

Customer Satisfaction and Banking Service Quality: A Comparative Study of Public and Private Banks in Ajmer District.

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Abstract: The banking sector plays a crucial role in economic development, and customer satisfaction has emerged as a key indicator of service performance and competitive advantage. This study examines the relationship between banking service quality and customer satisfaction and compares satisfaction levels between public and private bank customers in Ajmer District, Rajasthan. The study adopted a descriptive and comparative research design and utilized a structured questionnaire based on the SERVQUAL (RATER) model comprising Tangibility, Reliability, Responsiveness, Assurance, and Empathy dimensions. Primary data were collected from 200 respondents, including 100 customers each from public and private sector banks. The collected data were analyzed using SPSS through descriptive statistics, Cronbach's Alpha, Pearson's correlation, and independent samples t-test. The reliability analysis revealed excellent internal consistency of the instrument (Cronbach's Alpha = 0.959). The findings indicated moderate to high levels of satisfaction with banking services. Pearson's correlation analysis showed a very strong positive relationship between banking service quality and customer satisfaction ($r = 0.909$, $p < 0.001$). Furthermore, a significant difference was observed between public and private bank customers, with private bank customers reporting substantially higher satisfaction levels ($M = 4.400$) than public bank customers ($M = 2.575$). The independent samples t-test confirmed that the difference was statistically significant ($t = -36.092$, $p < 0.001$). The study concludes that banking service quality is a significant determinant of customer satisfaction and that private banks outperform public banks in delivering customer-oriented services in Ajmer District.

Keywords: Banking Service Quality, Customer Satisfaction, SERVQUAL, Public Banks, Private Banks, Ajmer District, RATER Model...

Introduction

The Indian banking sector has witnessed remarkable transformation over the years and has become increasingly dynamic and competitive. Prior to economic liberalization, banking activities were largely influenced by government policies aimed at promoting economic development through greater state participation. The adoption of a mixed economic model led to significant government involvement in various sectors, including banking and finance [1]. However, with economic reforms and financial liberalization, the banking industry has evolved into a customer-oriented sector characterized by technological innovation, operational efficiency, and intense competition [2]. Today, the banking sector

plays a vital role in supporting economic growth and reflects broader developments within the national economy. To remain competitive, banks have introduced numerous initiatives focused on improving customer service through the adoption of advanced technologies and innovative banking solutions [2]. In this environment, customer satisfaction has emerged as a critical indicator of organizational success. It refers to the extent to which products, services, and overall customer experiences meet or exceed customer expectations. Customer satisfaction is influenced by both tangible and intangible factors, including service quality, accessibility, convenience, employee behaviour, and customer support. Consequently, organizations regularly assess customer satisfaction through various measurement tools and performance indicators to improve service delivery and strengthen customer relationships [3].

For banks, maintaining high levels of customer satisfaction is essential for sustaining long-term growth and competitiveness. The ability to attract and retain customers largely depends on the quality of services provided and the effectiveness with which customer concerns and complaints are addressed. Banks that consistently deliver reliable and customer-focused services are more likely to achieve customer loyalty and business success [4]. Service quality is widely recognized as one of the most important determinants of customer satisfaction. It represents customers' overall evaluation of the excellence of services delivered by an organization. The SERVQUAL model has been extensively used as a comprehensive framework for measuring service quality by assessing customer perceptions and expectations across multiple service dimensions. Owing to its effectiveness, the model has been widely applied in banking and other service industries to evaluate performance and identify areas requiring improvement [5]. Ajmer District, an important commercial and administrative centre of Rajasthan, offers an appropriate setting for examining customer perceptions of banking service quality and satisfaction. The presence of both public and private sector banks serving customers from diverse socio-economic backgrounds provides an opportunity to compare service quality and satisfaction levels across banking sectors. Therefore, the present study investigates the relationship between banking service quality and customer satisfaction and compares customer satisfaction levels between public and private bank customers in Ajmer District.

Research Methodology: -

Study Area:

The present study was conducted in Ajmer District, Rajasthan, India. Ajmer is an important commercial and administrative centre where both public and private sector banks operate extensively. The district provides an appropriate setting for examining customer perceptions of banking service quality and satisfaction due to the presence of diverse banking institutions serving customers from different socio-economic backgrounds.

