

# Service Quality in Banks: A study of Public and Private Sector Banks

**Gurjit Singh**

*Research Scholar Ph.D*

*SBBSU, Khiala, Distt Jalandhar,*

**Dr. Sandeep Randhawa**

*Associate Prof.*

*SBBSU, Khiala, Distt Jalandhar*

## **Abstract:**

The research was necessary to carry out as the changing global scenario demands it. After the start of liberalization era, it became a necessity for every banking company whether public or private, to shape its services into a global way. The research highly focuses on identification of problems regarding the marketing of banking services and customer satisfaction issues. Additionally, the study also critically analyse the banking services provided by the public and private sector banks to their customers to face the challenging competitive environment. It is essential for the banking players to adopt various changes in the delivery pattern and the quality of services. Both private and public sector banks need to provide quality services by enhancing the level of satisfaction of their customers

## **1. INTRODUCTION AND REVIEW OF LITERATURE**

To define the perception of quality banking services in both the private and public sector bank with respect to the demographic variables such as age gender income and occupation with special reference to Punjab India, it can be said that satisfaction as a post-choice of a relative judgment of a specific transaction. It is totally based on the customer's perception of the value received during transaction and relationship where the value equals to perceive the service quality related to price and customer acquisition cost (Hallowell, 1996; Blanchard and Galloway, 1994). On the other hand, the customer loyalty is defined as a commitment to continue the purchasing a particular product and services that highly preferred by the customer which is totally based on the situation and factors in marketing efforts that Highly Effective switching behaviour of the customers. Loyalty is also known as a customer's commitment to do business in a given organization to purchase goods and services continuously and recommend them to their relatives, friends, colleagues (Chiguvi, 2016, Mellroy and Barnett, 2000).

To examine the perception of quality banking services in both private and public sector bank there is the various role of motivating variables that Highly Effective Quality Services given by the banks.

There are a number of definitions for the term Quality defined by various authors. Quality can be described generally as an edge or excellence. In literature, Teas, 1993, Brady and Cronin, 2001, have discussed the concern on how the service quality should be restrained. The previous researches suggests that customer does not perceive quality as a one-directional concept.

In addition, there is no consensus about how to access the service quality. The concept of service quality is most deliberated subject in service literatures due to lack of agreement. , Quality assessment not solely focuses on consequence of service. It is a result of diverse perception of the customer and integrity of the provider both. This idea is commonly accepted that services are evaluated both by production, outcome and delivery process.

Gronroos model divides customer's perception about the quality of a specific service into two dimensions. SERVQUAL has five quality attributes. Because services are nonphysical, it is hard to decide, record, compute or to test the service preceding to the sale in order to safeguard the quality on its delivery. In most services, quality occurs during service delivery, usually when customer and service employee interacts.

Research reveals that delivering high service quality yields measurable remunerations in profit, cost cutting, and market share. Therefore, a considerateness of the nature of service quality and how it is attained in organizations has become a priority for research. For that, companies need to develop an atmosphere inside the organization that is more inclined towards attaining service quality standards according to the customer desires. There are number of organizations aggressively using some form of customer satisfaction measures in developing, monitoring, and/or evaluating product and service assistances, as well as for evaluating, motivating, and compensating employees.

## **2. SERVICE QUALITY REVIEWS OF INDIAN BANKS**

Garvin, (1988); Albrecht and Zemke, (1985); Lehtinen and Lehtinen, (1991); Dabholkar et al., (1996) defined service quality as the difference between the customer expectations and service provider's team performance. It is known as multi-dimensional phenomena, which contain various dimensions, and the qualities that have been considered by a researcher as an attitude through the long-term and over an evolution of the performance. Quality in service is a concept, which is intangible in nature of the service offering, and it depends on the person to person, situation to situation. To make a factor

quality of services offered by the public-private sector bank in Punjab, it mainly includes five dimensions of service quality, which are as follows:

**Tangibility:** tangibility is known as things, which are physically observed by the customer in the bank branch, which mainly include the ATM, network, personal, physical facility, material, and net speed. It also includes the ability and skills of the personal quality of services offered by banks in the form of product and services, branch's care that represent tangible and include the concrete cues for the customer to evaluate the capability of the service provider. As a result, in Punjab tangibility in the form of physical observation in a banking branch was especially high in the private sector banks because they provide effectively and fast ATM services, network services and 70% only private sector bank in the form of tangibility because they do not face any kind of server issue for transaction failure issue as compared to the public sector banks. (Sahu& Sahu, 2016).

