# A STUDY ON THE SERVICE QUALITY OF PRIVATE, PUBLIC AND FOREIGN BANKS IN INDIA

✎

## Dr. S. Kavitha[1]

*Associate Professor*
*GRD Institute of Management*
*Coimbatore,Tamil Nadu*
*India*

## S.P.Ananthavalli[2]

*Research Scholar*
*GRD Institute of Management*
*Coimbatore*
*Tamil Nadu*
*India*

## ABSTRACT

*T*oday the Indian banking system has undergone significant transformation following financial sector reforms. Banks are facing the challenges of competition and high level of risk. There is an increasing competition from both public and private sector banks in terms of operation. "The customer is the king" is a common phrase that we hear; this phase rightly fits the banking sector .Today banks have changed from being mere lending institutions to concentrating on customer relationships. In today's technological age, customers are aware of all the services provided by banks and the exact quality they expect from these services. This study was undertaken with a motive to analyze the service quality of private, public and foreign banks in four different cities in India namely Kochi, Coimbatore, Bangalore and Mumbai. The study is to understand customer expectation and perceptions of the banks who they have accounts in say, private, public or foreign banks in India.

**KEY WORDS:** *Banking system, Service Quality and Customer Relationship*

## INTRODUCTION

Banks plays an important role in the economic development of a country. It is a financial institution that accepts deposits and channels those deposits into lending activities either directly or through capital markets. A bank connects customers which have capital deficits to those customers with capital surpluses. Banking industries in India are facing certain challenges, that is, certain challenges of service quality, customer satisfaction, customer retentions and many others. Quality service plays a major role in achieving customer satisfaction in banking sector.

Service quality has been defined by various experts in various ways as: 'Service Quality is the difference between customers' expectations for service performance prior to the service encounter and their perceptions of the service received.'

Parasuraman says service quality is determined by the differences between customer's expectations of services provider's performance and their evaluation of the services they received.

## Dimensions of Service Quality:-
### Table: 1 Explanation of the Service Quality Dimensions

| Dimension | Meaning |
|---|---|
| Assurance | Bank must be secured and employee behaviour encouraging |
| Responsiveness | Immediate response to an enquiry and voluntary services |
| Empathy | Individual attention, customised services and convenient banking hours |
| Reliability | Can the customer trust the bank and its services |
| Tangibility | Location and ambiance |

## THE OBJECTIVES OF THE STUDY

- ❖ To understand the perception of the customers of public, private and foreign banks and to find out the challenges faced by them to deliver expected services.
- ❖ To find the gap score between customers expectations and perceptions of quality of services for public, private and foreign banks.
- ❖ To evaluate the performance of public, private and foreign banks on the basis of quality of services.
- ❖ To make suggestions for improvement of quality of services in public, private and foreign banks.

## METHODOLOGY

The research conducted falls under the category of both descriptive and analytical in nature. Primary data was collected through a structured questionnaire and SERVQUAL technique containing the 5 dimensions of service quality was used. The primary data was collected from private, public and foreign banks customers in four different cities in India namely Kochi, Coimbatore, Bangalore and Mumbai and secondary data was collected from books, research papers and articles. The convenience sampling technique was adopted for sample selection. The sample size is 250. The percentage analysis was used to summarize the data and the SERQUAL gap model was used to identify the gap between customer's perception and expectation and the SPSS software is used to find the gap score.

## RESULTS AND DISCUSSIONS:
## SERVQUAL GAP SCORE
## SERVQUAL Results by Dimensions: - TANGIBILITY

The Tangibility dimension of the SERVQUAL customer perception tool is comprised of the first four questions which assess the tangible appearance aspects (equipment, materials, physical facility and employees) of the bank. When looking at each of the four factors making up the tangibility dimension of customer satisfaction, the expectations of the customers of private, public and foreign banks.

