

# AN INVESTIGATING INTO CUSTOMER SATISFACTION, CUSTOMER COMMITMENT AND CUSTOMER TRUST: A STUDY IN INDIAN BANKING SECTOR

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## ABSTRACT

Over the decades, customer satisfaction has been used as one of the key construct to predict consumer behaviour and has gained attention. Commitment is recognized as an essential element for successful long-term relationships. Retention of a customer requires the customer to be committed to the relationship. In fact, commitment involves a “moral duty” to cooperate. Previous studies indicate the need for trust is particularly important in service industries and more specifically in the banking sector. The major objectives of the study are to examine the effect of demographic characteristics of customers between public and private sector banks, and the effect of demographic characteristics (education and occupation) of customers on customer satisfaction, customer commitment and customer trust. The data are collected from public sector banks and private sector banks in West Bengal. The survey method has used in this study. Purposive sampling method has used to collect data. Customer satisfaction, customer commitment, and customer trust emerged as a single factor. The results showed significant differences between public and private sector banks with regard to customer satisfaction and customer commitment. Keeping in mind the exploratory nature of the study and the methodology used for the analysis of the data, certain limitations are identified. Based on the limitations, certain suggestions are offered for further research.

**Keywords:** Customer satisfaction, Customer commitment, Customer trust, Banking sector.

**INTRODUCTION:**

The economic liberalisation policies of the Government in 1991, allowed the participation of private sector banks through changes in regulation and reducing the barriers to entry in the system. Prior to liberalisation, public sector banks have functioned in a sheltered environment characterized by low competition and lower customer orientation. The arrival of private banks forced Indian public sector banks to meet the challenge of competition, to pay attention to their customers and retain their customer base. Public sector banks are facing increasingly more competition, whereas private sector banks are trying to win customer satisfaction, customer commitment and customer trust by providing them better quality services. In this study, the demographic characteristics of the customers will be measured to examine its relationship with customer satisfaction, customer commitment, and customer trust.

**CUSTOMER SATISFACTION:**

In today’s world of fierce competition, customer satisfaction plays an important role for a firm’s success and survival, where satisfaction refers to an insider perspective, the customers’ own experiences of a service, where the outcome has been evaluated in terms of the value received (Liljander & Strandvik, 1994).

**CUSTOMER COMMITMENT:**

Commitment is recognized as a necessary element for successful long-term relationships (Anderson & Weitz, 1992; Morgan & Hunt, 1994). Moorman, Zaltman and Deshpandé (1992) have defined commitment as “*an enduring desire to maintain a valued relationship*”. To ensure that the customer is committed, a company’s strategy should be customer-centred, long-term, and based on mutual relationship benefits (Adamson, Chan & Handford, 2003).

**CUSTOMER TRUST:**

Trust has received a great deal of attention in relationship marketing (Ganesan, 1994; Moorman, Deshpandé & Zaltman, 1993). Berry and Parasuraman (1991) found that “*customer-company relationship requires trust*”, where the degree of trust is described as a “*fundamental relationship building block*” (Wilson, 1995). The need for trust is particularly important in service industries and more specifically in the banking sector (Brown & Fern, 1981; Murray & Schlacter, 1990).

**OBJECTIVES:**

The major objectives of the study are as follows:

1. To examine the effect of demographic characteristics of customers between public and private sector banks.
2. To examine the effect of demographic characteristics (education and occupation) of customers on customer satisfaction, customer commitment, and customer trust.

**METHOD:**

**SAMPLE:**

Of the 350 questionnaires initially targeted, only 300 usable questionnaires are collected, out of which 160 (53 per cent) are from public sector banks, and 140 (47 per cent) from private sector banks. The banks are mainly located in West Bengal. The respondents are savings bank account holders, predominantly males (91 per cent). Purposive sampling method is use to collect data. Respondents belonged to different education levels and occupations. A brief summary of sample characteristics is given (Table 1).

