

Service Quality Assessment- Public, Private and Foreign Banks

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Abstract

After demonetization and Prime Minister Mr. Narendra Modi's drive for digital India, there is an enormous usage of digital transactions. Role of banks in making digital India is inevitable. Payment banks were called the next big thing in the fintech industry largely because of the simplicity in the model and its potential geographical inclusivity. Paytm and other mobile wallets have enjoyed tremendous growth which makes a keen competition in the banking industry. The purpose of this research paper is to bring a better evaluation towards service quality provided by public, private and foreign banks. This paper explores the customer perception towards banking service quality attributes, how closely customer expectations of banking service and perceptions of customer match. SERVQUAL is used to measure service quality. Service Quality is the degree of excellence in the service performance. Banks have had to present more services with higher quality to survive in the competition.

Service quality measure is based on modified version of SERVQUAL as proposed by Parasuraman et al. (1988), which involve five dimensions of Service quality, namely Reliability, Responsiveness, Empathy, Assurance, and Tangibles. This study on customer service quality of commercial banks looks for bringing out the differences between perceptions of customers of these banks. This study is descriptive and analytical in nature. The collected data is analyzed by obtaining the mean scores of the various servqual dimensions both for expectations and perceptions. Such mean scores are compared with each other to find the gaps between expectations and perceptions. The service quality gaps of customers of various types of banks are compared. The findings of this research suggest the area of focus or the critical gaps to maintain competitive edge in banking service sector.

Keywords: *Service quality, SERVQUAL, Commercial Banks*

I. INTRODUCTION

Indian banking industry has suddenly witnessed a major boom. Indian banking industry reformed into digitization (or moving online) of all the traditional banking activities, programs and services that were historically were only available to customers when physically inside of a bank branch. New technologies are impacting legacy banking models and consumer expectations, as well as the competitors in the financial market. The shift from traditional to digital banking has been gradual and remains ongoing. The legacy banking institutions having huge capital, customer base and infrastructure, they often lack in speed, innovation and a genuine focus on the consumer. This is why more and more fintech firms have not only entered the banking ecosystem, but have succeeded in moving market share. The payments ecosystem will never be the same, and the lending battlefield is getting more and more crowded with new players filling the needs of an increasingly diverse consumer.

It's time for the commercial banks to revamp and evaluate their service quality to provide better quality services, customer engagement as well as value to the consumer. All these will be accomplished by leveraging enhanced sources of data and technology to process insights, advanced analytics and modern communication platforms. There is an unparalleled opportunity to proactively identify consumer needs and the appropriate product or service to be offered.

II BACKGROUND OF THE STUDY

Quality in service is an elusive concept because of the intangibles nature of the service offering and the definition of quality may vary from person to person and from situation to situation. Customer perception an ideology that encompasses a customer's impression, and consciousness about a company or its offerings, it's what your customers and potential customers think of your organization. Knowing what influences customer perception towards the banking service quality allows the banking companies to secure organization's perceived identity.

Hence, this study aims to find out the most important attributes of service quality as perceived by customers and it is an attempt to measure and compare service quality among private, public and foreign banks in Chennai city by using SERVQUAL.

III METHODOLOGY

The study titled "Service Quality Assessment- Public, Private and Foreign Banks" is carried out in Chennai city. Ten branches of each Public Sector Banks, Private Sector Banks and foreign banks were selected. Totally three hundred respondents were selected (ten respondents from each branch) to collect primary data through SERVQUAL questionnaire by using stratified random sampling method.

IV LITERATURE REVIEW

Shalini Gautam and Akash Singh (2018) assess the service quality gaps (difference of customer expectation and perception of service quality) in Indian public banking sector and foreign banks operating in India. It seeks to study service quality perceptions and expectations for the Indian banking customers by using SERVQUAL model. Primary data has been collected through survey. The questionnaire has been developed in two parts. First part includes five service quality dimensions namely tangibility, reliability, responsiveness, assurance and empathy. The second part of the questionnaire includes demographic information. Sample size is 150. The respondents were asked to rate each statement on a Likert scale of 1 to 5. Where 1 is “strongly disagree” and 5 is “strongly agree”. The data collected was analyzed through statistical tools such as frequency, descriptive statistics, T-test etc. and hypothesis testing was implemented for the different dimensions. The study contributes in understanding service quality gaps in Indian public sector banks and foreign banks operating in India.