**Reliability:** Reliability is referred to as a trust in abilities of the company to performing a service in the right manner, which may include acting in their operations and promises, and as per the declaration. Reliable services in bankers mainly provide the internet connection without facing any kind of failure and recall the insured by the bank so that banker should not misuse the cardholder information and update their latest technology in a frequent manner. To analyse the reliability quality dimension in Punjab and making effective comparison between the public and private sector banks, it was observed that majority of the people highly favoured availability concerned with the private sector bank because people highly believe that the services and products offered by the public sector banks are most reliable as compared to the private sector banks because there are various fraud cases. Some of those cases are of Nirav Modi, Vijay Malaya that creates some doubts and conservations in the minds of the customers regarding the public sector banks for the quality of services and products.

**Responsiveness:** responsiveness is referred as a service provider's willingness to help the customers and provide effective services, which are measured by the amount of time needed to deal with the customers, report problem and duration to solve the customer's request. To make comparison between the public and private sector banks based on the responsiveness, it has been observed that in Punjab as compared to the public sector banks, private sector banks highly focused on the customer retention strategies. In this respect public-private sector banks highly operate their Customers Call Centre services and customer care services by which customers will be able to raise their disputes and complaints and come

back after taking their complaints seriously and take the effective initiatives to solve their complaints effectively. (Sahu& Sahu, 2016).

**Assurance:** Assurance is related to the knowledge and currency of the employability to inspire trust and confidence. In respect to this, bankers always demonstrate assurance to the customer by adopting behaviour and providing essential knowledge to guide customers and handling their problems. As compared to the public and private sector banks, both the banks try to adopt the customer assurance by providing effective information about the latest schemes and update the customers about their periods and latest policies by providing messages text, emails and courier services. Therefore, in Punjab, both public and private sector banks try to ensure their customers and employees adopt the latest technology so that they were able to have confidence of their customers effectively.

**Empathy:** Empathy is caring for pain and concern of existing as well as potential customers individually by the service provider. It includes treatment given to the customers by keeping in view their complete background. The banker who has only focus on the personalized attention on customer's understanding, the specific need of the customer is not the requirement. As a result, in Punjab the public sector banks are facing the important issue because they were not so updated about the latest technologies. Therefore, they are facing the retaining issues of the customers as compared to the private sector banks. Private sector banks due to their philosophy, trust with updated technology are able to retain the customer as compared to the public sector banks (Sahu& Sahu, 2016).

### **3. OBJECTIVE AND DESIGN OF THE STUDY**

- To examine and compare the existing service quality aspects in the public sector and private sector banks

#### **3.1 Research Design:**

The purpose of the present study is to study the different customer services provided by private sector banks and public sector banks. The study further aims to examine and compare the existing service quality aspects in the public sector and private sector banks. Additionally, the study determines and compares the level of satisfaction of customers in the public sector and private sector banks. Hence, the research design adopted in this study is descriptive research design. It is aimed towards the description of situations, phenomenon, problems and the like in a systematic manner or the attempts at providing insights about, say the living conditions of a community, problems associated with an industry or a firm, or describes

attitudes towards an issue. The study is concerned with the description of the views pertaining to customer satisfaction attributable to service quality in Indian banks in Punjab. Further, the research is based on a set of hypotheses that are required to be tested. Since this study is expressive and aims at the description, the chosen research design is the **descriptive research design**.

The current research adopted the **quantitative research approach**. The research aims at identifying the relationship between service quality aspects and customer satisfaction in private sector and public sector banks. Therefore, the quantitative research approach will help in establishing the relationship between the variables defined through the customers in public and private banks.

