

Service Quality of Public and Private Sector Banks

***Dr.Vinosh Peter.K.V**

* Assistant Professor, Department of Management Studies, KVM College of Engineering and Information Technology, Cherthala, Kerala

Abstract

In the present scenario banking sector of India is running in a dynamic challenge concerning both customer base and performance. Service quality is an indispensable competitive strategy to retain customer base. Service quality plays a major role in getting customer satisfaction. Banks are trying hard to win customer satisfaction by providing better quality services. This study compares customers' perceptions of service quality of both public and private banks of Thrissur District. The service quality of both the banks has been measured using SERVQUAL (service quality) scale. Data was collected from total 300 customers of Thrissur District of public and private sector banks using Questionnaire. The results show that dimensions of service quality such as Tangibility, Reliability, Responsiveness, Empathy and Assurance significantly predict customer trust and commitment. Private bank customers are more committed and satisfied as they receive better quality of service. The study implies that public sector banks should also come forward and try their best to provide better quality service to win back their customers.

Keywords: Customer Satisfaction, Service Quality, Public Sector Banks, Private Sector Banks

Introduction

At the time of independence, Indian banking system was not sound. The strengthening of the banking system took place after the establishment of the Reserve Bank of India in 1935 as it was empowered to regulate banking by issue of directive, inspection, mergers, amalgamation etc. In 1949 two major actions were taken which were very important from the point of view of structural reforms in banking sector. First, the Banking Regulation Act was passed. It gave extensive regulatory powers to Reserve Bank of India (RBI) over the commercial banks.

On 19th July, 1969, Fourteen major Indian commercial bank were nationalized and on 15th April, 1980, Six more were added on to constitute the public sector banks. After nationalization these banks started rendering various types of functions by assuming social responsibilities. Through these banks, the government tried to implement various welfare schemes. These banks occupy a pivotal place in the Indian Banking system. Before 1991 there was little competition in the banking sector. The public sector banks dominating the banking industry in terms of size of assets .The government has now recognized the need to make banking industry more competitive It has thus made certain policy changes such as deregulation of interest rates and dilution of consortium lending requirement .Moreover, banking has been opened up to the private sector .As a result, new private sector Banks have been set up, old private sector Banks have expanded their operations and more foreign sector banks have entered the Indian banking industry. This has promoted competition and has helped in increasing efficiency. The paper endeavors to determine customer satisfaction. In the era of cut throat competition the survival of any banks depends upon the satisfied customers .Customer satisfaction is the state of mind that consumers have about a bank when their expectations have been met or exceeded over the life time of the service different people may have different expectations based on their prior experience, personal needs and what other people told them.

As perceptions are always considered relative to expectations and expectations are dynamic, perceptions may also shift over time from person to person. What is considered quality service or the things that satisfy customer today may be different tomorrow, same is in banking industry. Understanding of the customer's expectations and their perceptions about a particular bank can be the game changer.

Review Litreature

A.Abdul Raheem (2005), highlighted the areas in which public sector banks need to improve to survive in the competition posed by the new entrants in the banking sector. He pointed out that the existing organizational structure and policies of public sector banks are ill equipped to meet the new objectives. The study emphasized that public sector banks should commit themselves to provide quality service to survive.

Objectives of the Study

- To analyze the quality of services provided by public and private sector banks
- To identify the gap between customers expectation and perception of Public and Private sector banks.
- To measure the customer satisfaction of Public and Private sector banks.

Limitations of the Study

- The study is geographically restricted to Thrissur city only.
- Limited number of banks (only three Public sector and three Private sector banks) were covered under the study.

Research Methodology

This study is based on a survey conducted in Thrissur City. Primary as well as secondary data were collected. The theoretical foundation of the study is based on various secondary sources such as texts book on service quality, articles, quality magazines, and published papers. For the purpose of the study, a questionnaire was designed on 5 point Likert scale, where '1' represents SD (strongly disagree) and '5' represents SA (strongly agree), and the total 300 respondents were asked to respond to the statements in the SERVQUAL scale. Questionnaire consisted of 26 questions related to five dimensions of service quality in which the customers of various banks responded against their expectations and perceptions. Questionnaires were personally delivered by hand at workplaces and homes, which was used as a method for data collection. The respondents (150 of public sector banks and 150 of private sector banks) were required to record their perceptions and expectations of the service of the respective public sector Bank and private sector banks in Thrissur District. Three public sector banks-**SBI, PNB and BOB** and three private sector banks -**HDFC, ICICI and Axis** were selected for the study. The parameters identified are **Tangibility, Assurance, Reliability, Responsiveness and Empathy**.

The Pilot Study:

It was conducted among the selected customers of public and private sector banks. The researcher distributed the self administered questionnaire to 40 customers of selected banks in the study. Almost all of them were filled and returned. But only 30 from customers returned were in complete form and only such questionnaires were considered for testing the reliability of the instrument.

