

# Assessment of Service Quality in Public and Private Sector Banks of India with Special Reference to Lucknow City

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**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 India. The service quality of both the banks has been measured using SERVQUAL (service quality) scale.

Data was collected from total 410 customers of Lucknow 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.

**Index Terms-** Customer Satisfaction, Service Quality, Public Sector Banks, Private Sector Banks.

## I. 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.

## II. LITERATURE REVIEW

According to K. Rama Mohana Rao Quality means the degree of excellence in service performance. Consumers perceive the quality of a service by experiencing the consumption process and comparing the experience with their expectations. The best service quality firms cannot blame for poor quality. The service firm need to formulate strategies for quality performance. Service quality management is the most critical task of service companies. Quality may be perceived in many dimensions. It may relate to cost, profitability, customer satisfaction, customer relations or positive word of mouth, customer assess service quality with their own criteria. Buzell and Gale's empirical research shows the positive relationship between service quality and organizational performance. According to Parasuraman, Zeithmal and Berry Service quality is the degree and direction of discrepancy between consumer's perceptions and expectations in terms of different but relatively important dimensions of the service quality, which can affect their future purchasing behaviour. Douglas et al define service quality as an attitude formed by long term, overall evaluation of performance. In 1990 Professor Evert Gummesson said that service quality must be viewed in conjunction with service productivity and profitability,

According to him service quality had been widely researched but not service productivity. According to Philip Kotler et al 2010 services firm can differentiate it by delivering consistently higher quality than its competitors provide. Now a day's most of service industries have joined the customer-driven quality movement and like product marketers, service providers need to identify what target customers expect in regards to service quality. The top service companies set high service –quality standards. They watch service performance closely, both their own and that of competitors. They do not settle for merely good service; they aim for hundred percent defect-free service. Studies of Panda reveal that customer tests the quality of service of a firm at every encounter. Each of the customer encounter is called moment of truth. If the experience from service encounters are bad, it may not lead to customer satisfaction .Quality management involve deciding on quality standards and implementing a method of assurance on performance level of the staff and facilities. Quality has emerged as a major competitive element in service company strategies. Service providers are giving increasing emphasis on creating reputation for good quality of service as this provides a positive image for their organization. The service quality management process involves matching evolving customer expectations. Customers have their own service expectations. From a firm a customer is satisfied when his expectations match the perceived service. When the perceived service passes over the expected service, the customer is delighted if there is failure in meeting expectation the customer is dissatisfied. Lovelock et al (2006) opined that if a firm wants to retain customer they are required to provide better services to their customers by quality improvement programs and should continuously enhance benefits desired by customers. At the same time, productivity improvement efforts decrease the cost. The customers are satisfied with the organization if the services deliver by firm are better than their competitors. According to Zeithamal et al (2008) customer have two different types of service expectations: 1) Meaning and types of expected service 2) Current issues in customer service expectations. In a Perception of the service, service quality may be the most critical determinant of satisfaction. They mentioned the service encounters or “moments of truth” as the building blocks for both satisfaction and quality. Service encounter is an opportunity to build perceptions of quality and satisfaction.

### III. OBJECTIVES

- To measure and analyze the quality of services provided by public sector and private sector Banks in Lucknow, India.
- To ascertain service quality variations across selected banks by demographic variations.
- To measure the customer satisfaction in selected public and private sector banks by analyzing the gap between expectations and their perceptions of banking services.

### IV. RESEARCH METHODOLOGY

This study is based on a survey conducted in Lucknow 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 410 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 (220 of public sector banks and 190 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 Lucknow. Three public sector banks-SBI, PNB and BOB and three private sector banks –HDFC, ICICI and Axis were selected for the study. The study is based on the assumption that all banks belong to the same category. This categorization was based on the responses of the customers.

The parameters identified are Tangibility, Assurance, Reliability, Responsiveness and Empathy.

