# " ANALYSIS OF CUSTOMER SATISFACTION IN INDIAN BANKING SECTOR: A STUDY OF SBI AND ICICI BANKS IN YSR KADAPA DISTRICT OF ANDHRA PRADESH"

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**Abstract:**
The purpose of this research was to analyse how the quality of banking services in the YSR Kadapa district in Andhrapradesh relates to the level of satisfaction felt by local residents. The study employed a five-point Likert scale to assess customer satisfaction through five queries. Results showed that customer satisfaction significantly predicted service quality, with a correlation of 0.827% for SBI Bank and 0.724% for ICICI Bank. The study identified customer service, communication, and completion time as key factors influencing customer satisfaction, alongside the controlling construct CS1 and regulatory construct CS2. These findings suggest that banks need to prioritize delivering high-quality services and building strong customer relationships to enhance their customers' overall banking experience.

**Keywords:** SBI, ICICI, Structural Equation Modeling (SEM), customer satisfaction Service Quality and Customer perception.

**Introduction :**

Customer satisfaction towards Indian banks is a mixed bag , with some customers expressing contentment with the services provided while others have complaints. The level of client satisfaction may be directly correlated with the bank's customer service quality. Prompt resolution of issues, transparency, and effective communication are essential elements customers anticipate from banks. However, Indian banks have been criticized by customers for poor customer service experiences, such as long wait times, lack of knowledgeable staff, and disinterest in addressing customer grievances. Thus, banks need to focus on improving their customer service to offer a better banking experience to customers.

Digital banking accessibility is another critical aspect affecting customer satisfaction. Digital banking has become popular, particularly during the COVID-19 pandemic, as customers prefer the convenience and safety of online banking services. While Indian banks have made notable strides in the digital banking domain, such as introducing mobile banking and online transactions, customers still report issues such as slow processing times and technical glitches. Thus, banks need to improve their digital infrastructure to offer a hassle-free and seamless banking experience to customers. In recent years, as more and more financial services have been delivered digitally, consumers' perceptions of service quality have shifted, presenting new problems for banks.

Several factors, such as quality of customer service, accessibility and convenience of digital

banking services, fees charged, employee behavior, and the bank's reputation play a crucial role in determining customer satisfaction and service quality perception towards Indian banks, failure of which can lead to dissatisfaction and negatively impact customer loyalty. Therefore, banks need to focus on providing prompt and effective customer service, such as reliable digital banking services, transparent communication, well-trained employees, and maintaining a positive image and reputation to ensure customer satisfaction and retention.

**Review of literature:**

The Indian banking industry has traditionally placed a premium on satisfied customers. Numerous research have been undertaken to determine what variables influence customer satisfaction and what steps banks may take to better serve their clients.

Customer satisfaction in the Indian banking industry was studied by Mittal and Dhar (2015), who looked at the role of aspects such service quality, brand image, perceived value, and customer loyalty. According to the results, service quality is the single most influential aspect of the customer experience. The research also showed that customer loyalty is a strong indicator of banking customers' happiness.

Naik and Padhy (2015) looked on how happy commercial bank customers were with the services they received. Value perception, service quality, and confidence in the bank were all shown to positively correlate with customer satisfaction. In addition, the research showed that satisfied clients were more willing to spread the news about the bank.

Similar research was conducted by Jindal and Verma (2016), who looked at how clients in the Indian banking industry felt about the level of service they received. Customers typically evaluated service quality as a major predictor of the whole banking experience, and the survey indicated that this was the case.

In addition, Kumar and Saha (2017) investigated how Indian bank customers felt about the service quality they received. The quality of service provided was shown to be a major factor in determining customer retention and satisfaction. Bank loyalty was stronger among customers who were pleased with the services they received.

In a nutshell, the research that has been done thus far suggests that the level of customer satisfaction in the banking industry in India is strongly influenced by crucial aspects such as service quality, the image of the brand, perceived value, customer loyalty, and trust.

**Research gap**

A review of the relevant literature reveals that the topics of service quality and customer satisfaction have captured the attention of academics and industry professionals over the past few decades. Numerous studies have been conducted on the topic, both domestic and international, but few region-specific studies have been done on SBI and ICICI.

Vallanthara J. (2013) makes the case for conducting a comparative study using the SERVQUAL model in order to fill in the gap that has been left in the previous research. The purpose of this research is to contrast the quality of service provided by SBI and ICICI commercial banks in the YSR Kadapa district of the Indian state of AP using the SERVQUAL model and Structural Equation Modelling (SEM).