Reliability of the Questionnaires

Cronbach's Alpha test was used to test the proposed questionnaire of service quality of banking services. The results are shown in the following table.

Table 1 Reliability of Questionnaire

Dimension	Cronbach's Alpha Score
Tangibility	.682
Assurance	.783
Reliability	.884
Responsiveness	.763
Empathy	.801

Since all the results were above .6, the questionnaire were considered as a reliable tool for data collection.

Table 2 List of Banks and Approximate Number of Banking Customers in Thrissur District

Categories of Banks	Name of the Bank	Approximate Number of Banking customers in Thrissur District
Public Sector Banks	State Bank of India	7000
	Punjab National Bank	3500
	Bank of Baroda	2500
Private Sector Banks	HDFC	7500
	ICICI	9600
	AXIS	4500
	Total	34700

Sample Size: In our study, the population happens to be finite and hence the fixation of the sample size was based on the following formula

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2 (N-1) + Z^2 \cdot P \cdot q}$$

Based on the calculation the researcher fixed the sample size as 300 for service quality of banking survey. the researcher had in fact approached 360 bank respondents, but only 330 respondents agreed to participate in the survey. Finally 300 filled questionnaires completed in all aspects were considered for the study.

DATA ANALYSIS**Table 2 Demographic Profile of Respondents**

Gender	Public sector	%	Private sector	%
Male	92	61.3	103	68.6
Female	58	38.6	47	31.3
Total	150	100	150	100
Age				
<25	22	14.6	25	16.6
25-35	32	21.3	22	14.6
35-45	29	19.3	34	22.6
45-55	30	20	32	21.3
>55	37	24.6	37	24.7
Total	150	100	150	100
Occupation				
Government	30	20	18	12
Private	50	33.3	43	28.6
Professional	20	13.3	35	23.3
Business	40	26.6	37	24.6
Student	10	6.6	17	11.3
Total	150	100	150	100
Income				
<10,0000	30	20	26	17.3
10,000-15,000	55	36.6	49	32.6
15,000-25,000	37	24.6	34	22.6
25,000-40,000	19	12.6	27	18
>40,000	9	6	14	9.3
Total	150	100	150	100

Service Quality Gap Analysis of Public Sector Banks:

Table 3 Tangibility				Average Score	Table 4 Reliability				Average Score
Items	E	P	Gap (P-E)		Items	E	P	Gap (P-E)	
Q1	4.45	3.67	-0.78	-.93	Q1	4.23	3.45	-0.58	-.838
Q2	4.56	3.51	-1.05		Q2	4.87	3.65	-1.22	
Q3	4.78	3.76	-1.02		Q3	4.36	3.98	-0.38	
Q4	4.18	3.21	-0.97		Q4	4.52	3.60	-0.92	
Q5	4.23	3.78	-0.45		Q5	4.21	3.12	-1.09	
Q6	4.45	3.54	-0.91						
Q7	4.81	3.48	-1.33						
Table 5 Responsiveness				Average Score	Table 6 Assurance				Average Sscore
Items	E	P	Gap (P-E)		Items	E	P	Gap (P-E)	
Q1	4.30	3.14	-1.16	-1	Q1	4.10	3.42	-0.68	-.875
Q2	4.52	3.23	-1.29		Q2	4.22	3.31	-0.91	
Q3	4.06	3.41	-0.65		Q3	4.24	3.20	-1.04	
Q4	4.13	3.23	-0.9						
Table 7 Emaphthy				Average Score					
Items	E	P	Gap (P-E)						
Q1	4.50	3.67	-0.83	-.718					
Q2	4.16	3.51	-0.65						
Q3	4.08	3.76	-0.32						
Q4	4.38	3.21	-1.17						
Q5	4.23	3.78	-0.43						
Q6	4.45	3.54	-0.91						

Service Quality Gap Analysis of Private Sector Banks:

Table 8 Tangibility				Average Score	Table 9 Reliability				Average Score
Items	E	P	Gap (P-E)	-.63	Items	E	P	Gap (P-E)	-.68
Q1	4.34	3.91	0.43		Q1	4.01	3.82	-0.19	
Q2	4.89	3.72	1.17		Q2	4.22	3.64	-0.58	
Q3	4.54	3.65	0.89		Q3	4.31	3.53	-0.78	
Q4	4.32	3.82	0.5		Q4	4.17	3.43	-0.74	
Q5	4.06	3.79	0.27		Q5	4.45	3.31	-1.14	
Q6	4.51	3.60	0.91						
Q7	4.12	3.88	0.24						
Table 10 Responsiveness				Average Score	Table 11 Assurance				Average Score
Items	E	P	Gap (P-E)	-1.11	Items	E	P	Gap (P-E)	-.61
Q1	4.42	3.19	-1.23		Q1	4.59	3.84	0.75	
Q2	4.21	3.46	-0.75		Q2	4.63	3.97	0.66	
Q3	4.56	3.67	-0.89		Q3	4.24	3.83	0.41	
Q4	4.78	3.21	-1.57		Q4	4.54	3.91	0.63	
Table 12 Empathy				Average Score					
Items	E	P	Gap (P-E)	-.67					
Q1	4.31	3.85	0.46						
Q2	4.45	3.74	0.71						
Q3	4.78	3.71	0.97						
Q4	4.96	3.85	0.71						
Q5	4.12	3.59	0.23						
Q6	4.57	3.61	0.96						

Data Interpretation

The major findings of the study are given below on the basis of analysis and interpretation.

