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Customer Perceptions Towards Service Quality in Indian Banks: A Select Study

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Abstract

Measuring Service Quality has been widely utilized in banking sector. The present study aims at identifying the customer perceptions towards service quality in select Public and Private Sector banks. The service quality is quantified with the help of a modified SERVQUAL model using dimensions Tangibility, Reliability, Responsiveness, Assurance and Empathy. The banks must focus on bringing in innovation in these parameters to maintain a high quality of service and achieve higher satisfaction, which subsequently develops customer trust towards the company. By bringing innovative changes to improve the service quality, the banks can also increase their competitive advantage and customer retention as service quality has a significant relationship with customer loyalty.

Introduction

Service Quality is an important area of interest in both public and private sectors business firms and service industries. The banking sector is not an exception. As per the RBI[1], presently, the Indian banking system comprises 20 Nationalized Banks including SBI and its Associates, 22 private banks, 3 Local Area Banks, 10 Small Finance Banks, 7 Payment Banks(PSB), 46 Foreign banks, 33 State Co-operative Banks, 45 Regional Rural Banks are in operation, in addition to cooperative credit institutions. Favourable demographics and rising income levels, strong GDP growth facilitate banking sector expansion, structural economic stability and continued credibility of monetary policy. In this scenario, the existence of banks in the era of cut-throat rivalry hugely relies on how well these banks executive the services with quality to their stakeholders. The concept of Service Quality mainly emphasizes evaluating the similarities and dissimilarities between what the customers expect from the bank and what the services received by the customers. According to the expectations of business organizations, Service Quality is considered as one of the important elements that help to build satisfaction to the customers.

The customer can take the support of peers, his own experiences and needs which gives some sort of expectations about a service. In most cases, it is evident that what the customer expected about service and what he experiences from service (i.e., perceived service) may not match and these together results in a service gap. The service quality model or the 'GAP model' developed by the authors Parasuraman, Zeithaml and Berry[2] in 1985, highlights the main requirements for delivering high service quality. It identifies 'gaps' that cause an unsuccessful delivery of service. Customers generally tend to compare the service they 'experience' with the service they 'expect'. If the experience does not match the expectation, there arises a gap.

Review of Literature

Gain and Bhatt (2003) [1] conducted a study on Indian banks to learn about their customers' expectations and views on service quality parameters. When compared to the service quality of Indian banks, the study found that international banks' service quality is higher. To ensure customer satisfaction, banks must minimize the GAP in Service Delivery.

Sachdev, Sheetal B. *et al*. (2004) [2] investigated using SERVQUAL tool to determine the differences between the expected service and service rendered. Tangibility was the least rated dimension in banking services marketing, followed by empathy. This conclusion was reached using zone of tolerance and direct evaluation approaches.

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[1]Reserve Bank of India Statistics on Banks in India, cited from: https://www.rbi.org.in/commonman/English/Scripts/BanksInIndia.aspx#NB
[2]Parasuraman A, Zeithmal VA, Berry LL. SERVQUAL: A Conceptual Model of Service Quality and its Implications for Future Research, Journal of Marketing, No.1, 49(1), 1985, pp.41- 50.

Prabha, Divya *et al*. (2006) [3] have analyzed the views on service quality among corporate clients in Coimbatore when it came to bank services. Even while consumers are satisfied with the customer-centric dimensions of service quality, the survey found that banks still need to work on communication, modernisation, and service speed.

Ghost and Gnanadhas (2011) [4] focused on determining customers' perceptions in commercial banks, concentrating on the influencing Service Quality factors, as well as identifying the customers' opinions on Service Quality contributing factors. The study aimed to look at the relationship between the characteristics that influence service quality and how customers perceive these aspects in relation to customer satisfaction. However, the influence of service quality on customer satisfaction is not uniform, and it varies depending on the demographic profile of the customers.

Okoe *et al*., (2013) [5] in their article investigated the service quality role in the Ghanaian banking industry and its influence using SERVQUAL dimensions. Even while banks scored better on the tangibility dimension, the survey indicated that there is a large gap between expectations and perceptions of service delivery across all banks.