#### 4. DATA ANALYSIS

A well framed questionnaire was distributed amongst the customers of selected Public and Private sector bank customers. The collected information is tabulated and results are drawn as follows:

##### 4.1 Service quality in private sector banks

From the following table, we observed that 31.8% of the respondents from the selected population has said that, they are very satisfied with the time taken for opening bank account is less. The following bar chart also shows taller bar corresponding to the same.

**Table 4.1.1: Time taken in the opening bank account is less**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Very satisfied	159	31.8	31.8
Satisfied	146	29.2	61.0
Neutral	87	17.4	78.4
Dissatisfied	42	8.4	86.8
Very dissatisfied	66	13.2	100.0
<b>Total</b>	<b>500</b>	<b>100.0</b>	

##### 4.1.2 Speedy withdrawal

From the following table, we observed that 33% of the respondents from the selected population has said that they are satisfied with speedy withdrawal service. The following bar chart also shows taller bar corresponding to the same.

**Table 4.1.2: Speedy withdrawal**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Very satisfied	156	31.2	31.2
Satisfied	165	33.0	64.2
Neutral	104	20.8	85.0
Dissatisfied	23	4.6	89.6
Very dissatisfied	52	10.4	100.0
<b>Total</b>	<b>500</b>	<b>100.0</b>	

#### 4.1.3 Speedy money deposit

From the following table, we observed that 33.6% of the respondents from the selected population has said that they are very satisfied with speedy money deposit service. The following bar chart also shows taller bar corresponding to the same.

**Table 4.1.3: Speedy money deposit**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Very satisfied	168	33.6	33.6
Satisfied	107	21.4	55.0
Neutral	81	16.2	71.2
Dissatisfied	95	19.0	90.2
Very dissatisfied	49	9.8	100.0
<b>Total</b>	<b>500</b>	<b>100.0</b>	

#### 4.1.4 Cash credit facility is easily available

From the following table, we observed that 26.6% of the respondents from the selected population has said that they are very satisfied with Cash credit facility service. The following bar chart also shows taller bar corresponding to the same.

**Table 4.1.4: Cash credit facility is easily available**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Very satisfied	128	25.6	25.6
Satisfied	133	26.6	52.2
Neutral	103	20.6	72.8
Dissatisfied	104	20.8	93.6
Very dissatisfied	32	6.4	100.0
<b>Total</b>	<b>500</b>	<b>100.0</b>	

**4.1.5 Services are provided as promised**

From the following table, we observed that 32.6% of the respondents from the selected population has said that they are neutral with Services are provided as promised. The following bar chart also shows taller bar corresponding to the same.

**Table 4.1.5: Services are provided as promised**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Very satisfied	134	26.8	26.8
Satisfied	89	17.8	44.6
Neutral	163	32.6	77.2
Dissatisfied	39	7.8	85.0
Very dissatisfied	75	15.0	100.0
<b>Total</b>	<b>500</b>	<b>100.0</b>	

**4.1.6 Employees have good knowledge and revert back with courtesy**

From the following table, we observed that 33.8% of the respondents from the selected population has said that they are satisfied with employees have good knowledge and revert back with courtesy. The following bar chart also shows taller bar corresponding to the same.

**Table 4.1.6: Employees have good knowledge and revert back with courtesy**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Very satisfied	161	32.2	32.2
Satisfied	169	33.8	66.0
Neutral	138	27.6	93.6
Dissatisfied	11	2.2	95.8
Very dissatisfied	21	4.2	100.0
<b>Total</b>	<b>500</b>	<b>100.0</b>	

**4.1.7 Individualized attention is provided by the bank**

From the following table, we observed that 29% of the respondents from the selected population has said that they are satisfied with individualized attention is provided by the bank. The following bar chart also shows taller bar corresponding to the same.

**Table 4.1.7: Individualized attention is provided by the bank**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Very satisfied	121	24.2	24.2
Satisfied	145	29.0	53.2
Neutral	64	12.8	66.0
Dissatisfied	71	14.2	80.2
Very dissatisfied	99	19.8	100.0
<b>Total</b>	<b>500</b>	<b>100.0</b>	

**4.1.8 Updated physical facilities**

From the following table, we observed that 37.2% of the respondents from the selected population has said that they are neutral with updated physical facilities. The following bar chart also shows taller bar corresponding to the same.



