

A Study of Quality of Banking Services

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Abstract

For maintaining competitiveness in the market, the pursuit of service quality for service providers is necessary. Customer satisfaction is necessary for acquiring customer loyalty and having better financial controls. Service quality on banks is done on several studies including USA, Canada and Tunisia, Malaysia, five Balkan countries: Albania, Greece, FRYOM, Bulgaria and Serbia and India. The research gap in the current literature is that very few studies have been done on the impact of demographic variables on the perception of service quality. The objective of this article is to examine the effect of type of bank i.e. public and private sector banks on perception of quality of banking services.

The instrument used for evaluating service quality was Bank Service Quality created by Bahia and Nantel (2000). This instrument consists of 31 items which spans 6 dimensions: access; effectiveness and assurance; tangibles; price; services portfolio and reliability. In the study, perception was only measured with the items of perception only. A quantitative research approach and well-structured survey questionnaire was used in the study. Convenience sampling was used with 51 questionnaires and google forms were used for collecting the data. Data collected was analysed using SPSS version 16. The highest score for both public and private sector banks was for “effectiveness and assurance” dimension. The lowest score for public and private sector banks was for “reliability” dimension. ANOVA was used to check whether there were significant differences among public and private sector banks for six dimensions. The result shows that there are non-significant differences among perceptions of public sector and private sector banks on all six dimensions. There are non-significant differences on all 31 items in the case of public sector and private sector banks. The study shows that respondents of both public and private sector banks perceive that service quality of banks is not as per their expectations. The limitation of this study is that convenience sampling has been used in the study. Moreover, it would not represent the perception of service quality of banks in the whole of India. Future studies could be done involving large and representative samples.

Keywords: *service quality, reliability, banks, service portfolio, access*

1. INTRODUCTION

The pursuit of service quality for service providers is necessary for competitiveness [15]. In case of internet banking services, high service quality significantly impacts e-satisfaction and leads to e- customer loyalty [1]. Customer satisfaction is linked with higher financial performance [12, 13]. Moreover, customer satisfaction mediates the effect on service quality on behavioural intentions [10]. Full customer satisfaction is necessary for acquiring customer loyalty and getting better financial results leaving behind rare cases [6]. In public sector banks the government has complete or maximum ownership while in private sector banks individuals or corporations have maximum ownership [17].

The objective of this paper is to examine the perception of service quality of banks and the difference between public and private sector banks on the quality of banking services.

Banks have to focus on service quality to retain their customers. Service quality of banks has been studied in numerous countries, such as England [11], USA [10], Canada and Tunisia [8], Malaysia [9], five Balkan countries: Albania, Greece, FYROM, Bulgaria and Serbia [4] and India [15]. The research gap is that very few studies have been done on the impact of demographic variables on the perception of service quality. Scale for measurement of perceived service quality of bank services consists of six dimensions: access; effectiveness and assurance; tangibles; price; services portfolio and reliability [2]. The purpose of this article is to examine the effect of type of bank i.e. public or private sector banks on perception of quality of banking services.

2. LITERATURE REVIEW

This section reviews the existing literature and constructs for measuring service quality namely reliability, service portfolio, effectiveness and assurance, access, price and tangibles [2].

Service Quality

In the existing literature, a scale for service quality is developed for different industries. It is developed for banking [2] and cellular mobile telephony [15]. The instrument created by them for measuring service quality consists of reliability, responsiveness, assurance, empathy, tangibles, convenience, customer perceived network quality and overall service quality. Prior research on the topic of quality of banking services is shown in Table 1. Scale for bank customers was developed by Karatepe, Yavas and Babakus (2005) consists of 20 items and comprises four dimensional constructs having service environment, interaction quality, empathy and reliability [7].

Reliability refers to accuracy of service and accuracy of information and record [7]. Effectiveness and assurance refer to delivering the service effectively and in a timely manner. Access refers to the ease with which customers can avail the banking services. Price refers to the reasonable amount of fees that is charged for the banking service. Tangibles refers to the appearance of the facilities provided by the bank. Service portfolio refers to the complete range of the service provided by the bank.