Razashah, M. and Pasha, A. (2018) [6] concluded that the influence of Service Quality metrics on Customer Satisfaction is big. They discovered that significant quality, dependability, responsiveness, and affirmation all have a major influence on Customer Satisfaction.

Statement of the Problem
From the above literature review, it is identified that most of the earlier studies focused on identifying various dimensions of service quality using various scaling measurements through select dimensions.

The present study is further extended through identifying the service quality gaps.

Objective of the Study
The primary objective of the study is to examine the Customer Satisfaction on Service Marketing Mix and as well as the Service Quality Measurement of Select banks through gap analysis.

Sources of Data
The main sources of primary data has been collected from the stakeholders such as bank customers, marketing intermediaries, officials, etc., of the select banks through structured questionnaire and personal observations at the respective branches of the banks. The data has been collected focusing on the various dimensions of service quality of the sample banks.

Analysis of Overall Customer Expectations on Five Dimensions of Service Quality
To assess the customer service quality, Overall Expectations and Perceptions of the Customers on five dimensions were examined viz., Tangibility, Reliability, Responsiveness, Assurance, and Empathy. The following table presents the overall expectations and perceptions of the customers towards the service quality of Public Sector Banks and Private Sector Banks.

Table 1: Overall Expectations and Perception of the Respondents Towards Service Quality

S. No	Dimensions of Service Quality	Expectations				Perceptions			
		Public Sector Banks		Private Sector Banks		Public Sector Banks		Private Sector Banks	
		Mean	SD	Mean	SD	Mean	SD	Mean	SD
1	Tangibility	3.91	1.32	4.11	1.24	3.57	1.34	3.76	1.31
2	Reliability	3.93	1.34	3.99	1.27	3.47	1.18	3.53	1.27
3	Responsiveness	3.83	1.56	4.22	1.08	3.37	1.23	3.62	1.27
4	Assurance	3.90	1.31	4.06	1.27	3.55	1.29	3.68	1.26
5	Empathy	3.79	1.39	4.03	1.34	3.44	1.29	3.56	1.27

Source: Compiled from Primary Data

From table 4.37, it is revealed that the mean values of the expectations of customers on service quality dimensions ranging from 3.79 to 4.22, there are differences in the expectations of Public Sector Banks and Private Sector Banks, whereas, in the case of Perceptions, it is revealed that the mean values of the perceptions of customers on service quality dimensions ranging from 3.3 to 3.9, there are differences in the perceptions of Public Sector Banks and Private Sector Banks. As Private Sector Banks is gaining much attention, it is rating high when compared to Public Sector Banks.

Analysis of Overall Service Quality Gap
Service Quality gaps explain the differences between the expectations of "What they want" and Perceptions of "What they get" based on the conceptualization and operationalization, a Service Quality measurement tool called SERVQUAL.

According to this, service quality is measured on the gap between expectations and perceptions of consumers basing on five dimensions viz., Tangibility, Reliability, Responsiveness, Assurance, and Empathy.

Table 2: Gap Analysis of Servqual Dimensions of Public Sector Bank Customers

S. No		Statement	Mean Score of Expectations E	Mean Score of Perceptions P	GAP Score = P - E
1	Tangibility	Availability of Equipment	3.99	3.59	-0.40
2		Visually Appealing layout	3.93	3.57	-0.36
3		Centrally Located	4.05	3.70	-0.35
4		Professionally Dressed Employees	3.80	3.55	-0.25
5		Attractive Printing Material	3.79	3.45	-0.34
		Aggregate Values	3.91	3.57	-0.34
6	Reliability	Reliability of Online Banking	4.13	3.70	-0.43
7		Transparency	4.14	3.64	-0.50
8		Consistent performance	3.59	3.24	-0.35
9		Prompt on timely service	3.79	3.25	-0.54
10		Error-free service	4.00	3.50	-0.50
		Aggregate Values	3.93	3.47	-0.46
11	Responsiveness	Customer Support	3.89	3.53	-0.36
12		Less Waiting time	3.84	3.31	-0.53
13		Quick in identifying and eliminating errors	3.79	3.25	-0.54
14		Quick Response	3.81	3.37	-0.44
		Aggregate Values	3.83	3.37	-0.47
15	Assurance	Feeling of Security	3.86	3.62	-0.24
16		Guaranteed Safety	4.11	3.76	-0.35
17		Knowledgeable Employees	4.22	3.81	-0.41
18		Kind and Polite	3.45	3.15	-0.30
19		Trustworthy	4.10	3.76	-0.34
20		Assured execution time	3.65	3.20	-0.45
		Aggregate Values	3.90	3.55	-0.35
21	Empathy	Understanding needs	3.60	3.20	-0.40
22		Conveniently Situated	3.89	3.54	-0.35
23		Suitable Working hours	4.02	3.59	-0.43
24		Willing to help	3.85	3.50	-0.35
25		Sincere concern	3.59	3.39	-0.20
		Aggregate Values	3.79	3.44	-0.35