| TANGIBILITY FACTOR DIMENSIONS | EXPECTATION (E) | PERCEPTION (P) | GAP SCORE (P-E) | AVERAGE SERVQUAL P SCORE FOR TANGIBILITY |
|---|---|---|---|---|
| 1. Modern looking equipment. | 4.71 | 4.50 | -0.21 | |
| 2. Visually appealing physical facilities. | 4.25 | 4.37 | 0.12 | |
| 3. Professional appearance of employees. | 4.62 | 5.15 | 0.53 | 4.96 |
| 4. Visually appealing materials. | 6.02 | 5.80 | -0.22 | |
| Dimension Weight: | | | 8.11 | |
| Average Un weighted Tangibility Gap Score: | | | 0.05 | |
| WEIGHTED GAP SCORE: | | | 0.44 | |

The average un-weighted gap score (P-E) for the tangibility dimension of customer satisfaction is .05. When applying the tangibility weight score of 8.11 to the gap score, the weighted gap score jumps to .44. In both cases, the survey results show that the perception of the customers exceed their expectations of the tangible appearance aspects of the banks.

## Tangibility Dimension : Un weighted and Weighted Gap Scores
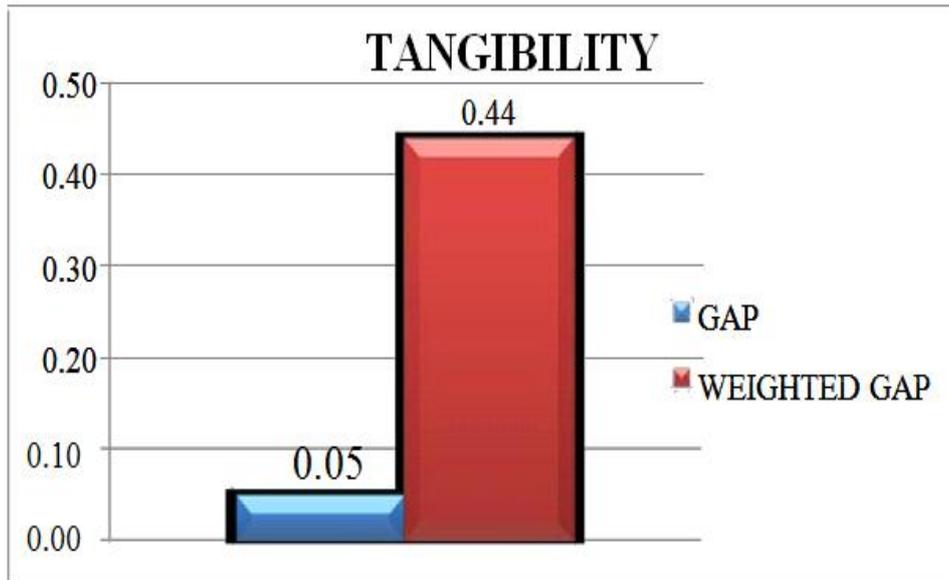


SERVQUAL perception value for tangibility is 4.96 out of a possible 7. While not quite meeting the 80% satisfaction threshold as explained in the previous section, the perception score exceeded the expectation score (.44 gap score), indicates that customers are satisfied with the overall tangible appearances (equipment, materials, physical facilities and employees) of the banks.

## RELIABILITY

The Reliability dimension of the SERVQUAL instrument is comprised of questions 5-9, which assess customers perceptions of the reliability aspects (acting according to promises, sincerity in problem solving, performing the service right at the first time, providing service at the promised time & insistence on error free records) of the Banks.

A summary of the survey results for the reliability dimension of customer service quality are summarized in the two tables that appear below

*Dr. S. Kavitha & S.P.Ananthavalli*

## Reliability Dimension - SERVQUAL Result

| RELIABILITY FACTOR DIMENSIONS | EXPECTATION (E) | PERCEPTION (P) | GAP SCORE (P-E) | AVERAGE SERVQUAL P SCORE FOR RELIABILITY |
|---|---|---|---|---|
| 5. Act according to promises. | 6.40 | 5.61 | -0.79 | |
| 6. Sincere interest in solving problems. | 6.31 | 5.94 | -0.36 | |
| 7. Services are performed right the first time. | 6.04 | 5.70 | -0.33 | 5.70 |
| 8. Provide services at the time promised. | 6.24 | 5.76 | -0.48 | |
| 9. Insist on error free records. | 6.05 | 5.48 | -0.57 | |
| Dimension Weight: | | | 41.36 | |
| Average Unweighted Reliability Gap Score: | | | -0.51 | |
| WEIGHTED RELIABILITY GAP SCORE: | | | -20.98 | |