Research Design:

The study adopted a descriptive and comparative research design to examine the relationship between banking service quality and customer satisfaction and to compare customer satisfaction levels between public and private banks. A quantitative approach was employed to collect and analyse data from bank customers. The following hypotheses were formulated for the study:

H01: There is no significant relationship between banking service quality and customer satisfaction.

H11: There is a significant relationship between banking service quality and customer satisfaction.

H02: There is no significant difference in customer satisfaction between public and private bank customers.

H12: There is a significant difference in customer satisfaction between public and private bank customers.

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The study is based on the premise that banking service quality influences customer satisfaction. Service quality was measured through the five SERVQUAL dimensions, which collectively represent the independent variable, while customer satisfaction served as the dependent variable.

Fig 1: Conceptual Framework of the Study



Data Collection:

Primary data were collected through a structured questionnaire based on the SERVQUAL (RATER) model. The questionnaire consisted of three sections: demographic information, banking service quality, and customer satisfaction. Banking service quality was measured through five dimensions: Tangibility, Reliability, Responsiveness, Assurance, and Empathy. Customer satisfaction was assessed using four statements related to overall satisfaction, service expectations, future usage intentions, and recommendation intentions. A total of 200 valid responses were collected, comprising 100 customers from public sector banks and 100 customers from private sector banks operating in Ajmer District.

Table 1: Variable Measurement Framework

Variable Type	Variable**	Code
Independent Variable - Banking Service Quality (Measured through five SERVQUAL dimensions)	Tangibility	T1-T4
	Reliability	R1-R5
	Responsiveness	RS1-RS4
	Assurance	A1-A4
	Empathy	E1-E5
Dependent Variable - Customer Satisfaction (Measured through four satisfaction indicators)	Overall Satisfaction	CS1
	Service Quality Satisfaction	CS2
	Continuance Intention	CS3
	Recommendation Intention	CS4

**Five-point Likert Scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree)

Data Analysis:

The collected data were coded and analysed using Statistical Package for the Social Sciences (SPSS) ver. 26. The following statistical techniques were employed: Mean and standard deviation were used to summarize respondents' demographic characteristics and perceptions regarding banking service quality and customer satisfaction. Cronbach's Alpha was used to assess the internal consistency and reliability of the questionnaire items. Pearson's correlation coefficient was applied to examine the relationship between banking service quality and customer satisfaction. An independent samples t-test

was performed to compare customer satisfaction levels between public and private bank customers and determine whether the observed differences were statistically significant.

Findings: -

The demographic profile indicates that 70.0% of the respondents were male and 30.0% were female, with a mean gender score of 1.30 (SD = 0.459). The largest proportion of respondents belonged to the 26–30 years age group (40.0%), followed by 20–25 years (25.0%), yielding a mean age group score of 2.30 (SD = 1.056). Regarding occupation, business owners, salaried employees, and homemakers each accounted for 30.0% of the sample, while students represented 10.0%, with a mean occupation score of 2.80 (SD = 0.982). Public and private bank customers were equally represented in the study (50.0% each), reflected in a mean bank type score of 1.50 (SD = 0.501). In terms of banking relationship duration, 45.0% of respondents had been associated with their bank for less than one year, resulting in a mean score of 2.20 (SD = 1.211).

Table 2: Demographic Profile and Descriptive Statistics of Respondents

Variable	Category	Frequency	Percentage (%)	Mean	Std. Deviation
Gender	Male	140	70	1.3	0.459
	Female	60	30		
Age Group	20–25 years	50	25	2.3	1.056
	26–30 years	80	40		
	31–35 years	30	15		
	Above 35 years	40	20		
Occupation	Student	20	10	2.8	0.982
	Business Owner	60	30		
	Salaried Employee	60	30		
	Homemaker	60	30		
Type of Bank	Public Bank	100	50	1.5	0.501
	Private Bank	100	50		
Duration with Bank	Less than 1 year	90	45	2.2	1.211
	1–3 years	20	10		
	4–6 years	50	25		
	More than 6 years	40	20		