**Table 4.1.8: Updated physical facilities**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Very satisfied	161	32.2	32.2
Satisfied	87	17.4	49.6
Neutral	186	37.2	86.8
Dissatisfied	66	13.2	100.0
<b>Total</b>	<b>500</b>	<b>100.0</b>	

#### **4.1.9 Employee understands the specific needs of the customers**

From the following table, we observed that 31.2% of the respondents from the selected population has said that they are very satisfied with employee understands the specific needs of the customers. The following bar chart also shows taller bar corresponding to the same.

**Table 4.1.9: Employee understands the specific needs of the customers**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Very satisfied	156	31.2	31.2
Satisfied	137	27.4	58.6
Neutral	113	22.6	81.2
Dissatisfied	57	11.4	92.6
Very dissatisfied	37	7.4	100.0
<b>Total</b>	<b>500</b>	<b>100.0</b>	

### **Service Quality in Public Sector Banks**

#### **4.2.1 Time taken in the opening bank account is less**

From the following table, we observed that 23.6% of the respondents from the selected population has said that they are dissatisfied with time taken in the opening bank account is less. The following bar chart also shows taller bar corresponding to the same.

**Table 4.2.1: Time taken in the opening bank account is less**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Very satisfied	86	17.2	17.2
Satisfied	93	18.6	35.8
Neutral	110	22.0	57.8
Dissatisfied	118	23.6	81.4
Very dissatisfied	93	18.6	100.0
<b>Total</b>	<b>500</b>	<b>100.0</b>	

**4.2.2 Speedy withdrawal**

From the following table, we observed that 43.4% of the respondents from the selected population has said that they are dissatisfied with speedy withdrawal services. The following bar chart also shows taller bar corresponding to the same.

**Table 4.2.2: Speedy withdrawal**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Very satisfied	72	14.4	14.4
Satisfied	53	10.6	25.0
Neutral	79	15.8	40.8
Dissatisfied	217	43.4	84.2
Very dissatisfied	79	15.8	100.0
<b>Total</b>	<b>500</b>	<b>100.0</b>	

**4.2.3 Speedy money deposit**

From the following table, we observed that 39.4% of the respondents from the selected population has said that they are dissatisfied with speedy money deposit services. The following bar chart also shows taller bar corresponding to the same.

**Table 4.2.3: Speedy money deposit**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Very satisfied	59	11.8	11.8
Satisfied	84	16.8	28.6
Neutral	110	22.0	50.6
Dissatisfied	197	39.4	90.0
Very dissatisfied	50	10.0	100.0
<b>Total</b>	<b>500</b>	<b>100.0</b>	

#### 4.2.4 Cash credit facility is easily available

From the following table, we observed that 39.4% of the respondents from the selected population has said that they are dissatisfied with cash credit facility services. The following bar chart also shows taller bar corresponding to the same.

**Table 4.2.4: Cash credit facility is easily available**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Very satisfied	91	18.2	18.2
Satisfied	29	5.8	24.0
Neutral	29	5.8	29.8
Dissatisfied	120	24.0	53.8
Very dissatisfied	231	46.2	100.0
<b>Total</b>	<b>500</b>	<b>100.0</b>	

#### 4.2.5 Services are provided as promised

From the following table, we observed that 37.4% of the respondents from the selected population has said that they are dissatisfied with services are provided as promised services. The following bar chart also shows taller bar corresponding to the same.

**Table 4.2.5: Services are provided as promised**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Very satisfied	68	13.6	13.6
Satisfied	29	5.8	19.4
Neutral	144	28.8	48.2
Dissatisfied	187	37.4	85.6
Very dissatisfied	72	14.4	100.0
<b>Total</b>	<b>500</b>	<b>100.0</b>	

#### 4.2.6 Employees have good knowledge and revert back with courtesy

From the following table, we observed that 31% of the respondents from the selected population has said that they are very dissatisfied with employees have good knowledge and revert back with courtesy. The following bar chart also shows taller bar corresponding to the same.