Bhatt, Mushtaq A. (2016) conducted a study to examine service quality in banks and its variation across demographic variables. The data required for the study has been collected from 800 customers of five different banks, viz. State Bank of India, Punjab National Bank, Jammu & Kashmir Bank, City Bank and SCGB, scattered over four northern states of India. The study revealed that service quality of foreign banks is comparatively much better than that of Indian Banks and there are service quality variations across demographic variables like age, income, occupation, geographic location of banks etc.

Bhat, Mushtaq A. (2015) studied service quality perceptions of Indian banks in comparison with that of foreign banks. SERVQUAL instrument developed by Parasuraman et al. in the year 1988 and its five dimensions such as reliability, responsiveness, empathy, assurance and tangibility were used for collecting primary data. A major finding of the study was that Indian banks fall much below the perceptions of their customers on all dimensions of service quality. Foreign banks are exceeding the perceptions of their customers on tangibility and reliability dimensions of service quality.

V THE SERVQUAL MODEL

SERVQUAL consists of five service dimensions with a set of 22 items, each item measuring both the perception and the expectation of a particular service. The five dimensions are: reliability, responsiveness, assurance, empathy, and tangibles. It is a method to capture and measure the service quality experienced by customers. This model enumerates the service quality as a function of the difference in scores or gaps between expectation and perception. An important advantage of the SERVQUAL instrument is that it has been proven valid and reliable across a large range of service contexts.

VI. OBJECTIVES OF THE STUDY

Primary Objective:

To examine and analyze customer perception towards Service Quality attributes of public, private and foreign Banks

Secondary Objectives:

1. To examine the demographic variables impact on customer perception.
2. To bring out significant relationship among service quality attributes within public, private and foreign banks.
3. To assess the gaps between customer perception and expectation of banking service quality attributes among public, private and foreign banks.

VII. DATA ANALYSIS AND INTERPRETATION

A. Reliability and Validity:

Table 7.1: Cronbach's Alpha of all the Variables

Variables	Perception	Expectation
22 Items	0.814	0.881
Reliability	0.725	0.733
Responsiveness	0.784	0.791
Assurance	0.708	0.726
Empathy	0.752	0.762
Tangibility	0.711	0.753

From Table 7.1, it can be seen that all the coefficients of alpha are all above 0.7 for all the dimensions. Fujun et al. (2007) states that a Cronbach's alpha of greater than 0.7 indicates that the data is internally consistent. Thus it can be concluded that the data is reliable.

B. Demographic Profile of Respondents:

Table 7.2: Demographic Factors

Demographic Factors	Public Banks		Private Banks		Foreign Banks		Three Banks	
	No of res	%	No of res	%	No of res	%	No of res	%
Gender								
Male	48	48	68	68	61	61	177	59
female	52	52	32	32	39	39	123	41
Total	100	100	100	100	100	100	300	100
Age group								
19-25	14	14	18	18	22	22	57	19
26-35	20	20	22	22	16	16	58	19
36-50	32	32	21	21	30	30	70	23
51-60	16	16	20	20	10	10	58	19

Above 61	18	18	19	19	22	22	57	19
Total	100	100	100	100	100	100	300	100
Educational level								
Secondary level	19	19	27	27	11	11	57	19
Higher Secondary	32	32	18	18	18	18	68	23
UG Degree	18	18	26	26	36	36	80	27
PG Degree	31	31	29	29	35	35	95	32
Total	100	100	100	100	100	100	300	100
Monthly Income in Rs								
0-10000	22	22	12	12	19	19	73	24
10001-20000	29	29	20	20	27	27	82	27
20001-30000	22	22	22	22	22	22	66	22
Above 30000	27	27	46	46	32	32	75	25
Total	100	100	100	100	100	100	300	100
Occupation								
Employed	23	23	15	15	21	21	59	20
Professional	14	14	16	16	19	19	49	16
Business	32	32	23	23	18	18	73	24
Student	13	13	18	18	17	17	48	16
Home maker	10	10	13	13	8	8	31	10
Retired	8	8	15	15	17	17	40	13
Total	100	100	100	100	100	100	300	100

*No of res = No. of Respondents

It is observed from the table 4.2, In the public banks 48% of the respondents are male, 32% of the respondents belong to the age group of 36 – 50 years, 32% of the public banks respondent's educational qualification is Higher secondary level, 29% of the respondents have monthly income between Rs.10001 to Rs.20000, 32% of the respondents are having occupation as business. In the private banks 68% of the respondents are male, 22% of the respondents belong to the age group of 26 – 35 years. 29% of the respondents are PG degree holders, 46% of the respondents having monthly income of above Rs.30000, 23% of the respondents are having occupation as business. Under foreign banks 61% of the respondents are male, 30% of the respondents belong to the age group of 36 – 50 years, 36% of the respondents are UG Degree holders, and 32% of the respondents having monthly income of above Rs.30000, 21% of the respondents are employed. Among the entire three sector banks, 59% of the respondents are male, 23% of the respondents belong to the age group of 36 – 50 years. 32% of the respondents are PG Degree holders, 27 % of the respondents have monthly income between Rs.10001 to Rs.20000 and 24% having occupation as business.