The reliability of the questionnaire was assessed using Cronbach's Alpha. The obtained alpha value of 0.959 indicates excellent internal consistency among the 22 items. Since the coefficient exceeds the recommended threshold of 0.70, the instrument is considered highly reliable and suitable for further statistical analysis. The descriptive statistics indicate that the mean scores of banking service quality and customer satisfaction items ranged from 3.15 to 3.80, suggesting that respondents generally held positive perceptions regarding the quality of services provided by their banks. Among the service quality dimensions, the aspect "Staff members interact with customers in a courteous and respectful manner" recorded the highest mean score (M = 3.80, SD = 0.982), indicating favorable customer perceptions of employee behavior. The aspect "The physical environment of the bank supports efficient

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service delivery” and “Bank employees demonstrate honesty and integrity in their dealings” recorded the lowest mean scores (M = 3.15), reflecting comparatively lower satisfaction in these areas.

Table 3: Descriptive Statistics of Study Variables

Descriptive Statistics			
Co de	Variables	Me an	Std. Deviation
T1	The bank uses modern and technologically advanced equipment.	3.4	1.022
T2	The overall appearance of the bank premises is visually appealing.	3.4	1.022
T3	Bank employees maintain a professional and presentable appearance.	3.6	0.919
T4	The physical environment of the bank supports efficient service delivery.	3.15	1.016
R1	The bank fulfils its commitments within the promised timeframe.	3.45	0.976
R2	Employees provide dependable solutions whenever customers encounter difficulties.	3.45	1.074
R3	I can rely on the bank’s systems and procedures without concern.	3.3	0.902
R4	Banking services are delivered according to the schedules communicated.	3.4	1.07
R5	The bank maintains accurate and error-free customer records.	3.4	0.919
RS1	Customers are clearly informed about when requested services will be completed.	3.45	1.164
RS2	Banking transactions and requests are handled without unnecessary delays.	3.6	1.16
RS3	Staff members are readily available and willing to assist customers.	3.65	1.065
RS4	Customer queries and requests receive prompt attention.	3.45	0.976
A1	I feel secure while conducting financial transactions with this bank.	3.65	1.016
A2	Bank employees demonstrate honesty and integrity in their dealings.	3.15	1.065
A3	Staff members interact with customers in a courteous and respectful manner.	3.8	0.982
A4	Employees appear knowledgeable and capable of performing their responsibilities effectively.	3.55	1.074
E1	The bank pays attention to my individual banking requirements.	3.45	1.026
E2	Employees make an effort to understand my specific concerns and expectations.	3.45	1.074
E3	Staff members are aware of the needs and preferences of their customers.	3.5	1.121
E4	The bank demonstrates genuine concern for customer welfare and satisfaction.	3.45	1.12
E5	The bank’s working hours are suitable and convenient for customers.	3.6	1.07
CS1	Overall, I am satisfied with the services provided by my bank.	3.45	1.287
CS2	The quality of services offered by this bank meets my expectations.	3.75	0.944
CS3	I would continue using the services of this bank in the future.	3.4	1.116
CS4	I would recommend this bank to my friends, relatives, or colleagues.	3.35	1.198

Pearson's correlation analysis revealed a very strong positive relationship between banking service quality and customer satisfaction ($r = 0.909$, $p < 0.001$). The correlation coefficient indicates that improvements in service quality are associated with higher levels of customer satisfaction. Since the p-value is less than 0.01, the relationship is statistically significant.

The mean customer satisfaction score of public bank customers was 2.575 (SD = 0.253), indicating a relatively low level of satisfaction. In contrast, private bank customers reported a substantially higher mean satisfaction score of 4.400 (SD = 0.438), indicating a high level of satisfaction with the services provided. The results suggest that customers of private banks are considerably more satisfied than customers of public banks.