Table 1. Selected papers on the Quality of Banking Services

Author(s)	Journal	No. of Cites ^a (Google)	Emphasis of study	Conceptual (C) or Empirical (E)	Findings
Bahia and Nantel (2000)	International Journal of Bank Marketing	866	Development of scale for measurement of perceived service quality in retail banking	E	Scale for the measurement of perceived service quality in bank services.
Saleh et al. (2017)	International Journal of Bank Marketing	63	Examining the different opinions of customers of Islamic and conventional banking arrangements	E	Islamic banks customers' opinion of the level of reliability is greater than those of conventional banks
Jain and Gupta (2004)	Vikalpa	998	Assess the investigative power of SERVQUAL and SERVPERF scales	E	SERVPERF scale is found lacking in diagnostic power.
Ranaweera and Neely (2003)	International Journal of Operations & Production Management	362	Relationship of perception of service quality with customer retention	E	Perceptions of service quality have a straight linear association with customer retention

Seth et al. (2008)	Vikalpa	120	Developing scale for perceived service quality in case of cellular mobile telephony services	E	Scale was developed for measuring perceived service quality in case of cellular mobile telephony services
Olorunniwo & Hsu (2006)	Managing Service Quality: An International Journal	276	Typology analysis of service quality	E	Reliability dimension contributes significantly to service quality.
Glaveli et al. (2006)	Managing Service Quality: An International Journal	200	Difference in perception of banking services in five Balkan countries	E	Greek customers perceived having received the highest level of service quality.
Ladhari et al. (2011)	International Journal of Bank Marketing	278	Compare perceptions of banking services of Tunisian and Canadian Customers	E	Canadian and Tunisian customers conveyed having received a great level of perceived service quality.
Amin (2016)	International Journal of Bank Marketing	319	Examine the internet banking service quality and its impact on e-customer satisfaction	E	Greater level of service quality of internet banking considerably impacts e-customer satisfaction
Karapte et al. (2005)	Journal of Retailing and Consumer Services	604	Scale development of service quality in case of retail banks.	E	Development of scale for service quality for retail banks

Moghavvem i et al. (2018)	International Journal of Bank Marketing	59	Examine the service quality of foreign and local banks	E	Knowledge is more important for local bank customers.
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^aGoogle scholar citations for the listed paper were collected on 20th August, 2021.

3. RESEARCH METHODOLOGY

This section comprises research method, sample size and sample design, research instrument and data analysis method.

I. Research Method

A quantitative research approach and well-structured survey questionnaire was used in the study. Quantitative approach was used to find out perception of banking services and effect of type of bank on perception of quality of banking services.

II. Sampling Design and Sample Size

Convenience sampling was used with 51 questionnaires and google forms were used for collecting the data. The google forms were filled mainly through the customers of public and private sector banks. Convenience sampling was used for the sake of accessibility of the respondents.

III. Research Instrument

The instrument used for evaluating service quality was Bank Service Quality [2]. This instrument consists of 31 items which spans 6 dimensions:

- 1 Access
- 2 Effectiveness and assurance
- 3 Tangibles
- 4 Price
- 5 Services portfolio
- 6 Reliability

In the current study, only perception was measured by using items of perception only. The type of Seven Point Likert Scales was chosen by the author: 1= Strongly Disagree, 2=Disagree, 3= Somewhat Disagree, 4= Neutral, 5=Somewhat Agree, 6= Agree, 7= Strongly Agree. The question for demographic details for the study was designed by the author himself.

IV. Data Analysis Method

Data collected through google forms were analyzed using SPSS version 16. Coding of the data which was present in google form was done so as to analyse it. Demographic details of the respondents like age, gender, family income/month, type of bank, education and current service offered by the respondents' bank were analyzed by frequency and other statistics like mean, standard statistics and other descriptive statistics. ANOVA was used to see the role of type of bank on the perception of service quality.

