



SERVICE QUALITY OF PRIVATE SECTOR BANKS: AN EMPIRICAL STUDY

Dr. Kingshuk Adhikari¹

¹Assistant Professor, Department of Commerce, Assam University, Silchar, Assam, India

Dipankar Das²

²Research Scholar, Department of Commerce, Assam University, Silchar, Assam, India

ABSTRACT

In the era of highly competitive and vibrant business environment, surviving in the market has become a key challenge for banking organization. Service quality has become a significant differentiator in the banking sector keeping in mind the ever changing business environment. In fact, service quality is the most powerful competitive weapon which a banking organization is expected to possess not only to retain its existing customers but also to lure the segments of potential customers as well. The present study is an attempt to analyze the perception of customers regarding service quality in private sector banks operating in Karimganj town of Assam. In this pursuit, the study has adapted SERVPERF scale, keeping in view the locale of the study, to assess the service quality of three private sector banks by procuring perception of 120 bank customers through a field survey.

The study concluded that perception of customers of all the three private sector banks towards all the five dimensions of service quality is positive. However, reliability dimension of service quality earns the most positive perception of customers, which is followed by assurance, empathy, responsiveness and tangibility dimension of service quality.

KEY WORDS: Tangibility, Reliability, Responsiveness, Empathy, Assurance

INTRODUCTION

Indian economy has been passing through a phase of metamorphosis and banking sector is no exception to this. Banking sector reforms in India has made the market condition precarious and the emerging competitive environment demands radical change in the style and technique of management of banking business. 'Service quality' has become a buzzword in the banking sector particularly in the current millennium (Adhikari and Paul, 2013).

The delivery of quality services by any commercial bank, be it in the public sector or private sector, has gained paramount importance in view of the ever increasing competition in Indian banking sector. Banks offering quality services are in an advantageous position to retain

their clients and also to lure new customers. In other words, offering quality services has become a prerequisite for the banks in order to grab a majority of the market share in the highly competitive and dynamic market environment.

Service quality has been viewed as one of the key factors of differentiation and thus has received considerable attention by any commercial bank, be it public or in private sector. In today's market, people of urban locality due to their ever increasing exposures, do not suffer from low level of awareness about the products and quality of services of various banks rather they are quite alert about the quality of services offered by various banks which are in operation in the vicinity of their office or residence. Many researchers, both in India and abroad,

have carried out research on perception of customers about service quality of commercial banks by considering different dimensions of service quality. In India, based on the information and personal experience of customers, a common notion has been developed among the public that the service quality of private sector banks is generally better than that of public sector banks.

In the current millennium, the elements of competition in the banking industry of India have gained momentum. Banks, in the recent years, not only try to provide a wide and diversified range of products to gain competitive advantages but also attach emphasis on continuously improving their service quality. Service quality, in the banking industry, is often considered as an important antecedent of customer satisfaction and is extremely important since customer is the monarch in any society where protection or regulation regime has gradually been replaced by a new order characterized by the features of a capitalist economy.

Service quality perceptions result from a comparison of consumer expectations with actual service performance (Parasuraman, Zeithmal and Berry, 1985). Perceived service quality is the degree and direction of discrepancy between consumers' perceptions and expectations (Parasuraman, Zeithmal and Berry, 1988).

In marketing literature, considerable support for the superiority of simple performance based measures of service quality has been found instead of defining service quality as the difference between expectation and perception of customers. The performance based measures provide a more construct-valid explication of service quality because service quality should be measured as an attitude and not on a satisfaction paradigm as was done in SERVQUAL model. The performance only (SERVPERF) approach explains more of the variation in service quality as compared to SERVQUAL model (Cronin and Taylor, 1992).

BRIEF REVIEW OF LITERATURE

Nabi (2012) found that tangibility, responsiveness and assurance were the major service quality dimensions influencing the expectation level of customers of private sector banks in Dhaka city of Bangladesh. Mistry (2013) observed that in Surat city of Gujrat, service quality of private sector banks was better than that of public sector banks based on the perception of customers of both the groups of banks. Rajpurohit and Surana (2014) revealed that the customer perception was more favourable towards private banks in comparison to public sector banks in case of reliability dimension, which was followed by responsiveness, tangibility, assurance and empathy

dimension of service quality. Shanka (2012), Saraswathi (2011) and Kumar and Manjunath (2012) found tangibility dimension of service quality was the most favourable dimension as perceived by the customers out of different dimensions of service quality considered in their respective research works while Jain and et. al. (2012) and Veerabhadrapa and Jayanna (2013) found responsiveness dimension of service quality was the most favourable dimension as perceived by the customers out of different dimensions of service quality considered in their respective studies.