**Objectives:**

1. The primary objective is to evaluate how satisfied customers are with SBI and ICICI Banks.

**Need for the study** :

Competition among public, private, and foreign banks has increased as a result of the arrival of international banks, thus domestic banks need to step up their game if they want to thrive in the face of this new threat to their market share. This research uses SBI and ICICI as a case study to investigate the service quality profile and provide recommendations for remaining competitive with international banks.

**Hypotheses of the study:**

H01: There is not a discernible difference between ICICI Bank and SBI Bank in terms of the amount of satisfaction provided to customers.

H1: There is a discernible difference between ICICI Bank and SBI Bank in terms of the amount of satisfaction provided to customers.

**Scope of the study:**

The purpose of this study is to investigate the relationship between various aspects of service quality and levels of customer satisfaction at State Bank of India (SBI) and Industrial Credit and Investment Corporation of India (ICICI) Banks in the YSR Kadapa District of Andhra Pradesh, India. More specifically, the study will focus on reliability, responsiveness, assurance, empathy, and tangibles.

**Data Collection:**

The data collection process entailed distributing structured questionnaire to retail banking customers in the YSR Kadapa District of Andhra Pradesh. The schedule, consisting of 28 statements, was based on *"the SERVQUAL model"* and designed to assess the level of satisfaction experienced by customers of SBI and ICICI banks in the YSR Kadapa district of Andhra Pradesh.

The present research article is based on the opinions elicited from the customers on last lines of the schedule consisting of 5 questions namely CS1, CS2, CS3, CS4, and CS5 mentioned in the last lines of the administered schedule.

**Sample Design :**

The study's sample clients were chosen using a method of non-random sampling with many stages and stages of selection. In the first stage, YSR Kadapa district was selected through convenience sampling, while no sampling was used in selecting clusters within it as all the ten clusters were selected. The individual customer was chosen as the sample unit, and the sample size was determined using power analysis to ensure statistical significance. However, the response rate was relatively low, with only 700 questionnaires were filled-in and returned out of 1100 questionnaires sent , and are used for analysis.

**Table-1: Sample selection of banks**

| Cluster | Kadapa | | Raya-choty | | Puli-vendula | | Mydukur | | Yerra-guntla | | Rajampet | | Railway kodur | | Vontimita | | Jammala-madugu | | Proddatur | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Banks | No. of *Bs | No. of *Rs | No. of Bs | No. of Rs | No. of Bs | No. of Rs | No. of Bs | No. of Rs | No. of Bs | No. of Rs | No. of Bs | No. of Rs | No. of Bs | No. of Rs | No. of Bs | No. of Rs | No. of Bs | No. of Rs | No. of Bs | No. of Rs |
| SBI | 1 | 45 | 1 | 45 | 1 | 45 | 1 | 45 | 1 | 45 | 1 | 45 | 1 | 45 | 1 | 45 | 1 | 45 | 1 | 45 |
| ICICI | 1 | 25 | 1 | 25 | 1 | 25 | 1 | 25 | 1 | 25 | 1 | 25 | 1 | 25 | 1 | 25 | 1 | 25 | 1 | 25 |
| Total | 2 | 70 | 2 | 70 | 2 | 70 | 2 | 70 | 2 | 70 | 2 | 70 | 2 | 70 | 2 | 70 | 2 | 70 | 2 | 70 |

*Bs = Branches of the bank; *Rs = Respondents (customers to the bank)

**Study Period:**

Through the use of an online survey instrument developed by google.doc, the data required for the exploratory research were collected between May 2019 and May 2020. Primary data was collected through both questionnaires and schedules from July 2019 to March 2021. Secondary data and other background information for the study were collected from 2022 to 2023.

The questions were coded according to the table 3, and specific hypotheses were formulated for each question.

**Statistical tools used:**

The primary data analysis in this study was conducted using IBM SPSS v21, which included statistical procedures such as, Path Analysis, Structural Equation Modelling (SEM), Confirmatory Factor Analysis (CFA), Mean, One-way ANOVA, Standard deviation, and Regression analysis.