4. DATA ANALYSIS AND INTERPRETATION

This section discusses the demographic profile of the respondents, perception of service quality and effect of type of bank on the respondent's perception towards service quality.

I. Demographic Profile

Most of the respondents or 62.7% (N=32) are in the age group of 25-54 years, whereas 31.4 % (N=16) are aged 18-24 years. About 5.9 % of the respondents are in the age group of over 55 years. Most of the respondents are female 78.4% (40 out of 51), whereas male comprised only 21.6% (11 out of 51).

Most of the respondents (41.2%) have family income/month of Rs 50,000 to 80,000, followed by respondents (37.3%) having family income/month of over Rs 80, 000. 21.6% of the respondents have family income/month of less than Rs 50,000. 68.6 % of the respondents were from public sector banks whereas 31.4 % of the respondents were from private sector banks. Around 98% of the respondents have a university degree while 2% of the respondents have secondary education.

II. Perception of Bank Service Quality for Public and Private Sector Banks

Respondents from public and private sector banks responded that service quality of banks is not as per their expectations.

Dimensional analysis: The six dimensions show scores between 5.42 and 4.87 for public sector banks and between 5.69 and 4.94 for private sector banks (see Table 2). The highest score for both public and private sector banks were achieved for "effectiveness and assurance" dimension, followed by "tangibles" in case of public sector banks and "service portfolio" in case of private sector banks. The lowest score for both public and private sector banks is for "reliability" dimension. ANOVA was used to check whether there were significant differences among perceptions of the public and private sector for six dimensions. Table 3 shows that there are non-significant differences among perceptions of public sector and private sector banks on all six dimensions. For instance, the mean score for "access" dimension in case of public sector banks is 5.08 while in case of private sector banks it is 5.24, a non-significant difference ($F= 0.14$, $Sig. = 0.71$). Similarly, the mean score for

respondents of public sector banks for tangibles dimension is 5.25, while respondents of private sector banks reported 5.39.

Table 2. Perception towards Bank Service Quality across Type of Bank of Respondents

Items	Public sector banks (n=35)	Private sector banks (n=16)	F	Sig.
Effectiveness and assurance	5.42	5.69	0.967	0.33
Access	5.08	5.24	0.14	0.71
Price	4.91	5.05	0.115	0.736
Tangibles	5.25	5.39	0.151	0.699
Services portfolio	5.13	5.41	0.631	0.431
Reliability	4.87	4.94	0.021	0.885

Items analysis: The mean score for all the 31 items was greater than 4 in public sector banks sample; indeed 23 out of 31 items have a mean score of greater than 5. In the private sector banks sample, 31 items have mean scores greater than 4 (see Table 3).

For public sector bank respondents, the highest scores were for item 3 (“Confidentiality”) (6.11), followed for item 11 (“Feeling of security”) (5.74) and item 2 (“Recognition of a regular client”) (5.66) and item 10 (“Good reputation”) (5.66). The lowest score was for item 21 (“Balance amount from which service charges begin”) (4.77). For private sector banks respondents, highest scores were for item 10 (“Good reputation”) (6.31), followed by item 11 (“Feeling of security”) (6.19) and item 3 (“Confidentiality”) (6.12). The lowest score was for item 16 (“Sufficient number of open tellers”).

Table 3 shows the result of ANOVA analyses which was performed on an item-by-item basis, and shows non-significant differences on all 31 items. For example, private sector banks respondents show almost a similar score on item 1 (“Confidence”) than that reported by public sector banks respondents (5.75 vs. 5.43), the difference was not significant ($F= 0.699$, $p = 0.407$).