**Table 4.2.6: Employees have good knowledge and revert back with courtesy**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Very satisfied	80	16.0	16.0
Satisfied	81	16.2	32.2
Neutral	64	12.8	45.0
Dissatisfied	120	24.0	69.0
Very dissatisfied	155	31.0	100.0
<b>Total</b>	<b>500</b>	<b>100.0</b>	

#### 4.2.7 Individualized attention is provided by the bank

From the following table, we observed that 39.4% of the respondents from the selected population has said that they are dissatisfied with individualized attention is provided by the bank. The following bar chart also shows taller bar corresponding to the same.

**Table 4.2.7: Individualized attention is provided by the bank**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Very satisfied	64	12.8	12.8
Satisfied	52	10.4	23.2
Neutral	80	16.0	39.2
Dissatisfied	197	39.4	78.6
Very dissatisfied	107	21.4	100.0
<b>Total</b>	<b>500</b>	<b>100.0</b>	

#### 4.2.8 Updated physical facilities

From the following table, we observed that 42.8% of the respondents from the selected population has said that they are very dissatisfied with updated physical facilities. The following bar chart also shows taller bar corresponding to the same.

**Table 4.2.8: Updated physical facilities**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Very satisfied	87	17.4	17.4
Satisfied	61	12.2	29.6
Neutral	113	22.6	52.2
Dissatisfied	25	5.0	57.2
Very dissatisfied	214	42.8	100.0
<b>Total</b>	<b>500</b>	<b>100.0</b>	

#### 4.2.9 Employee understands the specific needs of the customers

From the following table, we observed that 44.6% of the respondents from the selected population has said that they are dissatisfied with employee understands the specific needs of the customers. The following bar chart also shows taller bar corresponding to the same.

**Table 4.2.9: Employee understands the specific needs of the customers.**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Very satisfied	62	12.4	12.4
Satisfied	52	10.4	22.8
Neutral	68	13.6	36.4
Dissatisfied	223	44.6	81.0
Very dissatisfied	95	19.0	100.0
<b>Total</b>	<b>500</b>	<b>100.0</b>	

## CONCLUSION AND SUGGESTIONS

In India, Banking sector is considered to be a pure financial service sector that plays an important role in boosting an economy's growth potential. There is a co-existence between Private and Public banks where both are rendering financial services. The policies, strategies and working in Private and Public banks are different that leads variation in the customers' satisfaction level and service quality. This paper tries to measure satisfaction level and loyalty of customers of Public and Private Banks in Punjab and factors responsible for variation in service quality between Private and Public banks in India. A comparative study is done between Public and Private Banks where we try to establish a relationship between service quality aspects and customer satisfaction towards the subsequent banks. It is to be kept in mind that such a difference may also be an outcome of different socio economic and demographic factors. This research is based on primary information obtained from 500 selected customers of Public and Private sectors banks in Punjab.

This leads us to our findings i.e., there is a significant difference in customer satisfaction and the level of satisfaction is more in case of Private bank because of their ever evolving tangible services, better equipped with latest technology, developed infrastructure, well trained employees, convenient office hours and locations of the branches. The critical factors of dissatisfaction among customers in public sector banks are poor infrastructural facilities, enquiry counter and front office services. Private sector banks are trying to evolve their pure banking services by recruiting skilful youths which are in stark contrast to the workforce in public banks which comprises more employees in the higher age bracket. Thus,

a tendency to deploy some social responsibilities. Public sector banks are characterised by slow services and low knowledge of banking products which have a negative impact on the satisfaction level of the customers. Public sector banks should work to attain the confidence of salaried class, lower age group customers, students and self-employed businessman people by evolving their banking services with improved technology and betterment in workforce. Along with this, the customers of Public sector banks are not satisfied with the interrupted services of ATMs and are not assured about the safety of charging service charges and inefficient services of the banks' staff. The ATMs of Public sector banks are always crowded. Infrastructural improvements should be made with respect to establishment of new ATMs of Public banks at more convenient and easily reachable places.

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