When looking at each of the five factors making up the reliability dimension of customer satisfaction, the expectations of the customers exceed their perceptions in all five areas; act according to promises (gap score – P-E = -.79), sincere interest in solving problems (gap score – P-E = -.36), performing services right the first time (gap score – P-E = -.33), providing service at the promised time (gap score – P-E = -.48), and insistence on error free records (gap score – P-E = -.57).

## Reliability Dimension: Un-weighted and Weighted Gap Score
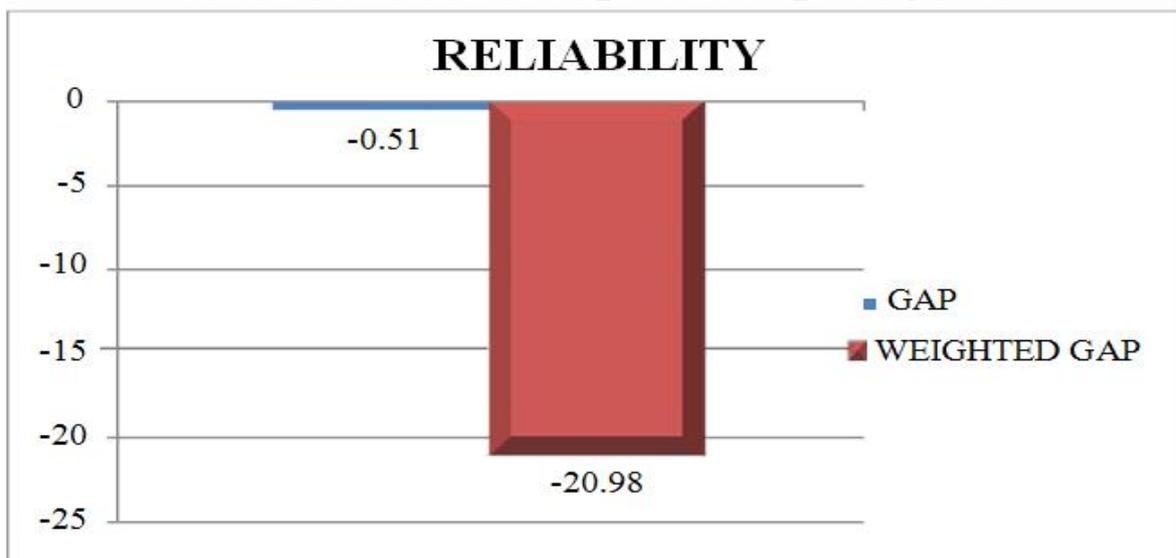
The average un-weighted gap score (P-E) for the reliability dimension of customer satisfaction is -.51. When applying the reliability weight score of 41.36 to the gap score the gap score jumps to -20.98.

In both cases, the survey result shows that the perception of the customers falls below their expectations with respect to reliability aspects of the Banks.

According to the average SERVQUAL perception value for reliability - 5.7 out of a possible 7 -, That is Service centre is able to provide promised services dependably and accurately. The performance of all of the dimensions listed under Reliability (acting according to promises, sincerity in problem solving, performing the service right at the first time, providing service at the promised time & insistence on error free records) is satisfactory.

## RESPONSIVENESS

The Responsiveness dimension of the SERVQUAL instrument is comprised of questions 10-13, which assess Customers perceptions of the responsiveness aspects (informing when services will be performed, providing services promptly, willingness to help, never being too busy to respond to request for service) of the Banks.