Table 3. Perception towards banks service quality on an item basis

Items	Public sector banks (n= 35)	Private sector banks (n=16)	F	Sig.
1.Confidence	5.43	5.75	0.699	0.407
2.Recognition of a regular client	5.66	5.81	0.248	0.621
3.Confidentiality	6.11	6.12	0.001	0.973
4.ValORIZATION of the client by personnel	5.31	5.25	0.027	0.87
5.Interruption of the service	4.89	4.38	1.239	0.271
6.Well-trained personnel	5.4	5.88	1.731	0.194
7.Knowledge of the client on a personnel basis	5.03	5.25	0.3	0.586
8.No contradictions in decisions between personnel and management	5.09	5.56	1.683	0.201
9.Delivering when promised	5.37	5.69	0.587	0.447
10.Good reputation	5.66	6.31	4.883	0.032
11.Feeling of security	5.74	6.19	2.257	0.139
12.No delays due to bureaucratic factors and procedures	5.26	6	3.975	0.052
13.Indications (communications) of quality	5.51	5.81	0.734	0.396
14.Sufficient number of ATMs per branch	5.23	5.25	0.002	0.963
15.Modern Equipment	5.2	5.56	0.696	0.408
16. Sufficient number of open tellers	5.06	4.81	0.287	0.595
17.Waiting is not too long	4.97	5.12	0.09	0.765
18. Queues that move rapidly	4.94	5.44	0.984	0.326
19.The bank contacts me every time it is useful	4.91	4.88	0.006	0.937
20.Good explanation of service fees	4.83	5.06	0.258	0.613

21. Balance amount from which service charges begin	4.77	5.31	1.386	0.245
22. Reasonable fees for the administration of the accounts	4.97	4.94	0.007	0.934
23. Keeping the client informed every time a better solution appears for a problem	5.06	5.06	0	0.991
24. Precision on accounts statements	5.4	5.12	0.415	0.523
25. Cleanliness of facilities	5.23	5.75	1.802	0.186
26. Decoration of facilities	5.11	5.31	0.205	0.652
27. Efficacious work environment	5.26	5.38	0.086	0.77
28. Complete gamut of services	5.06	5.06	0	0.989
29. The range of services is consistent with the latest innovations in the banking services	5.2	5.75	2.125	0.151
30. Absence of errors in service delivery	4.94	4.88	0.021	0.886
31. Precision of filing systems	4.8	5	0.189	0.665

5. CONCLUSIONS, LIMITATIONS AND MANAGERIAL IMPLICATIONS

I. Major Conclusions

The objective of this paper is to examine the perception of service quality of banks in public sector and private sector banks. The study shows that respondents of both public and private sector banks perceive that service quality of banks is not as per their expectations. The results of the study are in accordance with the study done by Fida et al. (2020). In that study, customers gave only agree responses. However, there are non-significant differences among perceptions of public sector and private sector banks on all six dimensions. Moreover, there are non-significant differences on all 31 items in the case of public sector and private sector banks.

5. Limitations

The limitation of this study is that convenience sampling has been used in the study. Therefore, the study may not represent the perception of service quality of banks in whole

India. Future studies could be done to solve this problem by taking representative samples. Apart from that, larger samples could be taken.

6. Managerial Implications

Service sector contributes to almost half of GDP in India [16]. Intensive competition is there in the banking sector due to the presence of both public and private sector banks. So, bank executives need to know how people of public and private sector banks rate service quality. Practitioners in both the public and private sector can use the results of the study to identify how customers perceive their respective banks. The results show that prices offered by banks are not as per the expectations of the respondents. So, banks should set such prices which are reasonable to the customer. Respondents perceive services of their banks are not reliable. So, banks should look into matters as top priority. Respondents from public sector banks do not perceive service quality different from the respondents of private sector banks. So, public and private sector banks should look into the above-mentioned problems urgently. The problematic areas in the service quality of banks are interruption of the service, long waiting time, queues that do not move rapidly and the banks not contacting customers every time it is useful. Apart from this, other problematic areas are poor explanation of fees, improper balance amount from which service charges begin and unreasonable fees for the administration of the accounts. Overall, respondents from both public and private sector banks are not happy with most of the items in the service quality. Banks could use technology in the banks to reduce waiting and long queues in the banks.

7. REFERENCES

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