Source: Compiled from Primary Data

Tangibility
It is observed that the availability of equipment has a high gap score of -0.40, the visually appealing layout of the bank with a gap score of -0.36, followed by centrally located -0.35, the availability of attractive printing material -0.34 and the professionally dressed employees with a gap score of -0.25. The tangibility dimension obtained an overall gap score of -0.34. The expectations of customers are high in the case of tangibles but the perceptions are marginally low.

Reliability
The gap in respect to prompt on timely services is highest with a servqual gap score of -0.54, followed by providing error-free service -0.50, reliable information -0.50 followed by reliability on online banking with -0.34, and lastly with the least gap score of -0.35 to consistent performance. The overall gap of the Reliability dimension is -0.46. The expectations of customers are high concerning the reliability of the services but their perceptions are comparatively low. The highest expectation score of this dimension suggests dissatisfaction among the customers.

Responsiveness
The gap score of quick in identifying and eliminating errors is high -0.54, followed by less waiting time for services -0.53, responds quickly -0.44, and lastly customer support -0.36. The overall Gap Score of the responsiveness dimension is -0.47. The expectations of customers are high concerning the reliability of the services but their perceptions are comparatively low. The gap score indicates the responsiveness of services needs to be improvised.

Assurance
Assured execution time scored high gap score of -0.45, followed by knowledgeable employees with -0.41, guaranteed safety with -0.35, trustworthy with -0.34, kind and politeness of the employees -0.30, lastly feeling of security with the least gap score of -0.24. The overall Gap Score of the assurance dimension is -0.35. The expectations of customers are high concerning the reliability of the services but their perceptions are low. This dimension of service requires to be improved as it relates to the feeling of security and safety as perceived by the customers, where effective measures are to be needed to create confidence in the customers.

Empathy
The gap score for suitable working hours is high at -0.43, understanding the customer's needs scored a gap of -0.40 followed by employees willing to help and conveniently situated scored equally with -0.35, lastly, sincere concern towards the customers scored the least gap score of -0.20. It has received an overall gap score of -0.35. The expectation score of this dimension suggests dissatisfaction among the customers.

The overall SERVQUAL gap for all the five dimensions was -0.39. These gaps suggest the need for improved service quality in the various dimensions through proper communication, better customer understanding, proper management commitment, good teamwork, etc.

The results indicate a great opportunity for the banks to improve the entire service-providing mechanism. The negative average scores of five out of five dimensions

indicate the gap between the expectations and perceptions. Hence, concluded that the service experiences are generating unsatisfactory perceptions among the customers of Public Sector Banks.

Analysis of Gap Scores of Servqual Dimensions of Private Sector Banks
An attempt is made to analyze the Gaps between the Expectations and Perceptions of the customers in the private sector banks concerning all the five dimensions of Service Quality Viz., Tangibility, Reliability, Responsiveness, Empathy, and Assurance, the means are tabulated under to identify the GAP by subtracting Means of Perceptions with

Means of Expectations.

Tangibility
It is observed that the central location of the bank has a gap score of - 049, availability of equipment has a gap score of -0.67, professionally dressed employees with 0.16 gap score, the visually appealing layout of the bank with a gap score of -0.52, lastly the availability of attractive printing material with the least gap score with 0.20. The overall gap score of the Tangibility dimension is -0.34. The expectations of the customers are high in the case of tangibles but the perceptions are low.

