right place.
- ii. Private bank employees provide their customer extra services at a result there is a big gap between public and private bank customer satisfaction level.
- iii. In private bank their internet usable device condition is better than public banks. There also a reason of public bank behind the public bank employees less effective in the use of technology.
- iv. Private Banks are taking extra charge from public bank so the customers of private bank are not satisfied with this matter.
- v. Businessman more interested in private bank because of the extra care of a bankers to the customer. Businessman are more transection with any bank so they expected extra care from the banker and they get this extra care from private bank.
- vi. Housewives are trying to avoid the activities during the transaction and private bankers are more helpful for

smoothing the customer activities relating to the banking transection.

Recommendation

- i. Set up sufficient ATM booth of public bank throughout in Mymensingh cities and sufficiently issued visa card for transection so that the customer of public bank withdrawing their money from every ATM booth.
- ii. In every public bank should be evaluated performance for find out the technological ability gap and arrangement a training session for better performance from them in technological sector.
- iii. Update technology are more used in private sectors bank at a result they provide better facilities to their customers.
- iv. Set up banks in a suitable place where customer easily reach their and bazar or industrial area preferable place for any banks.
- v. Money is most effective factors for customer satisfactions the extra charge of private bank is irritating issue for the customer so we suggested that the extra charges of private bank should be reduce for increasing their customer satisfaction.

Conclusion

In banking sector of Bangladesh, Urban and Rural area’s customers of bank are satisfied and there is no significant difference among the customers of the Urban and Rural areas. But, service provided by Public sector banks’ staffs are less supportive in comparison to Private sector Banks. Private sector bankers are quite successful in fulfilling their customer’s needs. But bankers’ who served in public sectors are still need to put more efforts to make this sector to survive in the present world of e-banking competition. Still now in public sector banks is used backdated technology, lack of sufficient ATM booths as a result their service is not satisfactory for the existing and new customers.

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Conflict of interest

The authors announce that they have no competing interests with respect to the research.

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