C. Service Quality Rating and Demographic Variables:

H0: There is no significant difference between the service quality rating and demographic variables.

H1: There is a significant difference between the service quality rating and demographic variables.

7.3 Hypothesis to test independence of service quality rating and demographic variables

Demographic Variable	F Statistic	P Value	Significance at 5%	Acceptance of Hypothesis
Age	0.906	0.444	Not significant	H0 is accepted
Gender	0.946	0.331	Not significant	H0 is accepted
Educational level	2.764	0.015	Significant	H1 is accepted
Monthly Income in Rs	4.761	0	Significant	H1 is accepted
Occupation	9.509	0	Significant	H1 is accepted

From the above table, it is inferred that customer service quality rating varies with demographic variables like Educational level, Monthly Income in Rs and Occupation of the respondents. However, customer service quality rating does not vary with age, gender of the respondents.

D. Assessment of Service - Quality Gaps:

Customer service quality gaps (Expectation vs. Perception) on five dimensions of quality (Reliability, Assurance, Empathy, Responsiveness and Tangibility) of three types of Banks namely public sector Banks, private sector banks and foreign banks are assessed and analyzed.

7.4 Mean Score and Gap of Expected Service Quality and Perceived Service Quality

service quality dimensions	Public Banks			Private Banks			Foreign Banks		
	EM	PM	Gap	EM	PM	Gap	EM	PM	Gap
Reliability	4.11	3.33	0.78	4.61	3.06	1.55	4.11	3.06	1.05
Responsiveness	4.67	2.89	1.78	4.67	3.89	0.78	3.67	3.89	-0.22
Assurance	4.38	3.23	1.15	4.89	3.83	1.06	3.89	3.11	0.78
Empathy	4.08	3.46	0.62	4.08	3.84	0.24	3.78	2.93	0.85
Tangibility	3.22	2.67	0.55	3.62	4	-0.38	4.22	4.25	-0.03
Mean Score	4.09	3.12	0.98	4.37	3.72	0.65	3.93	3.45	0.49
<i>EM –Expected Mean</i>									
<i>PM –Perceived Mean</i>									
<i>Gap = Expected Mean - Perceived Mean</i>									

Reliability:

Public Banks: The average mean gap score for “Reliability” was found to be 0.78.

Private Banks: The average mean gap score for “Reliability” was found to be 1.55.

Foreign Banks: The average mean gap score for “Reliability” was found to be 1.05.

The attributes like consistency in performances, providing reliable information and providing services as promised, quick & prompt and error free services determines the reliability of banking services, it is very obvious that the **Private Banks** have high servqual

gap score in providing quick and prompt services and providing error free services to the customers. The service quality could be improved when the reliability on the bank services are enhanced with more customer expectations in case of private banks.

Responsiveness:

Public Banks: The average mean gap score for “Responsiveness” was found to be 1.78.

Private Banks: The average mean gap score for “Responsiveness” was found to be 0.78.

Foreign Banks: The average mean gap score for “Responsiveness” was found to be -0.22

The attributes like finding errors and eliminating them, the process waiting time and customer support services and their quick response to customer queries determines the Responsiveness of banking services, it is very obvious that the **Public Banks** have high servqual gap score in providing responsive services to customers. Hence, it is inferred that the public banks should take continuous efforts in quickly locating and eliminating the errors, even though it's in the hands of employees of public banks to provide service with less waiting time.

Assurance:

Public Banks: The average mean gap score for “Assurance” was found to be 1.15.

Private Banks: The average mean gap score for “Assurance” was found to be 1.06.

Foreign Banks: The average mean gap score for “Assurance” was found to be 0.78.

It can be observed that, assured execution time, kind and politeness of the employees, trustworthiness, knowledge of the employees, feeling secured are the noticeable factors contributing to the average “Assurance” gap. It is noticed that the **Public Banks** have high mean gap score for the dimension “Assurance”. Hence, it is concluded the public banks should take continuous efforts in improving kind and politeness of the employees through training, soft skill development in interpersonal relationship, inculcating trustworthiness can improve the service quality in this dimension.