**Table-2: "One-way ANOVA on customer satisfaction towards SBI and ICICI banks"**

| Variable | Bank | N | Mean | SD | F-value | p-value |
|---|---|---|---|---|---|---|
| Customer Satisfaction | SBI | 287 | 3.596 | 1.2419 | 0.0960 | 0.328 |
| | ICICI | 51 | 3.412 | 1.2029 | | |

Based on the presented table, the mean customer satisfaction score for the preferred banks is not statistically significant (F = 0.0960, p = 0.328, p > 0.05), indicating "that there is no significant difference in customer satisfaction between the preferred banks." Therefore, the null hypothesis (H0) cannot be rejected. The mean customer satisfaction scores for SBI (3.596) and ICICI (3.412) are both close to 3.5, suggesting that the level of customer satisfaction at both banks in YSR Kadapa District is similar. The customer satisfaction analysis was conducted using a Likert scale with five points, and respondents were asked five questions regarding "their satisfaction with the services provided by SBI and ICICI Banks in YSR Kadapa District."

**Table-3 : Variable codes for customer satisfaction**

| Sl No | Customer Satisfaction |
|---|---|
| CS1 | The quality of this bank's services is high overall. |
| CS2 | I am pleased with my decision to utilize this bank's services. |
| CS3 | This bank was a wise choice. |
| CS4 | I am pleased with the overall services provided by this bank. |
| CS5 | I enjoy my interactions with this bank. |

To test the variables the following hypotheses are formulated:

$H_1$: CS1 is Acceptable

$H_2$: CS2 is Acceptable

$H_3$: CS3 is Acceptable

$H_4$: CS4 is Acceptable

$H_5$: CS5 is Acceptable

**Table-4 : CFA Model for customer perception and satisfaction**

Where,

| Fit Index | $\chi 2$ | df | P value | Normed $\chi 2$ | GFI | AGFI | NFI | TLI | CFI | SRMR | RMSEA |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Acceptable values | 12.682 | 5 | .027 | 2.536 | .993 | .978 | .976 | .970 | .985 | .045 | .047 |
| Model fit scores | p >0.05 | | p >0.01 | $1 < \frac{32}{df} < 5$ | GFI > 0.90 | AGFI >0.90 | NFI >0.95 | TLI >0.95 | CFI >0.95 | SRMR <0.09 | RMSEA <0.08 |

"GFI=Goodness of fit index; AGFI=Adjusted GFI; NFI=Normal Fit Index; TLI= Trucker Lewis Index; SRMR= Standardised Root Mean Residual; RMSEA=Root Mean Square Error Approxiomation."

By using structural equation modelling (SEM), the hypothesised model is put to the test. The fit indices of the structural model are shown for both banks in Table 4. Because the p-value is.000, the CFI and TLI are both larger than.95, and the RMSEA is.047, which suggests that the model has fulfilled the requirements for the goodness of fit, the overall model fit indices reveal that the model is a good match for the data. However, the other indices, such as NFI and AGFI, also satisfy the model fit at a level that is deemed acceptable.

The model is reasonably well fitted, with GFI, AGFI, and NFI values close to 1, an RMSEA value high, and other attributes loaded significantly on latent constructs.

**Table-5: Regression Analysis of customer satisfaction**

| Variable | Acceptance/rejection of hypothesis | Regression co-efficient | Critical Ratio | p value | Label |
|---|---|---|---|---|---|
| CS1 | Accepted | 1.040 | 0.095 | *** | 0.548 |
| CS2 | Accepted | 1.032 | 0.073 | *** | 0.780 |
| CS3 | Accepted | 0.936 | 0.081 | *** | 0.903 |
| CS4 | Accepted | 1.691 | 0.090 | .015** | 0.027 |
| CS5 | Accepted | 1.714 | 0.096 | *** | 0.455 |

***** significant at 1%, ** significance at 5%**

**$H_1$:CS1 is Acceptable**

The findings, which are presented in Table , indicate that the controlling construct CS1 exerts "a significant influence on Customer Satisfaction." This is evidenced by the fact that the standardised direct effect of this construct on Satisfaction is 1.040, which is higher than the recommended value of 0.4 ( the correlation coeficient r value was moderate between 0.6 to 0.4 and it was positive correlation , so greater than 0.4 value recommended ). Additionally, the results indicated that the Customer Satisfaction Index (CSI) score for CS1 is also significantly higher than the (p value is significantAs a result, the hypothesis with a null hypothesis, H1, is accepted, and the conclusion that customers are satisfied with the overall quality of the services offered by the bank is derived is shown below.

**$H_2$: CS2 is Acceptable**

According to the data in Table, Customer Satisfaction is significantly affected by the regulatory construct CS2. This construct's standardised direct impact on satisfaction is 1.032, which is far more than the acceptable value of 0.4. The regulatory component CS2 is shown to strongly contribute to CS (p value is statistically significant). Therefore, the hypothesis H2 can be accepted, and we can draw the conclusion that customers are content with their choice to use the services provided by this bank.

