

## Service Quality Measurement In Private Sector Banks In India: An Empirical Study

Dr. Md. Rahmatullah

Professor of Economics, Department of Law, Aligarh Muslim University, Aligarh

### ABSTRACT

In an atmosphere of intensifying globalisation and increasing competition, customer satisfaction has taken a priority like never before and the banking sector is not exclusive of the demands and standards in service quality expectations. It is important for each banking corporation to attract and acquire a large customer base to stay relevant and the struggle is more than ever with the increasing choices, ranging from public sector banks to corporate private banks. Technology integration in banking has also seen a higher influence on customer satisfaction, customers prefer tech savvy banking experience as there is a demand for a no-wait or minimum wait banking experience. And unlike before, private banks like HDFC and ICICI are slowly taking over the market in India, a field which was previously ruled by sheltered public sector banks like SBI. And this is happening not just in metropolitan cities but in rural areas as well, as there are more innovative, integrative and attractive offers being given on top of high quality customer value and service. This paper intends to study existing literature to evaluate the measure of service quality in Private sector banks in India. The researcher had surveyed 297 people from private sector banks to know the Service Quality Measurement and its effects in Private Sector Banks in India. The study concludes that there is a significant effect of Service Quality Measurement in Private Sector Banks in India.

**Keywords:** service quality, private sector banks, public sector banks, SERVQUAL, customer satisfaction, service quality gap.

### INTRODUCTION

The banking sector has proven to be a key role in the growth and evolution of an economy and in a dynamic and developing economy like India which is on its way to make a space for itself in the global commercial space, it becomes all the more important to not just keep the customers but to attract new and younger customers to a bank institution. As a result the banking atmosphere in India is seeing rapid transformations, a space which was dominated by public sector banks like SBI is being equally or in fact threateningly occupied by private sector banks like HDFC, ICICI or AXIS Bank. It is very valid to wonder what has brought forward this change and what is catalysing this current evolution and the answer mostly points to one thing - customer satisfaction. The evolving technology and changing lifestyle

has led to a skyrocketing of customers' expectations, and the deliverance to that expectation has become crucial in deciding any industry's competitor's survival and banking is not exclusive to that. With almost all banks providing the same offers and provisions, what makes anything stand out is their ability to meet these expectations.

Kamble, Dhume, Raut, & Chaudhuri in 2011 measured and compared the service quality level of banks in India using BSQ (banking service quality instrument) and it was concluded that the customers of public sector banks and private sector banks have different perceptions of service quality. Private banks had a higher perception of service quality dimensions such as effectiveness and accessibility while it was the price and reliability factors that were perceived greater in public sector banks. It is also to be noted that customers who worked for private firms had a preference for private sector banks while those who worked for the government had a preference for public sector banks. This could also be because of job related benefits being offered by the banks which collaborated with the workplace.

When service quality dimensions of banks were examined to highlight the margin between the expectations and satisfaction of customers of private and public sector banks, it could be seen that private banks provided better services and facilities to customers than their public sector competitors and this has resulted in building and maintaining a closer bond and association with their customers. While this intimate connection was not found between public sector banks and their customers, it was seen that they enjoyed a plethora of customer trust. The trust kept the public banks at the top. Private banks need to work on that trust factor, building and maintaining it, to stay strong in the marketplace. And thus there is no denying that there is a tough competition between both sectors (Agrawal, Mittal, & Gupta, 2016).

### **Literature review**

Service quality in banks measured with SERVQUAL scale puts in five dimensions and its study and analysis by Mishra, Sahoo, Mishra, & Patra, 2010 found that there is actually a small perceptual difference with respect to their expectations, with both private and public sector banks even though there seems to be an expectation exceeding performance in Indian banks in general. The principal component analysis revealed that even though the sample results and the dimensions provided by the model are comparable, there were differences found in the contents of the factors. It is probable that this difference is what causes a higher customer satisfaction with private banks as factors like staff and interaction is being focused there to ensure customer satisfaction. Veerabhadrapa & Jayanna, 2013 identified, studied and analysed service quality parameters of private sector banks using the SERVPERF technique devised by Cronin and Taylor (1994) and it was found that responsiveness and tangibility was again the most significant dimensions for private sector banks. Willingness to

serve customers and put customers will as the top priority gave private banks an upper hand over public banks.