Table 4: Customer Satisfaction of Public and Private Bank Customers

Bank Type	Mean	Std. Deviation
Public Bank	2.575	0.253
Private Bank	4.4	0.438

An independent samples t-test was conducted to examine the difference in customer satisfaction between public and private bank customers. Levene's test was significant ($p < 0.05$), indicating unequal variances; therefore, the results under "Equal variances not assumed" were considered. The analysis revealed a statistically significant difference in customer satisfaction between public and private bank customers ($t = -36.092$, $df = 158.244$, $p < 0.001$). The mean satisfaction score of private bank customers ($M = 4.400$) was substantially higher than that of public bank customers ($M = 2.575$).

Table 5: Independent Samples t-Test for Customer Satisfaction by Type of Bank

Bank Type	Mean	Std. Deviation
Public Bank	2.575	0.253
Private Bank	4.4	0.438
Test Statistic	Value	
t-value	-36.092	
df	158.244	
p-value (2-tailed)	0	
Mean Difference	-1.825	

Discussion: -

The findings of the present study are largely consistent with previous research highlighting the importance of service quality in influencing customer satisfaction in the banking sector. The strong positive relationship observed between banking service quality and customer satisfaction ($r = 0.909$, $p < 0.001$) supports earlier studies that identified service quality as a significant determinant of customer satisfaction [6]. Similar to previous findings, respondents in the present study reported favourable perceptions across the SERVQUAL dimensions, particularly the Assurance dimension, where employee courtesy and respectful behaviour recorded the highest mean score ($M = 3.80$) [7].

The results further support studies indicating that private sector banks perform better in service quality dimensions such as Tangibility, Responsiveness, and Empathy, while public sector banks face challenges in maintaining customer confidence and trust [8]. Consistent with these observations, the present study found comparatively lower satisfaction regarding employee honesty and integrity ($M =$

3.15). The findings also agree with earlier research demonstrating that private sector banks outperform public sector banks in terms of service quality and customer satisfaction [9]. In the current study, private bank customers reported significantly higher satisfaction ($M = 4.400$) than public bank customers ($M = 2.575$).

However, the findings differ from studies that reported higher satisfaction among public bank customers [10] or found no significant difference between public and private sector banks [11]. In contrast, the present study revealed a highly significant difference in customer satisfaction between the two sectors ($t = -36.092$, $p < 0.001$). The results further support earlier research emphasizing significant differences in customer perceptions of service quality between public and private banks [12] and align with findings that private sector banks are generally more successful in meeting customer needs through better technology adoption and service delivery [13]. Therefore, the present study reinforces the view that banking service quality is a key determinant of customer satisfaction and that private sector banks generally provide superior customer experiences compared to public sector banks.

Conclusion: -

The present study examined the relationship between banking service quality and customer satisfaction and compared satisfaction levels between public and private bank customers in Ajmer District. The findings demonstrated that the questionnaire possessed excellent reliability, confirming the suitability of the measurement instrument for assessing service quality and customer satisfaction. Descriptive analysis indicated that respondents generally held favourable perceptions regarding banking services, particularly with respect to employee courtesy, staff availability, and fulfilment of customer expectations. The correlation analysis revealed a very strong and statistically significant positive relationship between banking service quality and customer satisfaction. This finding confirms that improvements in service quality led to higher levels of customer satisfaction and highlights the importance of delivering reliable, responsive, and customer-oriented services. Thus, the hypothesis proposing a significant relationship between banking service quality and customer satisfaction was supported.

The study further found substantial differences in customer satisfaction between public and private sector banks. Private bank customers reported significantly higher satisfaction levels than public bank customers. The independent samples t-test confirmed that the observed difference was statistically significant, supporting the hypothesis that customer satisfaction varies according to the type of bank. These findings suggest that private banks are more successful in meeting customer expectations and delivering superior service experiences. Therefore, the study concludes that banking service quality is a critical determinant of customer satisfaction and that banks seeking to enhance customer loyalty and competitiveness must continuously improve the quality of their services. Public sector banks, in particular, may benefit from strengthening customer relationship management practices, improving service responsiveness, enhancing employee training, and adopting more customer-centric service delivery approaches. Future studies may extend the analysis to larger geographical areas and include additional factors such as digital banking services, trust, customer loyalty, and perceived value to gain a broader understanding of customer satisfaction in the banking sector..

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