A summary of the survey results for the responsiveness dimension of customer service quality are summarized in the two tables that appear below.
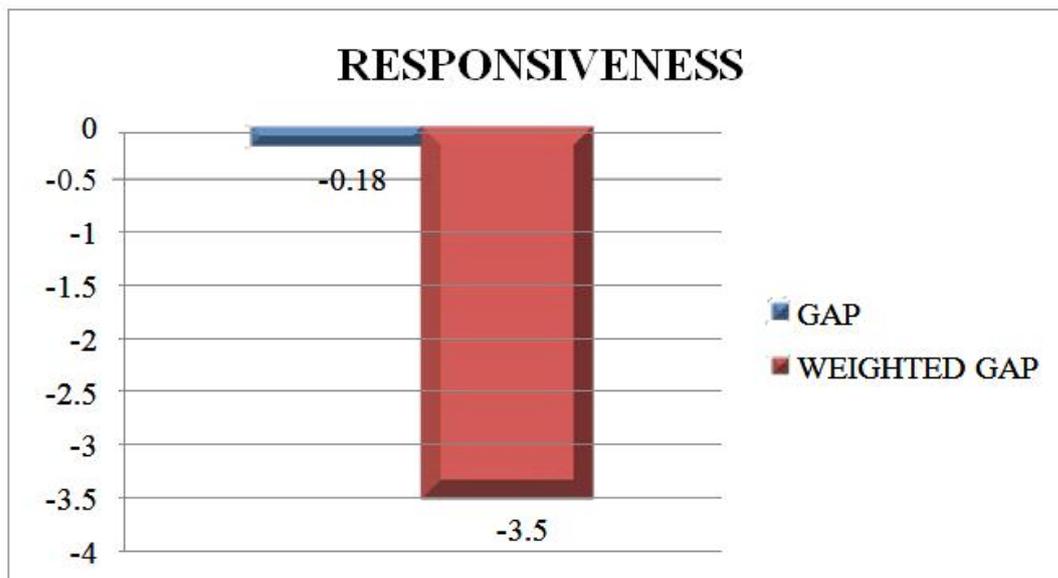
### Responsiveness Dimension - SERVQUAL Result

| RESPONSIVENESS FACTOR DIMENSIONS | EXPECTATION (E) | PERCEPTION (P) | GAP SCORE (P-E) | AVERAGE SERVQUAL P SCORE FOR RESPONSIVENESS |
|---|---|---|---|---|
| 10. Informs exactly when services will be provided. | 5.82 | 5.19 | -0.63 | |
| 11. Provides prompt services. | 6.05 | 5.74 | -0.31 | |
| 12. Always willing to help. | 6.16 | 6.07 | -0.09 | 5.60 |
| 13. Never too busy to respond to service requests. | 5.05 | 5.35 | 0.30 | |
| Dimension Weight: | | | 18.95 | |
| Average Unweighted Responsiveness Gap Score: | | | -0.18 | |
| WEIGHTED RESPONSIVENESS GAP SCORE: | | | -3.5 | |

Looking at each of the four factors making up the reliability dimension of customer satisfaction, the expectations of the Customers exceed their perceptions in the four areas; informing when services will be performed (gap score – P-E = -.63), providing services promptly, (gap score – P-E = -.31), and willingness to help (gap score – P-E = -.33), providing service at the promised time (gap score – P-E = -.09), and insistence on error free records (gap score – P-E = -.57). Perception exceeds expectation in the areas of never being too busy to respond to requests for service (gap score – P-E = .30).

**Responsiveness Dimension: Un weighted and Weighted Gap Score**



The average un-weighted gap score (P-E) for the responsiveness dimension of customer satisfaction is -.18. When applying the responsiveness weight score of 18.95 to the gap score, the gap score increases to -35. In both cases, the survey results show that the perception of the Customers falls below their expectations of the responsiveness aspects of the Banks.

The average SERVQUAL perception value for responsiveness is 5.59 out of a possible 7.

This score indicates that the Banks providing promised services are satisfactory. More specifically, they are satisfied with the Banks Service centre's performancein the areas of informing when services will be performed, providing services promptly, willingness to help, and never being too busy to respond to request for service.

**ASSURANCE**

The Assurance dimension of the SERVQUAL instrument is comprised of questions 14-17 which assess Customers perceptions of the assurance aspects (employee behaviour in stills confidence, customers feel secure in their transactions, employees are consistently courteous, employees have the knowledge to answer questions) of the Banks.