- The result of the study reveals that the majority of the respondents of public sector banks and private sectors banks are male. In public sector (61.3%) and private sector (68.6%) respondents are male respondents.
- The majority of the respondents belong to the age group of above 55 years in public and private sector banks.
- Majority of the respondents in this study are private employees, in public sector banks (33.3%) and private sector banks (28.4%) are private employees.
- The larger percentages of respondents are those earning a monthly income between 10,000-15,000.
- The public sector and private sector banks show that the highest gap score in Responsiveness dimension.
- The public sector banks show the lowest gap score in the empathy dimension and private sector banks show the lowest gap score in the assurance dimension.
- The overall customers' attitude towards bank services is that they are satisfied with the services provided by their banks. But still customers expect more and better services to be provided.

Conclusion

In the modern marketing customer satisfactions is of paramount importance. The study on service quality in selected banks is measured in five dimensions by using SERVQUAL scale developed by Parasuraman et al (1988). The number of responses in the present research reveals that there exists a small perceptual difference regarding overall service quality with the respective banks. The respondents of both the banks mostly concentrate on the staffs of the banks for improving customer satisfaction while the bank have more concentration on the tangible factor like a computerization, physical facilities, etc. to attract the customers. If banks want to sustain customers on a long term basis, bankers should work towards hundred percentage customer satisfaction that automatically foster customer delight.

Bibliography

1. Angur, M.G.; Natarajan, R; and Jahera, J.S. (1999); "Service Quality in the Banking Industry: An assessment in a Developing Economy", International Journal of Bank Marketing, Vol.17, No.3, pp.116-123. 2.
2. Arasli, H, Turan Katircioglu, S., Mehtap-Smadi, S. (2005), "A comparison of service quality in the banking industry: Some evidence from Turkish – and Greek – speaking areas in Cyprus", International Journal of Bank Marketing, Vol. 23, No. 7, pp. 508-526.
3. Aurora, S. and Malhotra, M. (1997); "Customer Satisfaction: A Comparative Analysis of Public and Private sector Banks", Decision, 24(1-4), (January – December); pp. 109 - 130.
4. Brady, K.M., & Cronin, J. Jr. (2001). Some new thoughts on conceptualizing perceived service quality: A hierarchical approach. Journal of Marketing, 65(July), 34–49. 5.
5. Beerli A., Martin J. D and Quintana A. (2004); "A model of customer loyalty in the retail banking market"; European Journal of Marketing; Vol. 38; No. 1/2; pp. 253-275.

6. Cadote, E. R., Woodruff, R. B., & Jenkins, R. L. (1987). Expectations and norms in models of consumer satisfaction. *Journal of Marketing Research*, 24, 305–314.
7. Churchill, C A and Surprenant, C (1982). “An Investigation into the Determinants of Customer Satisfaction,” *Journal of Marketing Research*, 19(November), 491-504.
8. Gounaris, S., Stathakopoulos, V., Athanassopoulos, A., 2003. Antecedents to perceived service quality: an exploratory study in the banking industry. *International Journal of Bank Marketing* 21 (4), 168-190.
9. Kotler, P.(2000), *Marketing Management*. 10th edn., New Jersey, Prentice-Hall. 11. Lewis, B (1991). “Service Quality: An International Comparison of Bank Customer’s Expectations and Perceptions,” *Journal of Marketing Management*, P47-62.
10. McKinney, V., K. Yoon, F. Zahedi (2002), “The Measurement of Web-Customer Satisfaction: An Expectation and Disconfirmation Approach,” *Information System Research*, 13(3), 296-315.
11. Parasuraman, A., Zeithaml V. A., Berry L. L., A conceptual model of services quality and its implication for future research, *Journal of Marketing*, Vol. 49, No. 4, pp. 41-50.
12. Parasuraman, A., Zeithaml V. A., Berry L. L., Servqual: A multiple-item scale for measuring consumer perceptions of service quality, *Journal of Retailing*, Vol. 64, No. 1, pp.12-40.
13. Parasuraman, A., Berry L. L. and Zeithaml V. A. Refinement and Reassessment of the SERVQUAL Scale. *Journal of Retailing*, Vol. 67 (Winter), pp. 420-450.