**Table 1: Summary of Sample Characteristics**

	Public sector banks		Private sector banks	
	No.	Percentage	No.	Percentage
<b>Education</b>				
High School	17	10.62	02	1.43
Intermediate	15	9.37	13	9.29
Graduation	63	39.38	89	63.57
Master’s Degree	56	35	31	22.14

Others	09	5.63	05	3.57
<b>Total</b>	<b>160</b>	<b>100</b>	<b>140</b>	<b>100</b>
<b>Occupation</b>				
Professionals	57	35.63	45	32.14
Sales related work	19	11.87	31	22.14
Services related work	48	30	42	30
Others	36	22.5	22	15.72
<b>Total</b>	<b>160</b>	<b>100</b>	<b>140</b>	<b>100</b>

**MEASURES:**

A summary of tool characteristics for each of the scales is provided in Table 2.

**Table 2: Summary of Tool Characteristics**

Variables	Sources of Items	No. of Items	Mean	SD	Alpha Coefficient
Customer Satisfaction	Walter, Müller, Helfert & Ritter, 2003; Ganesan, 2007.	4	14.59	3.67	.83
Customer Commitment	Garbarino & Johnson, 1999; Walter, Müller, Helfert & Ritter, 2003.	4	15.17	3.23	.82
Customer Trust	Garbarino & Johnson, 1999; Walter, Müller, Helfert & Ritter, 2003.	4	15.03	2.77	.78

**RESULTS AND DISCUSSION:**

Independent samples *t*-Test is use to examine the differences with regard to customer satisfaction, customer commitment and customer trust between public and private sector banks. Analysis of Variance (ANOVA) is use to analyse the impact of education and occupation of the customers on customer satisfaction, customer commitment and customer trust.

**FACTOR ANALYSIS RESULTS:**

The data are subjected to factor analysis to identify the factors and establish the construct validity. The factor analysis has done using principal component with varimax rotation, as they appeared to be interrelated with each other. A summary of the factor analyses results for different scales is presented below.

**CUSTOMER SATISFACTION SCALE:**

Factor analysis performed using the responses on the 4-item scale of customer satisfaction resulted in a single factor. It has an Eigen value of 2.83 and accounted for 71 per cent of variance (Table 3).

**Table 3: Summary of Factor Analysis for Customer Satisfaction**

Customer Satisfaction	
Item	Loading
1	.86
2	.88
3	.78
4	.84
<b>Eigen Value</b>	2.83
<b>Percentage of Variance</b>	71

Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (KMO=0.80) value is acceptable. Bartlett's test results also show that the values are significant and acceptable (Table 4).

**Table 4: KMO and Bartlett's Test Results for Customer Satisfaction**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.80
Bartlett's Test of Sphericity	
Approx. Chi-Square	571.23
df	6
Sig.	.01

**CUSTOMER COMMITMENT SCALE:**

Factor analysis for the 4-item scale of customer commitment resulted in one factor with an Eigen value of 2.70. It accounted for 67 per cent of variance (Table 5).

**Table 5: Summary of Factor Analysis for Customer Commitment**

Customer Commitment	
Item	Loading
1	.84
2	.88
3	.70
4	.86
<b>Eigen Value</b>	2.70
<b>Percentage of Variance</b>	67

The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (KMO=0.76) value is acceptable. Bartlett's test results also show that the values are significant and acceptable (Table 6).

**Table 6: KMO and Bartlett's Test Results for Customer Commitment**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.76
Bartlett's Test of Sphericity	
Approx. Chi-Square	510.47
df	6
Sig.	.01

**CUSTOMER TRUST SCALE:**

Factor analysis is perform for the 4-item scale of customer trust, and resulted in one factor with an Eigen value of 2.11. It accounted for 53 per cent of variance (Table 7).

**Table 7: Summary of Factor Analysis for Customer Trust**

Customer Trust	
Item	Loading
1	.81
2	.83
3	.70
4	.53
<b>Eigen Value</b>	2.11
<b>Percentage of Variance</b>	53

The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (KMO=0.70) value is acceptable. Bartlett's test results also show that the values are significant and acceptable (Table 8).

**Table 8. KMO and Bartlett's Test Results for Customer Trust**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.70
Bartlett's Test of Sphericity	
Approx. Chi-Square	226.09
df	6
Sig.	.01

Thus, customer satisfaction, customer commitment, customer trust emerged as a single factor. After examining the construct validity and identifying the factors, proposed hypotheses are tested. The results related to different hypotheses are presented and discussed below.

**H1.** Perception of customers regarding their satisfaction, commitment and trust would significantly differ across public and private sector banks.

In order to examine the differences, t-test for independent samples has conducted. The results showed (Table 9) that there are significant differences in public and private sector banks with regard to customer satisfaction and customer commitment. However, no significant difference is found for customer trust.