Table 3: Gap Analysis of Servqual Dimensions of Private Sector Banks Customers

S. No		Statement	Mean Score of Expectations E	Mean Score of Perceptions P	GAP Score = P - E
1	Tangibility	Availability of Equipment	4.26	3.59	-0.67
2		Visually Appealing layout	4.09	3.57	-0.52
3		Centrally Located	4.19	3.70	-0.49
4		Professionally Dressed Employees	4.05	4.21	0.16
5		Attractive Printing Material	3.95	3.75	-0.20
		Aggregate Values	4.11	3.76	-0.34
6	Reliability	Reliability of Online Banking	3.77	3.43	-0.34
7		Transparency	4.25	3.85	-0.40
8		Consistent performance	3.91	3.46	-0.45
9		Prompt on timely service	4.20	3.56	-0.64
10		Error-free service	3.81	3.35	-0.46
		Aggregate Values	3.99	3.53	-0.46
11	Responsiveness	Customer Support	4.25	3.80	-0.45
12		Less Waiting time	4.19	3.55	-0.64
13		Quick in identifying and eliminating errors	4.04	3.39	-0.65
14		Quick Response	4.39	3.75	-0.64
		Aggregate Values	4.22	3.62	-0.60
15	Assurance	Feeling of Security	3.73	3.32	-0.41
16		Guaranteed Safety	3.88	3.51	-0.37
17		Knowledgeable Employees	4.48	4.10	-0.38
18		Kind and Polite	4.30	3.85	-0.45
19		Trustworthy	3.91	3.76	-0.15
20		Assured execution time	4.08	3.54	-0.54
		Aggregate Values	4.06	3.68	-0.38
21	Empathy	Understanding needs	3.82	3.47	-0.35
22		Conveniently Situated	3.66	3.31	-0.35
23		Suitable Working hours	3.91	3.57	-0.34
24		Willing to help	4.18	3.65	-0.53
25		Sincere concern	4.60	3.80	-0.80
		Aggregate Values	4.03	3.56	-0.47

Source: Compiled from Primary Data

Reliability
It is observed that the highest gap score of -0.64 was recorded with prompt on timely service, followed by error-free service with -0.46 gap score, consistent performance with -0.45, provides reliable information with -0.40, and lastly reliability on the online dimension with the least gap score of 0.34. The overall gap score of the reliability dimension shows as -0.46 indicates the expectations of the customers are high regarding the reliability services but their perceptions are low.

Responsiveness
Concerning responsiveness dimension, the gap score of quick in identifying and eliminating errors is -0.65, less waiting time and responds quickly with -0.64, customer support with a gap score of -0.45. The overall gap score of

the responsiveness dimension has been received as -0.60. The expectations of the customers are high regarding the reliability services but their perceptions are comparatively low. There is a need to improvise the responsiveness dimensions to create confidence among the customers.

Assurance
Assured execution time scored a gap score of -0.54, kind and politeness of the employees -0.45 gap score, trustworthy and feeling of security with -0.41, knowledgeable employees with a gap score of -0.38 and guaranteed safety with the least gap score of -0.37. It has received an overall gap score of -0.38. The expectations of the customers are high, whereas perceptions are low. This dimension of services requires to be improved as it is related to a feeling of security and safety.

Empathy

It is identified that the gap score of sincere concern of the employees is -0.80, employees willing to help customers -0.53, conveniently situated and understanding needs with -0.35 gap scores, suitable working hours with a gap score of -0.34. The overall gap score of the empathy dimension is -0.47. The results indicate that there is a clear gap in fulfilling the expectations of the customers, which suggests dissatisfaction among the customers of Private Sector Banks.

Conclusion

The overall SERVQUAL gap for each of the dimensions is presented in the table below. These gaps suggest a need for improved service quality in the dimensions of service quality through proper communication, better customer understanding, goal setting, and standardization of work procedures. The results indicate that banks have to improve overall service-providing mechanisms. The negative gap scores indicate comparatively marginal gap between the expectations and perceptions. Hence, concluded that the service quality experiences in Private Sector Banks are generating better service quality in comparison with Public Sector Banks, yet there is a need for improvement in fulfilling all the dimensions of service quality.

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