In most of the studies, researchers made an attempt to assess the service quality of banks by considering perception of customers about five service quality dimensions, namely tangibility, reliability, responsiveness, assurance and empathy. Thus, the present study also considers these five dimensions to assess the service quality of private sector banks in Karimganj town of Assam.

OBJECTIVES OF THE STUDY

The objectives of the study are as follows:

1. To analyze the perception of customers regarding service quality of private sector banks operating in Karimganj town of Assam.
2. To compare the perception of customers regarding service quality of three private sector banks operating in Karimganj town of Assam.

HYPOTHESES OF THE STUDY

1. Customer perception about service quality does not vary significantly across the three private sector banks operating in Karimganj town of Assam.
2. Customer perception about select dimensions (*viz. Tangibility, Reliability, Responsiveness, Assurance and Empathy*) of service quality does not vary significantly across the three private sector banks operating in Karimganj town of Assam.

DATA SOURCE AND METHODOLOGY

The present study makes an attempt to analyze the service quality of private sector banks in Karimganj town which is the district headquarter of Karimganj district located in the southern part of Assam.

The population of the study covers customers of all the three private sector banks (*viz., AXIS bank, HDFC bank and ICICI bank*) operating in Karimganj town of Assam as on 31-03-2015. In order to conduct the study, forty (40) numbers of customers from each of the three private sector banks have been selected by visiting branches

of the respective banks. Thus, the sample size for the present study is one hundred twenty (120) numbers of customers of three private sector banks.

The nineteen numbers of components of service quality have been identified and considered for the present study and the same nineteen numbers of components have been categorized into five (5) service quality dimensions, namely, Tangibility, Reliability, Responsiveness, Assurance and Empathy, keeping in view the literature available on 'Service Quality' as well as the locale selected for the study. A structured schedule comprising of a numerical scale ranging from 'Strongly Disagree (=1)' to 'Strongly Agree (=7)' has been used for the assessment of service quality.

After the collection of data through field survey, the same have been fed into 'SPSS- version 16' for the purpose of analysis. Statistical tools like, mean, standard deviation and one way ANOVA have been used to analyze the data obtained through field survey. All these exercises have been carried out to arrive at the findings of the study.

SCOPE OF THE STUDY

1. The scope of the present study has been confined to customers of all the three private sector banks operating within the municipal area of Karimganj town of Assam.

2. Customer in this study implies individuals only. Institutional customers like government departments, educational institutions, hospitals, charitable trust etc. have been kept outside the purview of the study.

LIMITATIONS OF THE STUDY

1. Each location has its own geographic and demographic specificities. So, the findings of the study have been interpreted with great caution for making any kind of generalization as it has been by and large reflected the situation specific to the chosen study area.
2. The study is subject to all the limitations that are inherent in any perception based study.

RESULT AND DISCUSSION

Table 1 reveals that the mean score of perception of customers regarding all the five dimensions of service quality taken together of three private sector banks operating in Karimganj town of Assam is 5.46 which implies that customers of private sector banks have been by and large contented with service quality of such banks.

Table 1: Perception of Customers about Service Quality Dimensions

Service Quality Dimensions	Mean	SD
Tangibility	5.29	0.787
Reliability	5.71	0.834
Responsiveness	5.39	0.960
Assurance	5.53	0.775
Empathy	5.43	0.905
Total of all dimensions	5.46	0.700

Source: Field Survey

The mean score of customer perception about reliability dimension is the highest which is followed by assurance, empathy, responsiveness and tangibility dimension. Thus, with respect to dimensions of service quality, reliability may be considered as the best out of five dimensions considered in the study since the mean score of customer perception is the highest in case of reliability dimension of service quality.

However, the perception of customers with respect to five dimensions of service quality has been most concentrated in case of assurance dimension since the value of standard deviation is the lowest while the perception of customers about service quality dimensions has been largely scattered in case of responsiveness dimension since the value of standard deviation is the highest.

Table 2 reveals that the mean score of perception of customers of three private sector banks in Karimganj town of Assam about tangibility dimension of service quality is 5.29 which implies that customers of private sector banks in Karimganj town of Assam have been by and large contented with this dimension of service quality. The mean score of customer perception about tangibility dimension is the highest in case of ICICI bank which is followed by HDFC bank and AXIS bank. Thus, with respect to tangibility dimension of service quality ICICI bank may be considered as the best out of three banks considered in the study since the mean score of customer perception about this dimension is the highest in case of ICICI bank.



Table 2: Bank wise Perception of Customers about Tangibility Dimension of Service Quality

Name of the Bank	Mean	SD	F value	p value
AXIS	5.25	0.906	0.077	0.926
HDFC	5.29	0.653		
ICICI	5.32	0.801		
All three Banks	5.29	0.787		

Source: Field Survey

However, the perception of customers with respect to tangibility dimension has been most concentrated in case of HDFC Bank since the value of standard deviation is the lowest while the perception of customers about this dimension service quality has been largely dispersed in case of AXIS bank since the value of standard deviation is the highest.