Empathy:

Public Banks: The average mean gap score for “Empathy” was found to be 0.62.

Private Banks: The average mean gap score for “Empathy” was found to be 0.24.

Foreign Banks: The average mean gap score for “Empathy” was found to be 0.85.

It can be observed that, sincere concern of the employees, their willingness to help customers, suitable working hours, understanding customer needs and convenient location of the bank have great impact on this dimension empathy. It is noticed that the **foreign Banks** have high mean gap score for the dimension “empathy”. Hence, it is concluded the foreign banks should take tremendous efforts in improving employee's sincere concern towards the customers, their willingness to help and their understanding of the customer needs from their point of view, can fulfill the customer expectations.

Tangibility:

Public Banks: The average mean gap score for “Tangibility” was found to be 0.55.

Private Banks: The average mean gap score for “Tangibility” was found to be -0.38.

Foreign Banks: The average mean gap score for “Tangibility” was found to be -0.03.

It can be observed that, visually appealing layout of the bank and the availability of necessary equipment central location of the bank, the availability of attractive printed materials and the employee’s professional dressing manner have great impact on this dimension tangibility. It is noticed that the **public Banks** have high mean gap score for the dimension “tangibility”. Hence, it is inferred that the availability of the necessary equipments and the visual appealing layout of the banks needs to be considered for further improvements by public banks.

Overall Service Quality:

Public Banks: The average mean gap score for “Overall Service Quality” was found to be 0.98.

Private Banks: The average mean gap score for “Overall Service Quality” was found to be 0.65.

Foreign Banks: The average mean gap score for “Overall Service Quality” was found to be 0.49.

The Public banks have the highest servqual gap score of 0.98. It’s very apparent that the public sector banks, has to improve in various attributes related to service quality in the near future. It should be taken as a serious concern and worked upon; so that they could match the other sector banks service quality, especially win back the trust factor associated with the customers.

E. Hypothesis Testing to identify if there is Significant difference between the Servqual Gaps of Public Sector, Private Sector and Foreign Banks

H0: There is no significant difference between the Servqual Gaps of Public Sector, Private Sector and Foreign Banks.

H1: There is a significant difference between the Servqual Gaps of Public Sector, Private Sector and Foreign Banks.

7.5 Three type of the Banks vs Overall Service Quality

	Type of bank	N	Mean	SD	t-Value	p-value	S/NS
Overall service quality	public bank	100	148.86	8.52	5.96	0.0019	S
	private bank	100	153.42	9.02			
	foreign bank	100	158.12	8.86			

It is inferred from the above table that the t-value is 5.96 and p-value is 0.0019, which is less than level of significance (reject the null hypothesis). Hence there is a significant difference in

the customer perception towards overall service quality among public banks, private banks and foreign banks.

F. Findings and Conclusion:

Customer service quality rating varies with demographic variables like Educational level Monthly Income in Rs and Occupation of the respondents. However, customer service quality rating does not vary with age, gender of the respondents.

Customer's expectation of private banks is more than that of the public banks and foreign banks in case of all the service dimensions. This indicates that customers expect better services in private banks than the other banks.

The service gap is highest in reliability dimension for private banks, by providing quick and prompt services and providing error free services to the customers, reliability on the bank services are enhanced in case of private banks.

In case of public banks the service gap is the highest in the responsiveness dimension. So, public banks should take continuous efforts in quickly locating and eliminating the errors.

The service gap is highest in assurance dimension for Public Banks. Hence the public banks should take continuous efforts in improving kind and politeness of the employees through training, soft skill development in interpersonal relationship, inculcating trustworthiness.

In case of foreign Banks the service gap is the highest in the empathy dimension. Hence, foreign banks should take tremendous efforts in improving employee's sincere concern towards the customers, their willingness to help and their understanding of the customer needs from their point of view

The service gap is highest in tangibility dimension for Public Banks, availability of the necessary equipments and the visual appealing layout of the banks needs to be considered for further improvements by public banks.

From this study it can be concluded that overall service quality gap is greater for public bank. The foreign banks serve better in meeting the expectations of customer than the private banks.

In today's global market, the competitive advantage, differentiation and excellence lies in delivering high quality service to the customers. Customers are the important stakeholders in an organization and their satisfaction is most important. . In order to satisfy the customers and gain their patronage the public banks should focus on improving the service in terms of responsiveness and assurance. The private banks appear to be a better option as perceived by the customers but they should try to provide better services in reliability and assurance dimensions. Foreign banks even though they are serving in a better way in meeting the expectations of their customers they should give a focus towards reliability and empathy.

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