

Assessing the Service Quality of Banks; An Empirical Study of Public and Private Sector Banks in Kerala, Kottayam District

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Abstract— *Customer is the primary focus of every business. Banking industry is no different and is undergoing a wave of revolutionary changes from the 18th century to 21st century. Retaining the valued customers of the banks by providing superior service quality is the prime time focus. As all the banks are alike in terms of the varieties of services provided, the only tactic to discriminate themselves is by providing the services in a superior and inimitable way to gain a competitive benefit. This study uses the SERVQUAL model which aims to find out the service quality gaps in banks. Questionnaire method is adopted to collect the primary data from the customers. A sample of 160 respondents is selected for the study in the state of Kerala, Kottayam District. The study thus tries to reveal that satisfaction level of the customers is highly dependent on the quality of services provide*

1. INTRODUCTION

The Indian Banking sector has been experiencing enormous changes since the 19th century. The Government of India had liberalized the financial sector, especially the banking sector as the banking sector needs to have keen focus in the growing customer expectations. The expectations from the bank customers are becoming more demanding day by day. To meet this level of expectations banks need to be highly customer centric. Individually the banks are trying to provide customized services to retain long term relationship.

Customers assess their satisfaction level from the quality of services perceived by them. The products of banks should be retailed to them not the basis of product aspects but on its quality aspects. The customers value the product and service provided to them on the basis of quality. The banks aptitude is in marketing those products with superior quality. Hence, assessing the banks in terms of the services provided may help the banks to enhance their quality and also to become customer centric.

By finding out the gap between the experiences and expectations of the customers regarding the services, may benefit the bank by increasing the efficiency of operations in terms of both technology and human relations as well as improving the sales.

The SERVQUAL is a multiple item scale developed by A Parasuraman et.al, which measures the gap between the perceptions and expectations of the customers in any service organization. The five main dimensions of Servqual are Tangibility, Responsiveness, Reliability, Assurance and Empathy. The quality of service is mainly obtained through the feedback from the customer. The service firm determines to provide the services according to the expectations of the customer. But how far these expectations of the customers are met is found out using a gap analysis with the SERVQUAL tool. The gap analysis brings out the difference between what the customers actually perceived or experienced from a particular service and what was their expectation about the service before availing the services.

2. LITERATURE REVIEW

A literature review helps in giving insights about a topic from different perspectives as expounded by various scholars in the past years. As far as service quality is concerned a rich amount of literature has been done and various outcomes were derived out of it. This literature review very briefly explains the banking sector in India, importance of service quality and various dimensions of service quality and the relation between service quality and customer satisfaction. It also focuses on a few studies which compare the service quality of public and private sector banks.

The Indian banking industry faced lots of challenges right from the evolution [3], in their study about the same mentioned about the enormous opportunities banking sector had to venture into new businesses. Consumerism and commercialism are the prominent opportunities. Similarly to meet the expectation of consumers and marketing the new products were the upcoming challenges. Similarly the service sector industry in India has emerged as the largest contributor of Gross Domestic Product and it expanded faster than other industries. As the banking sector in India varies hugely from other countries due to its diverse culture and size, it has been challenging for the banks to reach the customer satisfaction

level. Therefore to make services profitable with high quality has become the way to success [2].

[9] explained the existing knowledge on quality and various parameters of quality. They illustrated quality as a comparison between the actual performance of the service and the expectations from the particular service by the customers. [1,9] carried out an exploratory research by conducting focus group interviews with costumers and in-depth interviews with the executives and discovered that there were certain gaps between the services actually delivered with the expectations of the customers. These gaps can act as major hurdles in delivering superior quality services and will have a control on the customer's evaluation of the services. Hence they developed a service quality model as a multiple item scale which measured these gaps between the perceptions and expectations of the customers[1]. The ten determinants of service quality was [9] access, communication, competence, courtesy, credibility, reliability, responsiveness, security, tangibility and understanding which then reduced to five dimensions – tangibility, reliability, responsiveness, assurance and [1].

[4] conducted study to find out the perceived service quality in the banks of US and UK and found the environment forces of service quality like the competitive environment, technology and the customer awareness and expectations. [4] discovered that the expectations of the customers were beyond their expectations especially for the dimensions, reliability and empathy.

[5] Conducted a study by assessing the service quality of private, public and foreign banks and found that the private and public sector had more service quality gaps than the foreign banks. They also said that all the three banks were good in the reliability dimension and the public sector is better by the private sector only in one dimension, i. e. assurance.