## V. DATA ANALYSIS

### DEMOGRAPHIC PROFILE OF THE RESPONDENTS

**Table 1: GENDER WISE DISTRIBUTION OF THE RESPONDENTS**

Gender	Number & % of respondents			
	Public sector banks		Private sector banks	
	No.	%	No.	%
Male	142	64.55	142	74.73
Female	78	35.45	48	25.27

**Table 2: AGE WISE DISTRIBUTION OF THE RESPONDENTS**

Age	Number & % of respondents			
	Public sector banks		Private sector banks	
	No.	%	No.	%
<25 years	26	11.82	23	12.1
25-35	36	16.36	63	33.15
35-45	52	23.64	55	28.95
45-55	55	25	33	17.36
>55	51	23.18	16	8.44

**Table3: EDUCATION WISE DISTRIBUTION OF THE RESPONDENTS**

Education	Number & % of respondents			
	Public sector banks		Private sector banks	
	No.	%	No.	%
Graduate	85	38.74	42	22.1
Post grad.	72	32.73	68	35.79
Professional	33	15	61	32.1
Others	30	13.63	19	10

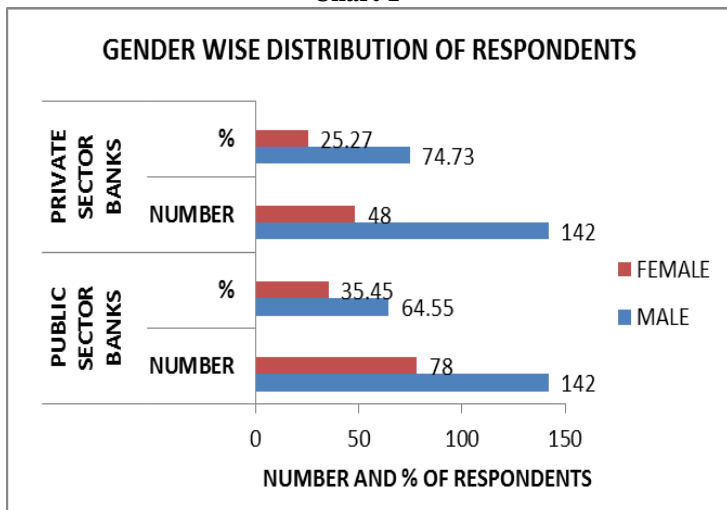
**Table 4: OCCUPATION WISE DISTRIBUTION OF THE RESPONDENTS**

Occupation	Number & % of respondents			
	Public sector banks		Private sector banks	
	No.	%	No.	%
Government	55	25	22	11.58
Private	59	26.82	63	33.15
Professional	21	09.55	43	22.63
Business	21	09.55	41	21.58
Student	25	11.36	12	06.32
Others	39	17.72	09	04.74

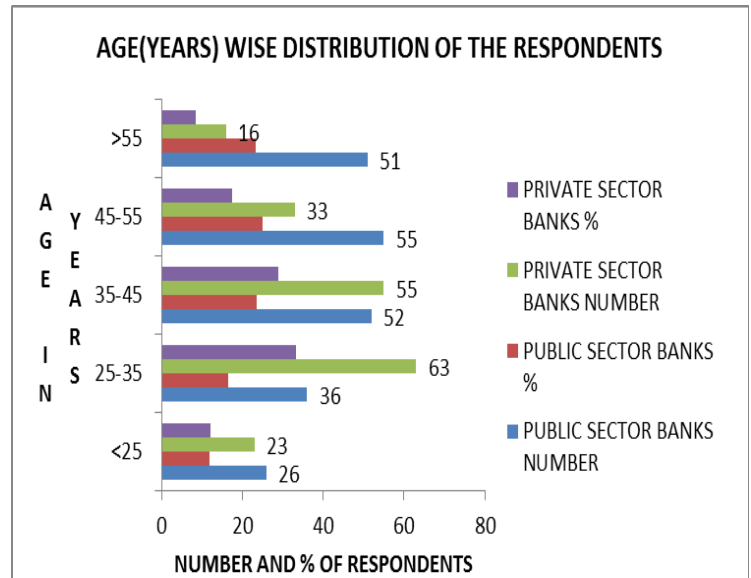
**Table 5: INCOME WISE DISTRIBUTION OF THE RESPONDENTS**

Income/Rs.	Number & % of respondents			
	Public sector banks		Private sector banks	
	No.	%	No.	%
<10,000	24	10.91	09	04.74
10,000-15,000	38	17.27	22	11.58
15,000-25,000	58	26.36	43	22.63
25,000-40,000	72	32.73	55	28.95
>40,000	28	12.73	61	32.10

**Chart 1**



**Chart 2**



**VI. ANALYSIS OF CHI SQUARE TEST OF INDEPENDENCE**

**Chi square test of independence**

**Hypothesis:**

H0: Preference towards public/private sector banks and age group is independent of each other.