In order to test the hypothesis that whether customer perception about *Tangibility dimension* of service quality does vary significantly or not across the three private sector banks operating in Karimganj town of Assam, one way ANOVA has been carried out. It is worthwhile

to mention here that the p value for one way ANOVA is more than 0.05 which implies that there is no statistical evidence for significant difference in tangibility dimension of service quality across the select private sector banks operating in Karimganj town of Assam at 5% level of significance.

Table 3 shows that the mean score of perception of customers of three private sector banks in Karimganj town of Assam about reliability dimension of service quality is 5.71 which implies that customers of private sector banks in Karimganj town of Assam have been by and large contented with this dimension of service quality.

Table 3: Bank wise Perception of Customers about Reliability Dimension of Service Quality

Name of the Bank	Mean	SD	F value	p value
AXIS	5.54	0.815	1.206	0.303
HDFC	5.78	0.808		
ICICI	5.80	0.873		
All three Banks	5.71	0.834		

Source: Field Survey

The mean score of customer perception about reliability dimension is the highest in case of ICICI bank which is followed by HDFC bank and AXIS bank. Thus, with respect to reliability dimension of service quality ICICI bank may be considered as the best out of three banks considered in the study since the mean score of customer perception about this dimension is the highest in case of ICICI bank.

However, the perception of customers with respect to reliability dimension is most consistent in case of HDFC Bank since the value of standard deviation is the lowest while the variation in the perception of customers about this dimension service quality is very high in case of ICICI bank since the value of standard deviation is the highest.

In order to test the hypothesis that whether customer perception about *Reliability dimension* of service quality does vary significantly or not across the three private sector banks operating in Karimganj town of

Assam, one way ANOVA has been carried out. It is to relevant to mention here that the p value for one way ANOVA is more than 0.05 which implies that there is no statistical evidence for significant difference in reliability dimension of service quality across the select private sector banks operating in Karimganj town of Assam at 5% level of significance.

Table 4 depicts that the mean score of perception of customers of three private sector banks in Karimganj town of Assam about responsiveness dimension of service quality is 5.39 which implies that customers of private sector banks in Karimganj town of Assam have been by and large contented with this dimension of service quality. The mean score of customer perception about responsiveness dimension is the highest in case of HDFC bank which is followed by ICICI bank and AXIS bank. Thus, with respect to responsiveness dimension of service quality HDFC bank may be considered as the best out of three banks considered in the study since the mean score of customer perception is the highest in case of HDFC bank.

Table 4: Bank wise Perception of Customers about Responsiveness Dimension of Service Quality

Name of the Bank	Mean	SD	F value	p value
AXIS	5.17	1.018	1.967	0.145
HDFC	5.58	0.840		
ICICI	5.43	0.988		
All three Banks	5.39	0.960		

Source: Field Survey

However, the perception of customers with respect to responsiveness dimension has been most concentrated in case of HDFC Bank since the value of standard deviation is the lowest while the perception of customers about this dimension service quality has been largely scattered in case of AXIS bank since the value of standard deviation is the highest.

In order to test the hypothesis that whether customer perception about *Responsiveness dimension* of service quality does vary significantly or not across the three private sector banks operating in Karimganj town of Assam, one way ANOVA has been carried out. It is worthwhile to mention here that the p value for one way ANOVA is more than 0.05 which implies that there is no statistical evidence for significant difference in Responsiveness dimension of service quality across the select private sector banks operating in Karimganj town of Assam at 5% level of significance.

Table 5 discloses that the mean score of perception of customers of three private sector banks in Karimganj town of Assam about assurance dimension of service quality is 5.53 which implies that perception of customers of private sector banks in Karimganj town of Assam have been by and large favourable with this dimension of service quality. The mean score of customer perception about assurance dimension is the highest in case of HDFC bank which is followed by ICICI bank and AXIS bank. Thus, with respect to assurance dimension of service quality HDFC bank may be considered as the best out of three banks considered in the study since the mean score of customer perception is the highest in case of HDFC bank.

However, the customer's perception with respect to assurance dimension has been most concentrated in case of ICICI Bank since the value of standard deviation is the lowest while the customers' perception about this dimension service quality has been largely scattered in case of HDFC bank since the value of standard deviation is the highest.

Table 5: Bank wise Perception of Customers about Assurance Dimension of Service Quality

Name of the Bank	Mean	SD	F value	p value
AXIS	5.38	0.793	2.280	0.107
HDFC	5.73	0.797		
ICICI	5.46	0.708		
All three Banks	5.53	0.775		

Source: Field Survey

In order to test the hypothesis that whether customer perception about Assurance *dimension* of service quality does vary significantly or not across the three private sector banks operating in Karimganj town of Assam, one way ANOVA has been carried out. It is worthwhile to mention here that the p value for one way ANOVA is more than 0.05 which implies that there is no statistical evidence for significant difference in assurance dimension of service quality across the select private sector banks

operating in Karimganj town of Assam at 5% level of significance.