A summary of the survey results for the assurance dimension of customer service quality are summarized in the two tables that appear below.
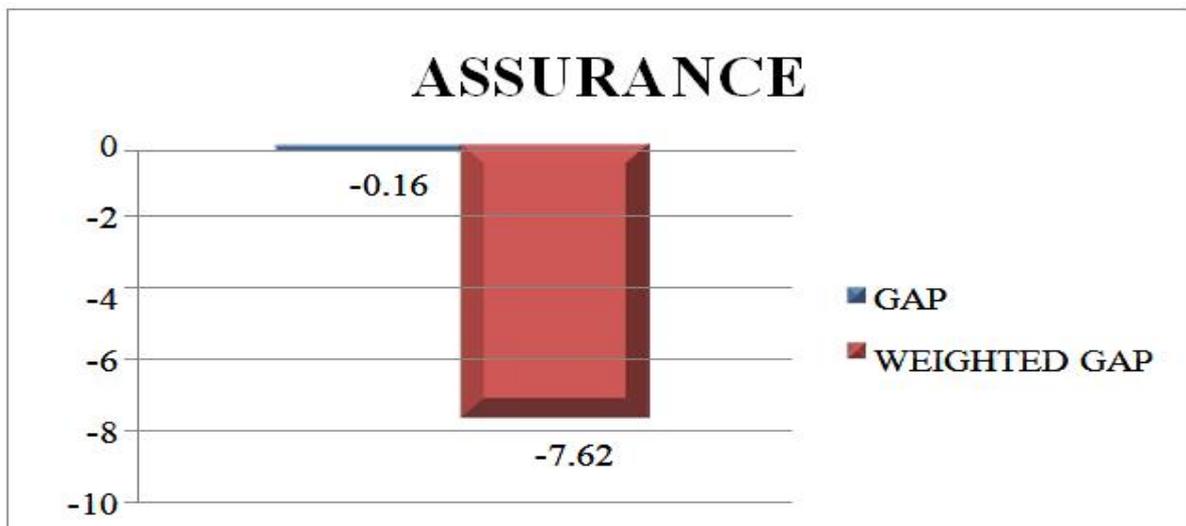
## Assurance Dimension - SERVQUAL Result

| ASSURANCE FACTOR DIMENSIONS | EXPECTATION (E) | PERCEPTION (P) | GAP SCORE (P-E) | AVERAGE SERVQUAL P SCORE FOR ASSURANCE |
|---|---|---|---|---|
| 14. Employee behavior instills confidence. | 6.00 | 5.78 | -0.22 | |
| 15. Customers feel secure in their transactions. | 6.47 | 6.11 | -0.36 | |
| 16. Employees are consistently courteous. | 5.89 | 6.20 | 0.31 | 5.99 |
| 17. Employees have the knowledge to answer questions. | 6.27 | 5.89 | -0.38 | |
| Dimension Weight: | | | 20.09 | |
| Average Unweighted Assurance Gap Score: | | | -0.16 | |
| WEIGHTED ASSURANCE GAP SCORE: | | | -7.62 | |

The four factors making up the assurance dimension of customer satisfaction, the expectations of the customers exceed their perceptions in two of the four areas; employee behaviour in stills confidence (gap score – P-E = -.22), customers feel secure in their transactions, (gap score – P-E = -.36), and employees have the knowledge to answer questions (gap score – P-E = -.38). Perception exceeds expectation in the area of consistency of employee courteousness (gap score – P-E = .31).

Assurance Dimension – Unweighted and Weighted Gap Score

The average un-weighted gap score (P-E) for the assurance dimension of customer satisfaction is -.16. When applying the responsiveness weight score of 20.09 to the gap, the gap score increases to -7.62. In both cases, the survey results show that the perception of the falls below their expectations of the assurance aspects of the Banks. The average SERVQUAL perception value for assurance is 5.99 out of a possible 7. This score indicates that, the customers feel safe in their transaction with the members of the Banks. Additionally they indicate that the employers of the Banks are consistently courteous, that they possess good knowledge when answering questions and that their behaviour in stills confidence when they are called upon for assistance.