It is also there that managers of private sector banks are far above in the relationship building game with their customers and thus ensure better customer satisfaction as they are put above everything else. This could also be because of the large client base private banks enjoy over their public sector competitors. Private sector banks' constant improvement and integration of technology within their system has given them an upper hand when competing with public banks which lag behind with their use of non-updated technologies and receptions. Better customer service through telephone and other communication means also reflect on the satisfaction of the customers. Branch infrastructure also plays an important role in creating service quality as it not only enhances customer interaction and comfort but also the smooth running of banking facilities as well (Virk & Mahal, 2012).

Other factors which have a positive effect on overall customer satisfaction are knowledge of products, responsiveness, query solving, right direction to personnel, and less waiting time and these were found to be well established when it comes to private sector banks. And surprisingly "follow up" did not seem to have a positive influence on customer satisfaction and so was the case with "pleased to be assisting". Ambience doesn't really have a large impact on satisfaction even though it is something that is heavily invested in by private banks. Proactive customer service instead of reactive customer service can also show better satisfaction (Paul, Mittal, & Srivastav, 2016). There is no significant difference between the satisfaction level of female and male customers when transposed with the overall satisfaction level, personal contacts and banking service quality. And both show higher expectations from banks and hence private banks currently stand tall in that respect. But more measures are needed to reduce the gap in service quality. (Khurana, 2010)

Ashraf & Venugopal, 2018 analysed this with Kerala as the subject and it was found that there was no notable difference in the service quality and customer satisfaction between public and private banks in Kerala. This shows how geography and demography also plays a part in deciding the service quality. It is to be noted that the public banks in Kerala also have the leading factor that is present in private sector banks - connection with the customers. In a study by Adhikari & Das, 2016 that was done in a town in Assam, it was found that the private banks there had large favorable perceptions of all factors of service quality and the customers shower great response to the reliability dimension followed by assurance, empathy, responsiveness and tangibility dimensions of service quality. It is thus explored that even in borderline rural places, private banks are gaining popularity for their rising service quality. It's in alignment with how banks are expected to not just keep but attract new customers as well and private banks who are newer in the market cannot survive if their customers are dissatisfied.

Even while using methods apart from the commonly used SERVQUAL, it is commendable that private banks show an upper hand when it comes to service quality. Most of the customers of private banks show satisfaction in the services provided by them as they were very aware of the products and services and the innovations that were promoted by them. Private banks having better public relations (PR) could also be one of the contributing reasons for this difference. And irrespective of gender, geography or type of region, customers showed similar perception of satisfaction towards private bank services. Private bank customers think the same way about their products and services even though there could be differences when it comes to varying age, education and income (Paul & Sharmila, 2021).

It is very important to place more significance on better responsiveness as more than often it is the determining factor of customer satisfaction. Having better response as well as accurate and precise response will lead to reducing the gap between service quality and customer satisfaction. Having a proper feedback system and surveys can also help in developing better strategies (Sirajbasha, 2021). It is reliability that has the most gap when it comes to individual dimensions regarding customer satisfaction followed by responsiveness. This is in agreement with other literature on the same topic and this further shows how an increase in service quality will only cause more expectations and hence the pressure on banking services are bound to increase more and more. There needs to be constant improvement and amendments if a bank needs to be in game. And for private banks this matters a lot as the number of efficient competitors are emerging more and more (Jaganathan, Yoganandan, Saravanan, & Banumathi, 2013).

In a more narrowed study by in it can be seen that SBI offers better service quality than ICICI Bank when it comes to 'tangibility' while in terms of 'responsiveness' even though it is more or less the same, ICICI has a bit more here (Maji & Biswas, 2018) Thus managing perceived quality could also be explained by the firm having to meet the expected service and perceived service with each other to achieve the desired customer satisfaction. And to keep the gap as small as possible it is important to offer tangible promises about the experiences customers can expect from them. Private sector banks mostly being able to meet the promises cause them to have a lesser gap but the gap still exists and thus more measures need to be taken to provide better service and service expectations (Dhar & Kushwah, 2009).

While customers focus on staff and other manual aspects of banking services, banks put more effort in computerisation and other physical facilities to attract customers. Even though the technological interventions are important and without that it would be difficult to sustain service quality with customers, providing better staff services are equally important and this is in congruence to the results from SERVQUAL analysis- responsiveness and reliability comes first for customers (Lohani & Bhatia, 2012).

**Objective**

1. To know the Service Quality Measurement in Private Sector Banks in India.
2. To know the effect of Service Quality Measurement in Private Sector Banks in India.

**Methodology**

The researcher had surveyed 297 people from private sector banks to know the Service Quality Measurement and its effects in Private Sector Banks in India with the help of a structured questionnaire. The researcher had collected the primary data through convenient sampling method. Data was analyzed and evaluated by mean and t-test.