**Table 9. Summary of Independent Samples T-Test examining differences in customer satisfaction, customer commitment and customer trust in public sector banks and private sector banks**

	Banks	N	Mean	Std. Deviation	Std. Error Mean	t-test	Sig(2-tailed)
Customer Satisfaction	Public Sector	160	13.83	3.83	.30	3.92	.01
	Private Sector	140	15.46	3.29	.28		
Customer Commitment	Public Sector	160	14.45	3.49	.28	4.26	.01
	Private Sector	140	16.00	2.69	.23		
Customer Trust	Public Sector	160	14.83	2.85	.22	1.40	.16
	Private Sector	140	15.27	2.67	.23		

**H2.** Perception of customers regarding their satisfaction, commitment and trust would differ across education of customers.

In order to examine the differences in customer perception across education, ANOVA has conducted. Customers were divided into five different educational categories starting from high school to post-graduate studies and others. The results (Table 10) showed that there are significant differences with regard to customer commitment (F=2.69, p<.05), and customer satisfaction (F=2.43, p<.05). However, no significant difference has found with regard to customer trust (F=1.68, p>.05).

**Table 10. Summary of Analysis of Variance (ANOVA) examining differences in customer satisfaction, customer commitment and customer trust in education**

		Sum of Squares	df	Mean Square	F
Customer Satisfaction	Between Groups	128.92	4	32.23	2.44*
	Within Groups	3899.66	295	13.22	
	<b>Total</b>	<b>4028.57</b>	<b>299</b>		
Customer Commitment	Between Groups	110.33	4	25.58	2.70*
	Within Groups	3016.66	295	10.23	
	<b>Total</b>	<b>3126.99</b>	<b>299</b>		
Customer Trust	Between Groups	51.02	4	12.76	1.68
	Within Groups	2238.65	295	7.59	
	<b>Total</b>	<b>2289.67</b>	<b>299</b>		

\*\* Significant at 0.01 level      \* Significant at 0.05 level.

H3. Perception of customers regarding their satisfaction, commitment and trust would differ across occupations of customers.

In order to examine the differences in the perception across differences in occupational groups, ANOVA has conducted. The results of the analysis of variance (Table 11) showed that there are significant differences in perception across different occupational groups with regard to customer satisfaction (F=6.87, p<.01), customer commitment (F=5.87, p<.01) and customer trust (F=2.92, p<.05).

**Table 11. Summary of Analysis of Variance (ANOVA) examining differences in customer satisfaction, customer commitment and customer trust in occupation**

		Sum of Squares	df	Mean Square	F
Customer Satisfaction	Between Groups	262.30	3	87.43	6.87**
	Within Groups	3766.27	296	12.72	
	<b>Total</b>	<b>4028.57</b>	<b>299</b>		
Customer Commitment	Between Groups	175.72	3	58.57	5.88**
	Within Groups	2951.27	296	9.97	
	<b>Total</b>	<b>3126.99</b>	<b>299</b>		
Customer Trust	Between Groups	65.80	3	21.94	2.92*
	Within Groups	2223.86	296	7.51	
	<b>Total</b>	<b>2289.67</b>	<b>299</b>		

\*\* Significant at 0.01 level \* Significant at 0.05 level.

**CONCLUSION:**

In this study, customer satisfaction, customer commitment, and customer trust emerged as a single factor. The results showed significant differences between public and private sector banks with regard to customer satisfaction and customer commitment. The education of the customer also made a difference as the result showed that highly educated customers are more satisfied and committed to their banks. The results regarding occupational differences among customers showed that business professionals are more satisfied and committed to their banks compared to other occupational categories. Certain limitations are identified. The data could have been collected from other financial institutions and insurance sector. The sample size is relatively small and drawn from a specific geographical region (eastern part of the country), which makes the generalisation of the findings difficult. The study is limited in the sense that only saving bank account customers, who had contacts with the banks on a regular basis over the last 3 years, are included in the sample. Based on the limitations, certain suggestions are also offered for further research. The study can be extended to other types of firms such as investment banks, financial institutions, insurance companies, travel agencies, higher education institutions, and healthcare providers. Further research may consider analysing service quality of foreign sector banks, and comparing them with public sector and private sector banks.

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