## EMPATHY

The Empathy dimension of the SERVQUAL instrument is comprised of questions 18-22 which assess Customers perceptions of the empathy aspects (provides individual attention, has convenient operating hours, employees provide personal attention, has the best interest of the customer at heart, employees understand the needs of the customers) of the Banks.

A summary of the survey results for the empathy dimension of customer service quality are summarized in the two tables that appear below.

### Empathy Dimension - SERVQUAL Result

| EMPATHY FACTOR DIMENSIONS | EXPECTATION (E) | PERCEPTION (P) | GAP SCORE (P-E) | AVERAGE SERVQUAL P SCORE FOR EMPATHY |
|---|---|---|---|---|
| 18. Provides individual attention. | 5.80 | 5.65 | -0.15 | |
| 19. Has convenient operating hours. | 5.87 | 5.17 | -0.71 | |
| 20. Employees provide personal attention. | 5.80 | 5.65 | -0.15 | 5.67 |
| 21. Has the best interest of the customers at heart. | 6.13 | 6.02 | -0.11 | |
| 22. Employees understand the needs of their customers. | 6.20 | 5.85 | -0.35 | |
| Dimension Weight: | | | 10.75 | |
| Average Unweighted Empathy Gap Score: | | | -0.29 | |
| WEIGHTED EMPATHY GAP SCORE: | | | -3.16 | |

The five factors making up the empathy dimension of customer satisfaction, the expectations of the Customers exceed their perceptions in all five areas; provides individual attention (gap score – P-E = -.15), has convenient operating hours (gap score – P-E = -.71), employees provide personal attention (gap score – P-E = -.15), employees have the best interest of the customer at heart (gap score – P-E = -.11), and employees understand the needs of the customers (gap score – P-E = -.35).

**Empathy Dimension: Un-weighted and Weighted Gap Score**
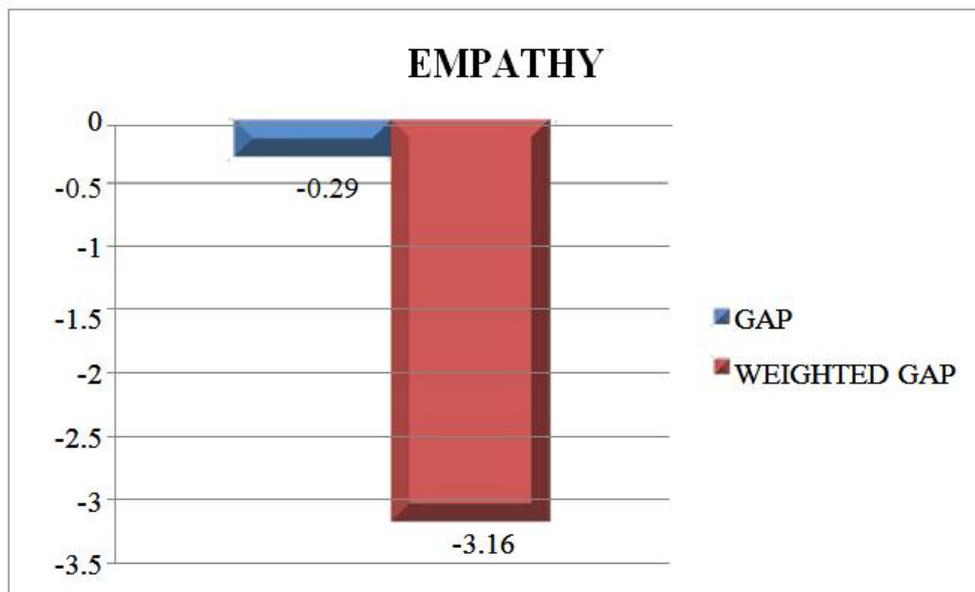


The average un-weighted gap score (P-E) for the empathy dimension of customer satisfaction is -.29. When applying the reliability weight score of 10.75 to the gap score, the gap score increases to -3.16. In both cases, the survey results show that the perception of the Customers falls below their expectations of the empathy aspects of the Banks.