**Findings**

General details of the respondents are shared in the table below where in total 297 respondents 69.7% are male and 30.3% are female. Among them 32.7% are below 32 years, 43.1% (32-45 years) and rest 24.2% of the respondents are above 45 years of age. 27.3% of the respondents are Branch Managers, 30.3% are working as Assistant Managers, 24.9% are Relationship Managers and rest 17.5% are working on other designation in private banks. 32.3% of them are working from less than 5 years in banking sector, 44.2% are having the work experience of 5-10 years and rest 23.6% are working from more than 10 years in the banking sector.

**Table 1 General Details**

Variable	Respondent	Percentage
<b>Gender</b>		
Male	207	69.7
Female	90	30.3
<b>Total</b>	<b>297</b>	<b>100</b>
<b>Age (years)</b>		
Below 32	97	32.7
32-45	128	43.1
Above 45	72	24.2
<b>Total</b>	<b>297</b>	<b>100</b>
<b>Designation</b>		
Branch Managers	81	27.3
Assistant Managers	90	30.3
Relationship Manager	74	24.9
Others	52	17.5
<b>Total</b>	<b>297</b>	<b>100</b>
<b>Work Experience (years)</b>		
Less than 5	96	32.3
5-10	131	44.2
More than 10	70	23.6
<b>Total</b>	<b>297</b>	<b>100</b>

**Table 2 Service Quality Measurement in Private Sector Banks**

S. No.	Statement	Mean Value	t Value	Sig.
1.	Private banks had good insight of service quality dimensions like effectiveness and accessibility	3.19	3.332	0.000
2.	Banks focus on feedback system and surveys to develop better strategies	3.10	1.765	0.039
3.	Private bank build and maintain close bond and association with their customers	3.08	1.434	0.076
4.	Staff focus on customer interaction to ensure customer satisfaction	3.11	1.932	0.027
5.	Responsiveness and tangibility are key service quality measurement of private sector banks	3.18	3.214	0.001
6.	Private banks are willingly serving their customers and put them as the top priority	3.16	2.809	0.003
7.	Managers of private sector banks follow relationship building game with their customers	3.21	3.721	0.000
8.	Private sector banks constantly improve and integrate technology within their system	3.13	2.314	0.011
9.	Private banks provide better customer service through telephone and other communication modes	3.17	2.989	0.002
10.	Infrastructure of private bank branch enhances customer interaction and comfort and smooth running of banking facilities	3.14	2.505	0.006

Service Quality Measurement in Private Sector Banks are shown in table above where the respondent says that Managers of private sector banks follow relationship building game with their customers with mean value 3.21, Private banks had good insight of service quality dimensions like effectiveness and accessibility with mean value 3.19 and Responsiveness and tangibility are key service quality measurement of private sector banks with mean value 3.18. The table also shows that Private banks provide better customer service through telephone and other communication modes with mean value 3.17, Private banks are willingly serving their customers and put them as the top priority with mean value 3.16 and Infrastructure of private bank branch enhances customer interaction and comfort and smooth running of banking facilities with mean value 3.14. The respondent also shares that Private sector banks constantly improve and integrate technology within their system with mean value 3.13, Staff focus on customer interaction to ensure customer satisfaction with mean value 3.11, Banks focus on feedback system and surveys to develop better strategies with mean value 3.10 and Private bank build and maintain close bond and association with their customers with mean value 3.08. Further t-test shows that all the statements are significant (with the value below



0.05) except Private bank build and maintain close bond and association with their customers (significance value 0.076).

## CONCLUSION

Global economic development has its own reflection in the Indian economy and the banking sector being one of the most important pillars has to flourish well for better economic progress. And unlike before, private sector banks are seeing an uprising which is on par with the position public sector banks enjoyed in the socio- economic context. While talking about public banks the only one that stays ahead is usually SBI while when it comes to private banks we have HDFC, ICICI and a lot of other banks which are competing among themselves to take the top spot. This imbalance in the competition itself shows how important private sector banks are becoming. And private sector banks can sustain themselves further only with improving their service quality and for this regular feedback and betterment of services are required which is mostly focused on improving responsiveness and reliability.

The study had explored Service Quality Measurement in Private Sector Banks in India and found that Managers of private sector banks follow relationship building game with their customers, Private banks had good insight of service quality dimensions like effectiveness and accessibility, Responsiveness and tangibility are key service quality measurement of private sector banks, Private banks provide better customer service through telephone and other communication modes and Private banks are willingly serving their customers and put them as the top priority. The study concludes that there is a significant effect of Service Quality Measurement in Private Sector Banks in India.

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