The better the service quality, the better will be the customer satisfaction [6]. [6] Mentioned that the high service quality will lead to better customer loyalty which will lead to better word of mouth marketing, customer retention and acquisition. In a study done by [8], the impact on gender on the service quality dimensions were found nil and all the five dimensions of service quality had negative gaps indicating a critical need for improving the service quality.

[7,10] Critically reviewed the definitions and validity of the service quality model and found that more effort has to be put to find a new measure for service quality and the emphasis should be more on describing the data collected than testing various hypotheses.

Therefore as the banks are facing cut throat competition around the globe and in India, it is very necessary to maintain the valued long term relationships with the customers by delivering high quality services.

3. RESEARCH METHODOLOGY

This study is descriptive as it also attempts to find a relationship between service quality and customer satisfaction. Therefore the study is just about defining the respondents and drawing conclusions from the data collected.

The questionnaire consists of 31 questions. The first 21 questions are adopted according to the SERVQUAL tool which asks the respondents to mark their perception and expectations to each question in a 7 point Likert scale. These 21 questions fall under the five dimensions of SERVQUAL. The next four questions are general statements that have to be marked on a 7 point Likert scale and the rest of the questions are demographics.

A convenient sampling procedure is used to select the customers of private sector and public sector banks. A customer of State Bank of India, Canara Bank and Bank of India under public sector bank and ICICI Bank, HDFC bank and Axis Bank under private sector banks from the district of Kottayam, Kerala State was made eligible to fill the questionnaire. A sample of 80 each for private sector banks and public sector banks was selected for the study. Data was collected from the bank customers using the questionnaire method. Apart from the primary data, secondary data was also collected published journals, articles and books.

4. OBJECTIVE OF THE STUDY

The current study consists of the following objectives:

- i. To compare the perceptions and expectations of the customers of the Public Sector and Private Sector Banks in Kottayam District, Kerala.
- ii. To find out whether the perception and expectation of the customers depends on the demographic variables such as age and gender.

5. DATA ANALYSIS

The data collected using the questionnaire was analyzed and the following results were found. Chi-Square Analysis and gap analysis were used in the study.

6. CHI-SQUARE ANALYSIS

First, the relationship between the perceptions of the customers and the demographic factor age was tested. The result shows that only the dimensions tangibility, reliability and responsiveness showed significant relationship with the perceptions. This shows that as the age varies the perception may also vary accordingly. But certain factors like assurance and empathy of bank employees may be perceived as same by all the customers as these are expected by everybody.

Next, the relationship between the perceptions of the customers and the demographic factor gender was tested. The result shows that only the dimension assurance shows significant relationship with the demographic factor gender. All the other four dimensions shows no relationship with the gender of the respondent. This shows that the gender may not have much influence on the perceptions of the customers regarding the services provided by the banks.

Table 2: Perception and Age

SL No	Hypothesis defined	Chi-Square P-value	Null hypothesis accepted or rejected	Interpretation
1	H0: There is no significant relationship between the perception of the customer regarding the dimension tangibility and age.	0.031	Rejected	The age of the customer have an impact on the perception they have about the tangibility features of the bank
	H1: There is significant relationship between the perception of the customer regarding the dimension tangibility and age.			
2	H0: There is no significant relationship between the perception of the customer regarding the dimension reliability and age.	0.048	Rejected	The age of the customer have an impact on the perception they have about the reliability of the bank
	H1: There is no significant relationship between the perception of the customer regarding the dimension reliability and age.			

3	H0: There is no significant relationship between the perception of the customer regarding the dimension responsiveness and age. H1: There is significant relationship between the perception of the customer regarding the dimension responsiveness and age.	0.018	Rejected	The age of the customer have an impact on the perception they have about the different dimensions of service quality.
4	H0: There is no significant relationship between the perception of the customer regarding the dimension assurance and age. H1: There is significant relationship between the perception of the customer regarding the dimension assurance and age.	0.209	Accepted	The age of the customer and the perception on the dimension assurance, does not have any significant relationship
5	H0: There is no significant relationship between the perception of the customer regarding empathy and age. H1: There is significant relationship between the perception of the customer regarding the dimension empathy and age.	0.442	Accepted	The age of the customer and the perception on the dimension empathy does not have any significant relationship

