

**Service Quality Assessment of Public and Private Sector Banks with Particular Reference to Chennai**

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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 Chennai 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.

**Key words:** Customer Satisfaction, Service Quality, Public Sector Banks, Private Sector Banks.

**I. Introduction**

Today business becomes no value without customer. Not only business, but also organizations, industry, laboratory, hotels, restaurants, parlors, retail outlets etc., All BPU (Business Processing Unit) works very hard to satisfy their customers. Customer's is a king – MANTRA of the employers and employees. Based on customer requirements all activities are carried out by the manufacturer/employer and employees. They find the ways and means to make the customer to be satisfied with their dealings. The flow chart of customer satisfaction is as follows:

Customer needs – Employees knowing customer needs – Activities carried out – Delivering the customer needs – Service at the right time – Customer satisfaction – Customer loyalty

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

The relationship between service behavior and service quality has proven its role and importance in management/marketing (Valarie et al., 1996; Heskett & Sasser, 2010; Hutchinsona et al., 2009). The concepts of service quality and service satisfaction have been highly considered and used in marketing texts and activities, during previous decades. People working in banks act as a bridge between the bank and the customer. They are the people who face customers directly and are the first ones to know what customer actually needs. As a service provider their role becomes very important in shaping bank's perception in customer's mind. As services can make or break a customer, much emphasis is laid upon service delivery by most of the banks. The link between service quality and customer satisfaction has been subjected to intense scrutiny by a few service quality researchers (Bolton and Drew, 1994; Bitner and Hubbert, 1994). The service firms 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**

1. To measure and analyze the quality of services provided by public sector and private sector Banks in Chennai.
2. To ascertain service quality variations across selected banks by demographic variations.
3. 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 Chennai 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 400 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 (200 of public sector banks and 200 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 Chennai. Three public sector banks- SBI, PNB and IB 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.

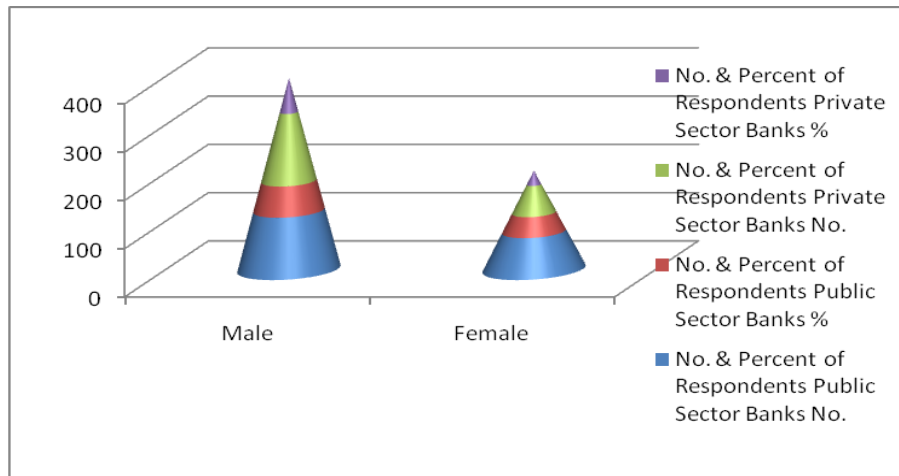
**V. Data Analysis**

**DEMOGRAPHIC PROFILE OF THE RESPONDENTS**

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

Gender	No. & Percent of Respondents			
	Public Sector Banks		Private Sector Banks	
	No.	%	No.	%
Male	122	61	142	71
Female	78	39	58	29
Total	200	100	200	100

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



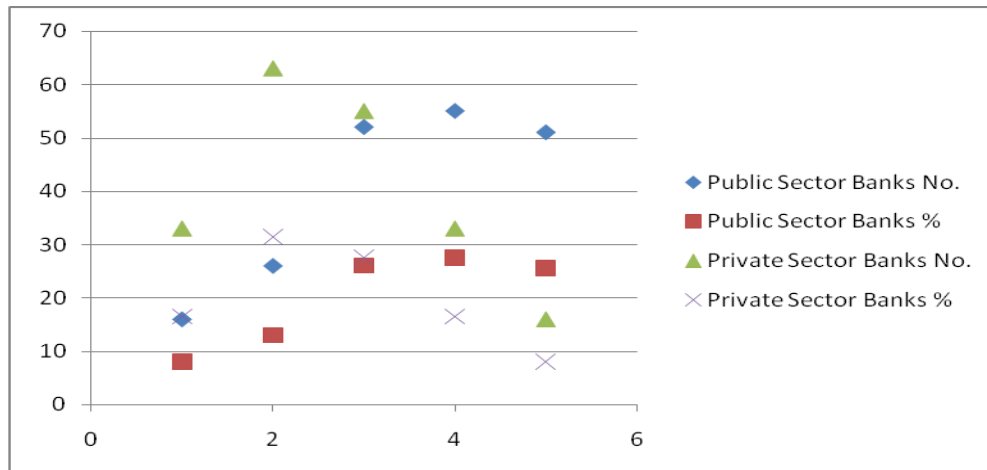
**Inference**

The study reveals that majority of female prefer Public sector banks (39%) and male gender are opting for Private Banks (71%).