The average SERVQUAL perception value for empathy is 5.67 out of a possible 7. This score indicates that the overall empathy displayed and demonstrated by the private, public and foreign banks are satisfactory as expected by the customers.

## FINDINGS
### GENERAL FINDINGS FROM THE SURVEY

According to the survey it reveals that 90% of the banks are effective and delivers best to the customers, The banks are maintaining good relationship with the customers, the necessary slips such as account transfer slips etc are not been refilled on time and 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 service to be provided.

## QUANTITATIVE SERVQUAL FINDINGS BY DIMENSION

### a)Tangibility dimension analysis:–

Relating to the first 4 questions in the questionnaire regarding tangibility, the expectation score is lesser when compared to the perception. The gap score for 1st and the

4th questions appears negative. Appearance in satisfying customers is found to be a little low in the SERVQUAL analysis.

The .44 gap score in the analysis reviles that equipment, materials, physical facilities and employees are not tangibly visible to the customer of the banks.

### b)Reliability dimension analysis:–

In Reliability aspects, expectations of the customers exceed their perception in all the areas. Hence Ability of the Banks to perform promised services dependably and accurately makes banks trust full for the customers.

### c)Responsiveness dimension analysis:-

Here, perception scores are lesser when compared to the expectations of the customers. Response & willingness of employees in providing service are well satisfied by customer and the employees have never being too busy to respond to request for service

### d)Assurance dimension analysis:-

In assurance, employee behaviour in stills confidence where the gap score is .22. Customers feel secure in their transactions in which the gap score is .36. And the employees have the knowledge to answer questions where gap score is .38. Assurance of competency, courtesy, credibility & security are well maintained thus customers feel safe in their transaction with the Banks they deal with.

### e)Empathy dimension analysis:-

Providing individual attention where the gap score is .15. Banking operating hours also has a gap score of .71. Employees have the best interest of the customers at heart where gap score reaches .11 and the employees understand the needs of the customers where gap score

is .35. Performance in personal care, understanding customers and convenient operating hours are good and thus it makes the customer more comfortable.

## SUGGESTIONS

Tangible equipment's and materials in the service centres should be improved and visible, which can attract more customers.

The banks should be aware for the refilling of the necessary account transfer slips and others which the customers needed when entering the bank.

Increase the Assurance of competency, courtesy, credibility & security of the services of the bank where the customers would feel more safety in their transactions.

Increase the Performance in personal care, understanding customers and convenient operating hours which can be extended twice in a week.

## 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 all the banks mostly concentrate on thestaffs 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. The dimensions Reliability, Responsiveness and Assurance are found to be the most vital and strategic determinants of service quality and customer satisfaction for public, private sector banks and foreign banks. If banks want to sustain customers on a long term basis, bankers should work towards 100% customer satisfaction that automatically foster customer delight.

## REFERENCE

1. *Arawati Agus (2007 ) , An exploratory study of service quality in the Malaysian public service sector, International Journal of Quality & Reliability Management, Volume: 24 Issue: 2 .*

2. *R.Archana and Dr.M.V.Subha (2012), A study on service quality and passenger satisfaction on Indian airlines, International Journal of Multidisciplinary Research, Vol.2,Issue 2.*

3. *Geetika, Shefali Nandan (2010) ,Determinants of Customer Satisfaction on Service Quality: A Study of Railway Platforms in India, Journal of Public Transportation, Vol. 13, No. 1.*

4. *Mamta Brahmbhatt (2008), An Assessment of Service Quality in Banks, Global Management Review, Vol.2, Issue 4.*

5. *Shamsher Singh (2013),The impact of service delivery quality on Customer satisfaction in Indian banks , International Journal of Financial Services Management, Vol. 6, No. 1.*

## ANNEXURE
## QUESTIONNAIRE:-

The objective of this questionnaire is to collect information about the quality of service offered by banks in India.