Table 3: Gender and Perception

SL No	Hypothesis defined	Chi-Square P-value	Null hypothesis accepted or rejected	Interpretation
6	H0: There is no significant relationship between the perception of the customer regarding the dimension tangibility and gender.	0.088	Accepted	The gender of the customer and the perception on the dimension tangibility does not have any significant relationship
	H1: There is significant relationship between the perception of the customer regarding the dimension tangibility and gender.			
7	H0: There is no significant relationship between the perception of the customer regarding the dimension reliability and gender.	0.449	Accepted	The gender of the customer and the perception on the dimension reliability does not have any significant relationship
	H1: There is no significant relationship between the perception of the customer regarding the dimension reliability and gender.			
8	H0: There is no significant relationship between the perception of the customer regarding the dimension responsiveness and gender.	0.073	Accepted	The gender of the customer and the perception on the dimension responsiveness does not have any significant relationship

	H1: There is significant relationship between the perception of the customer regarding the dimension responsiveness and gender.			
9	H0: There is no significant relationship between the perception of the customer regarding the dimension assurance and gender.	0.026	Rejected	The gender of the customer and the perception on the dimension assurance shows significant relationship
	H1: There is significant relationship between the perception of the customer regarding the dimension assurance and gender.			
10	H0: There is no significant relationship between the perception of the customer regarding the dimension empathy and gender.	0.193	Accepted	The gender of the customer and the perception on the dimension empathy does not have any significant relationship
	H1: There is significant relationship between the perception of the customer regarding the dimension empathy and gender.			

7. GAP ANALYSIS

The perceptions of the customers are what they actually experience from a particular service provided by the bank. Also the customers will have certain expectations when they avail the service from the banks. When these expectations are met with their experience the customers are said to be satisfied and when expectations are not met, i.e. when the experience is below expectation then the customers are said to be dissatisfied. Therefore a gap analysis may help in finding

these gaps between the perceptions and expectations of the customers.

Following table illustrates the gaps between the perceptions and expectations of customers for all the five dimensions. The negative gap indicates dissatisfaction and the positive gaps indicate satisfaction or delightedness. Unweighted gap analysis is performed as the respondents were not asked to give any weightage to the service quality dimensions.

**Table 4: Average Gap Score of the Five Dimensions
_ Public Sector Banks**

Dimension	Expectations (E)		Perceptions (P)		Gap Score(P-E)
	Mean	S.D	Mean	S.D	
Tangibility	6.29	1.33	5.85	1.29	-0.44
Reliability	6.15	1.36	5.66	1.06	-0.49
Responsive-ness	6.08	1.37	5.29	1.40	-0.79
Assurance	6.24	1.36	5.68	1.31	-0.56
Empathy	6.11	1.28	5.55	1.27	-0.56
Total Gap Score					-2.84
Average Gap Score					-0.57

**Table 5: Average Gap Score of the Five Dimensions
_ Private Sector Banks**

Dimension	Expectations (E)		Perceptions (P)		Gap Score(P-E)
	Mean	S.D	Mean	S.D	
Tangibility	6.15	1.19	5.95	1.30	-0.20
Reliability	6.07	1.53	5.68	1.27	-0.39
Responsive-ness	6.38	1.17	5.39	1.40	-0.99
Assurance	6.34	1.29	5.76	1.21	-0.58
Empathy	6.29	1.39	5.63	1.37	-0.66
Total Gap Score					-2.82
Average Gap Score					-0.56

8. FINDINGS OF THE STUDY

The findings of the study suggest that all the dimensions have a negative gap and thus the customer satisfaction is low or the customers are dissatisfied. The responsiveness dimension has the highest gap and tangibility has the lowest in both private and public sector banks. The public sector banks have slightly higher overall gap than the private sector banks.

Therefore the banks should take more care in responding to the customer queries. The employees can be more empathetic and prompt in response

9. LIMITATIONS AND FUTURE RESEARCH

The Sample selected for the current study is very small and hence the findings cannot be generalized. Only three public sector banks and three private sector banks were selected for the study. The sample size for the future research can be

widened to have more concrete findings that can be generalized. The future researchers can also concentrate more on adding dimensions to the model that will fit more to the modern banking services. The expectations of the customers can be studied separately to find out the expected service quality. The chi-square analysis was conducted only for a few variables. Gap analysis was performed for the five dimensions each, and not for each individual question. The sample size was limited to 160 because of time and resource constraints

10. CONCLUSION

The quality of services is thus inevitable in every service sector especially in case of a bank. As per the findings of the study both the public and private sector banks should take more efforts in improving the quality of services and keep the customer relationship. The banks have to keep their focus more on the responsiveness factor followed by assurance and empathy.

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