**Table 2 : AGEWISE DISTRIBUTION OF THE RESPONDENTS**

Age	No. & Percent of Respondents			
	Public Sector Banks		Private Sector Banks	
	No.	%	No.	%
<25 years	16	8	33	16.5
25-35	26	13	63	31.5
35-45	52	26	55	27.5
45-55	55	27.5	33	16.5
>55	51	25.5	16	8

**Chart 2: AGEWISE DISTRIBUTION OF THE RESPONDENTS**



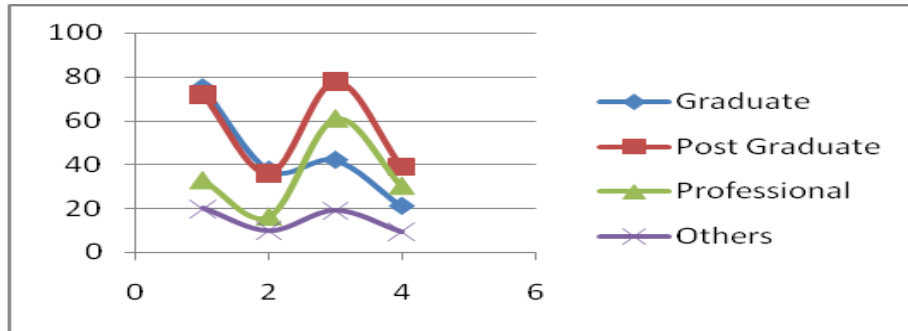
**Inference**

From the table it shows that the age group belongs to 45 to 55 and more than 55, they are accessing Public Sector banks and moreover teen agers, Youngsters and middle aged cader preffered for Private sector Banks.

**Table 3: EDUCATIONWISE DISTRIBUTION OF THE RESPONDENTS**

Education	No. & Percent of Respondents			
	Public Sector Banks		Private Sector Banks	
	No.	%	No.	%
<b>Graduate</b>	<b>75</b>	<b>37.5</b>	<b>42</b>	<b>21</b>
<b>Post Graduate</b>	<b>72</b>	<b>36</b>	<b>78</b>	<b>39</b>
<b>Professional</b>	<b>33</b>	<b>16.5</b>	<b>61</b>	<b>30.5</b>
<b>Others</b>	<b>20</b>	<b>10</b>	<b>19</b>	<b>9.5</b>

**Chart 3: EDUCATIONWISE DISTRIBUTION OF THE RESPONDENTS**



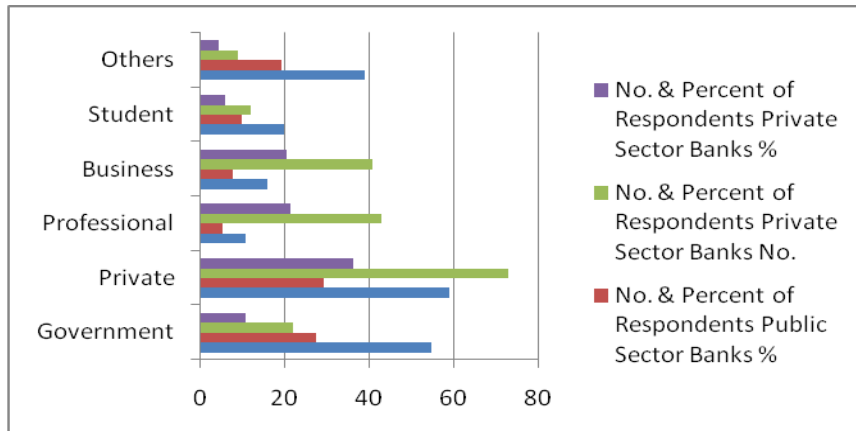
**Inference**

From the above table and chart it reveals that Graduates recognize Public sector banks service (37.5%) and Post graduate like Private Sector banks service (39%), Professionals prefer Private sector and other cadets like illiterate like the service of Public sector banks.