H1: Preference towards public/private sector banks and age group is dependent of each other.

$$X^2 = \sum \left[ \frac{(F_o - F_e)^2}{F_e} \right]$$

where Fo= observed frequency and Fe= expected frequency for each cell

Fe=(frequency for the column)(frequency for the row)/n

**Table 6**

Observed frequency						
	Age group					
Preference towards banks	<25 years	25-35	35-45	45-55	>55	Total of row
Public sector banks	26	36	52	55	51	220
Private sector banks	23	63	55	33	16	190
Total of column	49	99	107	88	67	410

**Table 7**

Expected frequency					
	Age group				
Preference towards banks	<25 years	25-35	35-45	45-55	>55
Public sector banks	26.292	53.121	57.414	47.219	35.951
Private sector banks	22.707	45.878	49.585	40.780	31.048

**Table 8 Calculation of  $\chi^2$**

Fo	Fe	Fo-Fe	(Fo-Fe) <sup>2</sup>	[(Fo-Fe) <sup>2</sup> /Fe]
26	26.292	0.292	0.085	0.003
36	53.121	-17.121	293.12	5.51
52	57.414	-5.414	29.31	0.510
55	47.219	7.781	60.54	1.28
51	35.951	15.049	226.47	6.29
23	22.707	0.293	0.085	0.003
63	45.878	17.122	293.16	6.39
55	49.585	5.415	29.32	0.591
33	40.780	-7.078	60.52	1.48
16	31.048	-15.048	226.44	7.29
<b><math>\chi^2</math> Cal = 29.347</b>				

$$\begin{aligned} \text{Degree of freedom} &= (R-1) * (C-1) \\ &= (2-1) * (5-1) \\ &= 4 \end{aligned}$$

Confidence level = 95 %

Therefore  $\chi^2_{\text{tab}} = 9.488$

Now in this case  $\chi^2_{\text{cal}} > \chi^2_{\text{tab}}$  hence null hypothesis is rejected and alternative hypothesis is accepted.

## VII. SERVQUAL ANALYSIS

**Table 9: GAP MODEL FOR PUBLIC SECTOR BANKS**

<b>Tangibility</b>					
<b>Statement</b>	<b>E-score</b>	<b>p-score</b>	<b>SERVQUAL Score</b>	<b>Average Dimension</b>	<b>Chi square</b>
1.	4.48	3.64	-0.84	-0.81	1.0561
2.	4.28	3.38	-0.90		
3.	4.30	3.69	-0.61		
4.	4.59	3.90	-0.69		
5.	4.50	3.68	-0.82		
6.	4.66	3.68	-0.98		
7.	4.62	3.75	-0.87		

<b>Reliability</b>					
<b>Statement</b>	<b>E-score</b>	<b>p-score</b>	<b>SERVQUAL Score</b>	<b>Average Dimension</b>	<b>Chi square</b>
1.	4.51	3.66	-0.85	-0.83	0.6815
2.	4.36	3.80	-0.56		
3.	4.55	3.29	-1.26		
4.	4.33	3.67	-0.66		

<b>Responsiveness</b>					
<b>Statement</b>	<b>E-score</b>	<b>p-score</b>	<b>SERVQUAL Score</b>	<b>Average Dimension</b>	<b>Chi square</b>
1.	4.50	3.48	-1.02	-1.08	1.0451
2.	4.60	3.53	-1.07		
3.	4.42	3.41	-1.01		
4.	4.45	3.23	-1.22		

<b>Assurance</b>					
<b>Statement</b>	<b>E-score</b>	<b>p-score</b>	<b>SERVQUAL Score</b>	<b>Average Dimension</b>	<b>Chi square</b>
1.	4.52	3.48	-1.04	-1.02	1.1684
2.	4.55	3.83	-0.72		
3.	4.52	3.38	-1.14		
4.	4.54	3.33	-1.21		
5.	4.63	3.64	-0.99		

<b>Empathy</b>					
<b>Statement</b>	<b>E-score</b>	<b>p-score</b>	<b>SERVQUAL Score</b>	<b>Average Dimension</b>	<b>Chi square</b>
1.	4.48	3.12	-1.36	-1.25	2.1284
2.	4.52	3.27	-1.25		
3.	4.38	2.99	-1.39		
4.	4.41	3.05	-1.36		
5.	4.32	3.28	-1.04		
6.	4.50	3.42	-1.08		