**$H_3$:CS3 is Acceptable**

The findings, which are presented in Table , indicate that the regulatory construct CS3 has a significant impact on Customer Satisfaction. The standardised direct effect of this construct on Satisfaction is 0.936, which is higher than the recommended value of 0.4. This indicates that the regulatory construct CS3 has a significant impact on Customer Satisfaction (p value is significant). Therefore, the hypothesis H3 can be accepted, and we can draw the conclusion that the customers' choice to do business with this bank was a prudent one**.**

**$H_4$:CS4 is Acceptable**

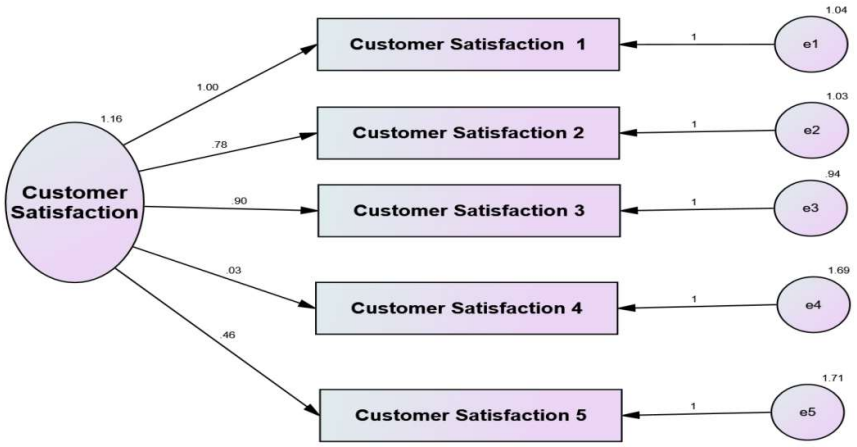
According to the data shown in Table, there is a strong correlation between Customer Satisfaction and the regulatory construct CS4. This is evidenced by the fact that the standardised direct effect of this construct on Satisfaction is 1.691, which is higher than the recommended value of 0.4. Additionally, the results indicate that the regulatory construct CS4 has a positive correlation with Customer Retention (p value is significant). Therefore, the

hypothesis H4 is validated, and we can draw the conclusion that customers have positive interactions with their financial institutions.

**$H_5$:CS5 is Acceptable**

According to the findings that are presented in Table , the regulatory construct CS5 exerts a significant amount of influence on Customer Satisfaction. There is evidence of this in the fact that the standardised direct impact of this construct on Customer Satisfaction is 1.714, which is much greater than the suggested value of 0.4. Additionally, the results showed that the regulatory construct CS5 is responsible for a significant amount of Customer Satisfaction (p value is significant). Therefore, the answer to this question is accepted, which leads one to the conclusion that the customer is happy with the overall services provided by the bank.

**Figure 1: Path Model of customer satisfaction**




Thus, analysis of customer satisfaction indicates that customers are satisfied with the service quality of both SBI and ICICI bank's services are high overall. (1.040), My experience with this bank has been positive thus far. (1.032), This bank was a wise choice (0.936), I am pleased with the overall services provided by this bank. (1.691), I enjoy my interactions with this bank.(1.714).

**Conclusion:**

The study also concluded that SBI and ICICI banks in YSR Kadapa District have identical levels of customer satisfaction. The controlling construct CS1 significantly influences customer satisfaction, while the regulatory construct CS2 has a significant impact. Customer satisfaction is also influenced by CS3, CS4, and CS5, with CS5 positively influencing customer retention. According on the fit indices, the measurements seem to be rather well-fitting. Customers in the YSR Kadapa area of Andhra Pradesh's banking industry ranked dependability, responsiveness, certainty, empathy, and tangibles as the most significant criteria in their overall satisfaction. The findings of this research have important implications for improving service quality and customer satisfaction in the banking business, which may provide financial institutions a competitive advantage.

**Suggestions** :

The results suggest that Indian banks should prioritise raising the bar on service quality. In

addition, financial institutions must routinely poll their clientele about their level of satisfaction and use that data to make changes when necessary. By doing so, banks can ensure that they are meeting the needs and expectations of their customers, leading to increased customer loyalty and long-term profitability. Overall, this research has added to the literature on banking customers' satisfaction and service quality, and its results have important implications for banks in India.

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