1. Sex: Male ( ) Female ( )

2. Age: 18 to 30 ( ) 31 – 50 ( ) 51 and above ( )

3. Educational level: Diploma ( ) Undergraduate ( ) Postgraduate ( )

4. Frequency of using the bank: Daily ( ) Weekly ( ) Monthly ( ) Other: _____

5. Which of these banks do you use:

a. SBI               b. HDFC  c. Indian Bank                    d. City Bank                         e. Catholic Syrian Bank
f. Syndicate Bank              g. South Indian Bank                      h. Union Bank                    i.              Other :_____

6. Reason for choosing this bank:

a. Speedy Transaction ( )        b. Variety of card Facilities ( )   c. Centrally located ( )

d. Others: _____

7. How long you are associated with this bank:

a. less than one year ( )          b. 2 – 4 years ( )       c. 5 – 8 years ( )        d. 9 and above ( )

**EXPECTATIONS**

This section of the survey deals with your opinions of banks. Please show the extent to which you think banks should posses the following features. What we are interested in here is a number that best shows you expectations about institutions offering banking services.

You should rank each statement as follows:

Strongly
Disagree

|  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|

| Statement | Score |
|---|---|
| 1. Excellent banking companies will have modern looking equipment. | |
| 2. The physical facilities at excellent banks will be visually appealing. | |
| 3. Employees at excellent banks will be neat in their appearance. | |
| 4. Materials associated with the service (pamphlets or statements) will be visually appealing and easily available at an excellent bank. | |
| 5. When excellent banks promise to do something by a certain time, they do. | |
| 6. When a customer has a problem, excellent banks will show a sincere interest in solving it. | |
| 7. Excellent banks will perform the service right the first time. | |
| 8. Excellent banks will provide the service at the time they promise to do so. | |
| 9. Excellent banks will insist on error free records. | |
| 10. Employees of excellent banks will tell customers exactly when services will be performed. | |
| 11. Employees of excellent banks will give prompt service to customers. | |
| 12. Employees of excellent banks will always be willing to help customers. | |
| 13. Employees of excellent banks will never be too busy to respond to customers' requests. | |
| 14. The behaviour of employees in excellent banks will instil confidence in customers | |
| 15. Customers of excellent banks will feel safe in transactions. | |
| 16. Employees of excellent banks will be consistently courteous with customers. | |
| 17. Employees of excellent banks will have the knowledge to answer customers' questions. | |
| 18. Excellent banks will give customers individual attention. | |
| 19. Excellent banks will have operating hours convenient to all their customers. | |
| 20. Excellent banks will have employees who give customers personal service. | |
| 21. Excellent banks will have their customers' best interest at heart. | |
| 22. The employees of excellent banks will understand the specific needs of their customers. | |

**PERCEPTIONS**

The following statements relate to your feelings about the particular bank you have chosen. Please show the extent to which you believe this bank has the feature described in the statement. Here, we are interested in a number from 1 to 7 that shows your perceptions about the bank.
You should rank each statement as follows:
Strongly

| Statement | Score |
|---|---|
| 1. The bank has modern looking equipment. | |
| 2. The bank's physical features are visually appealing. | |
| 3. The bank's reception desk employees are neat appearing. | |
| 4. Materials associated with the service (such as pamphlets or statements) are visually appealing and easily available at the bank. | |
| 5. When the bank promises to do something by a certain time, it does so. | |
| 6. When you have a problem, the bank shows a sincere interest in solving it. | |
| 7. The bank performs the service right the first time. | |
| 8. The bank provides its service at the time it promises to do so. | |
| 9. The bank insists on error free records. | |
| 10. Employees in the bank tell you exactly when the services will be performed. | |
| 11. Employees in the bank give you prompt service. | |
| 12. Employees in the bank are always willing to help you. | |
| 13. Employees in the bank are never too busy to respond to your request. | |
| 14. The behaviour of employees in the bank instils confidence in you. | |
| 15. You feel safe in your transactions with the bank. | |
| 16. Employees in the bank are consistently courteous with you. | |
| 17. Employees in the bank have the knowledge to answer your questions. | |
| 18. The bank gives you individual attention. | |
| 19. The bank has operating hours convenient to all its customers. | |
| 20. The bank has employees who give you personal attention. | |
| 21. The bank has your best interests at heart. | |
| 22. The employees of the bank understand your specific needs. | |