**Table 10: GAP MODEL FOR PRIVATE SECTOR BANKS**

<b>Tangibility</b>					
<b>Statement</b>	<b>E-score</b>	<b>p-score</b>	<b>SERVQUAL Score</b>	<b>Average Dimension</b>	<b>Chi square</b>
1.	4.52	3.96	-0.56	-0.68	0.7449
2.	4.31	3.89	-0.42		
3.	4.42	3.90	-0.52		
4.	4.55	3.86	-0.69		
5.	4.69	3.80	-0.89		
6.	4.57	3.80	-0.77		
7.	4.75	3.85	-0.90		

<b>Reliability</b>					
<b>Statement</b>	<b>E-score</b>	<b>p-score</b>	<b>SERVQUAL Score</b>	<b>Average Dimension</b>	<b>Chi square</b>
1.	4.48	3.91	-0.57	-0.77	0.5195
2.	4.62	3.85	-0.77		
3.	4.76	3.90	-0.86		
4.	4.63	3.76	-0.87		

<b>Responsiveness</b>					
<b>Statement</b>	<b>E-score</b>	<b>p-score</b>	<b>SERVQUAL Score</b>	<b>Average Dimension</b>	<b>Chi square</b>
1.	4.74	3.92	-0.82	-0.80	0.5574
2.	4.77	4.21	-0.56		
3.	4.62	3.71	-0.91		
4.	4.64	3.75	-0.89		

<b>Assurance</b>					
<b>Statement</b>	<b>E-score</b>	<b>p-score</b>	<b>SERVQUAL Score</b>	<b>Average Dimension</b>	<b>Chi square</b>
1.	4.57	3.85	-0.72	-0.77	0.6678
2.	4.64	4.21	-0.43		
3.	4.67	3.77	-0.90		
4.	4.68	3.80	-0.88		
5.	4.71	3.80	-0.91		

<b>Empathy</b>					
<b>Statement</b>	<b>E-score</b>	<b>p-score</b>	<b>SERVQUAL Score</b>	<b>Average Dimension</b>	<b>Chi square</b>
1.	4.52	3.89	-0.62	-0.88	1.05
2.	4.71	3.60	-1.11		
3.	4.72	4.16	-0.56		
4.	4.65	3.65	-1.00		
5.	4.62	3.56	-1.06		
6.	4.73	3.81	-0.92		

**VIII. 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 (69.2%) and belong to the age group of 35-45 years (26.10%).
- Majority of the respondents for this study are post graduate (34.15%), private employees (29.76%) and are

having income in the range of Rs.25, 000- 40, 000 (30.98%)

- A Chi-square analysis was performed to determine the impact of SERVQUAL with banking services. The results are summarized in Tables 6, 7, 8, 9 and 10.
- It is evident from the above tables 6, 7 and 8 that the  $\chi^2$  calculated value at 5% level of significance is 29.347 while the  $\chi^2_{tab}$  is 9.488.
- Since in this case  $\chi^2_{cal} > \chi^2_{tab}$  hence null hypothesis is rejected and alternative hypothesis is accepted i.e.
- Preference towards public/private sector banks and age group is dependent on each other.
- From the tables 9 and 10 SERVQUAL dimension, Tangibility (Modern looking equipment, physical facilities appearance communication material) has  $\chi^2_{cal}$  1.0561 for public sector banks and  $\chi^2_{cal}$  0.7449 for private sector banks respectively. Both the values are much lower than  $\chi^2_{tab}$  12.592 which shows that for tangibility dimension the expected and perceived scores are nearly same at 5% level of significance. And the same trends are observed for other dimensions like reliability (Timely service, error free records, ability to perform the promised service dependably and accurately), Responsiveness (Willingness to help and provide prompt service), Assurance (Knowledge and courtesy of employees and their ability to convey trust and confidence) and Empathy (The firm provides individual attention, care, understanding specific needs and maintain long term customer relationships).
- SERVQUAL SCORE of tangibility suggests that public sector banks need to improve their infra structure and ambience to compete with private sector banks.
- According to SERVQUAL SCORE of responsiveness and empathy training on stress management and better public dealing should be imparted to the employees of public sector banks.
- 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.

## IX. CONCLUSIONS

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

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