Table 6 shows the mean score of perception of customers of three private sector banks operating in Karimganj town of Assam about empathy dimension of service quality is 5.43 which implies that customers of private sector banks have been by and large contented with this dimension of service quality.

Table 6: Bank wise Perception of Customers about Empathy Dimension of Service Quality

Name of the Bank	Mean	SD	F value	p value
AXIS	5.22	0.901	1.829	0.165
HDFC	5.60	0.878		
ICICI	5.46	0.916		
All three Banks	5.43	0.905		

Source: Field Survey

The mean score of customer perception about empathy dimension is the highest in case of HDFC bank which is followed by ICICI bank and AXIS bank. Thus, with respect to empathy dimension of service quality HDFC bank may be considered as the best out of three banks considered in the study since the mean score of customer perception is the highest in case of HDFC bank.

However, the perception of customers with respect to empathy dimension has been most concentrated in case of HDFC Bank since the value of standard deviation is the lowest while the perception of customers about this dimension service quality has been largely scattered in case of ICICI bank since the value of standard deviation is the highest.

In order to test the hypothesis that whether customer perception about Empathy *dimension* of service quality does vary significantly or not across the three

private sector banks operating in Karimganj town of Assam, one way ANOVA has been carried out. It is to pertinent to mention here that the p value for one way ANOVA is more than 0.05 which implies that there is no statistical evidence for significant difference in empathy dimension of service quality across the select private sector banks operating in Karimganj town of Assam at 5% level of significance.

Table 7 discloses that the mean score of perception of customers about service quality of three private sector banks operating in Karimganj town of Assam is 5.46 which implies favourable perception of customers of private sector banks about the service quality of banks. The mean score of service quality is the highest in case of HDFC bank which is followed by ICICI bank and AXIS bank. Thus, with respect to service quality HDFC bank may be considered as the best out of three banks considered in the study since the mean score is the highest in case of HDFC bank.

Table 7: Bank wise Perception of Customers about Service Quality

Name of the Bank	Mean	SD	F value	p value
AXIS	5.30	0.7002	1.730	0.182
HDFC	5.59	0.6877		
ICICI	5.48	0.7014		
All three Banks	5.46	0.7007		

Source: Field Survey

However, the perception of customers with respect to overall service quality has been most concentrated in case of HDFC Bank since the value of standard deviation is the lowest while the perception of customers about overall service quality has been largely scattered in case of ICICI bank since the value of standard deviation is the highest.

In order to test the hypothesis that whether customer perception about service quality does vary significantly or not across the three private sector banks operating in Karimganj town of Assam, one way ANOVA has been carried out. It is important to mention here that the p value for one way ANOVA is more than 0.05 which implies that there is no statistical evidence for significant difference in overall service quality across the select private sector banks operating in Karimganj town of Assam at 5% level of significance.

SUMMARY OF MAJOR FINDINGS

1. The study considers five dimensions of service quality. Out of five (05) service quality dimensions, the perception of customers is most favourable with respect to Reliability dimension of service quality which is followed by Assurance, Empathy, Responsiveness and Tangibility dimensions of service quality. It is also relevant to mention here

that reliability dimension has been ranked first out of five service quality dimensions for each of the three individual private banks considered in the study.

2. The mean score of customer perception about service quality is the highest in HDFC bank while the same is the lowest in case of AXIS bank. However, the p value for one way ANOVA is more than 0.05 which implies that there is no statistical evidence for significant difference in the perception of customers about service quality across the select private sector banks operating in Karimganj town of Assam at 5% level of significance.
3. Based on customer perception, HDFC bank has been ranked first with respect to Responsiveness, Assurance and Empathy dimensions of service quality while ICICI bank has been ranked first in Tangibility and Reliability dimensions of service quality. But with respect to all the five service quality dimensions considered in this study, least favourable perception has been found from the customers of AXIS bank. However, there is no statistical evidence for significant difference in the perception of customers of three banks at 5% level of significance about all the five service

quality dimensions, since the p values for one way ANOVA conducted on all the service quality dimensions are more than 0.05.

CONCLUSION

The present study has evaluated the service quality of three private sector banks from the perspective of customers in a one of the old towns of South Assam. Service quality of three banks has also been compared based on the perception of customers. It is expected that better understanding of the perception of customers about different components of service quality will help the management of all the three private sector banks in addressing the issues deserving attention and also to devise appropriate policies in order to improve the service quality and thereby providing enhanced satisfaction to their valued customers in future.

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