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

Occupation	No. & Percent of Respondents			
	Public Sector Banks		Private Sector Banks	
	No.	%	No.	%
<b>Government</b>	55	27.5	22	11
<b>Private</b>	59	29.5	73	36.5
<b>Professional</b>	11	5.5	43	21.5
<b>Business</b>	16	8	41	20.5
<b>Student</b>	20	10	12	6
<b>Others</b>	39	19.5	9	4.5

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



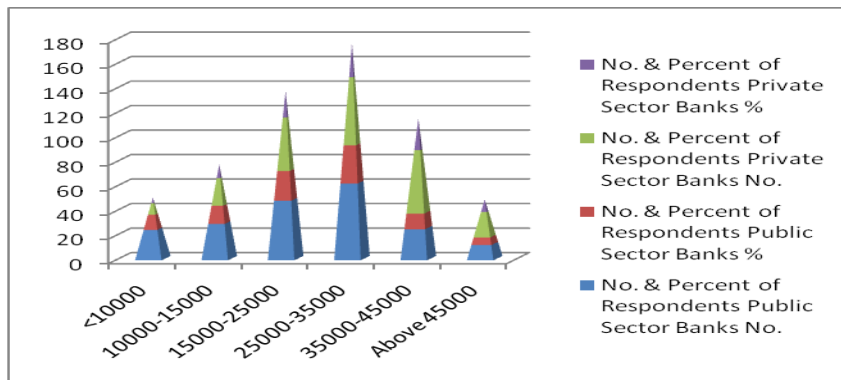
**Inference**

Occupation wise Govt. employees (27.5%) students (10%) and other categories (19.5%) prefer Public banks, Private employees (36.5%), Professionals and business people are voting for Private Banks.

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

Income	No. & Percent of Respondents			
	Public Sector Banks		Private Sector Banks	
	No.	%	No.	%
<10000	24	12	9	4.5
10000-15000	29	14.5	22	11
15000-25000	48	24	43	21.5
25000-35000	62	31	55	27.5
35000-45000	25	12.5	51	25.5
Above 45000	12	6	20	10

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



**Inference**

A high income person (35.5%) likes the service of private banks whereas middle income and low income people (8135%) likes Public banks service

**Table 6: Analysis of CHI SQUARE TEST OF INDEPENDENCE:**

**H<sub>0</sub>:** Age group and Preference towards Private/Public Sector banks is independent between each other

**H<sub>1</sub>:** Age group and Preference towards Private/Public Sector banks is dependent between each other

$$\chi^2 = \frac{(O-E)^2}{E}$$

<b>OBSERVED FREQUENCY</b>						
	<b>AGE GROUP</b>					
Preference	<25 years	25-35	35-45	45-55	>55	Total Row
Public Sector Banks	16	26	52	55	51	200
Private Sector Banks	33	63	55	33	16	200
Total Column	49	89	107	88	67	400

<b>EXPECTED FREQUENCY</b>					
	<b>AGE GROUP</b>				
Preference	<25 years	25-35	35-45	45-55	>55
Public Sector Banks	24.5	44.5	53.5	44	33.5
Private Sector Banks	24.5	44.5	53.5	44	33.5

**CALCULATION OF  $\chi^2$  :**

<b>O</b>	<b>E</b>	<b>O-E</b>	<b>(O-E)<sup>2</sup></b>	<b>(O-E)<sup>2</sup>/E</b>
16	24.5	-8.5	72.25	2.94
26	44.5	-18.5	342.25	7.69
52	53.5	-1.5	2.25	0.04
55	44	11	121	2.75
51	33.5	17.5	306.25	9.14
<b><math>\chi^2</math> calculated Value</b>				<b>22.56</b>

**DOF = (R-1) (C-1) = (2-1) (5-1) = 1\*4=4**

**Confidence Level – 95%**

**$\chi^2$  Tabulated Value = 9.488**



**Result**

Calculated Value is greater than Tabulated Value. Hence Null Hypothesis is rejected.

**Interpretation**

It is an evident that from chi square analysis it is revealed that age group and preference towards Public/Private sector banks is dependent on each other

**SERVQUAL ANALYSIS**

**Table 7: 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	4.48	3.64	-0.84	<b>-0.81</b>	<b>1.0561</b>
2	4.28	3.38	-0.9		
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	<b>-0.8325</b>	<b>0.6815</b>
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	<b>-1.08</b>	<b>-1.0451</b>
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	<b>-1.02</b>	<b>1.1684</b>
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	<b>-1.25</b>	<b>2.1284</b>
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 8: 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	4.52	3.96	-0.56	<b>-0.68</b>	<b>0.7449</b>
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	-0.9		

<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	<b>-0.77</b>	<b>0.5195</b>
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		
2	4.77	4.21	-0.56	-0.80	0.5574
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	-0.768	0.6678
2	4.64	4.21	-0.43		
3	4.67	3.77	-0.9		
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	-0.63	-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		

**Interpretation**

1. From the tables of SERVQUAL dimension, Tangibility (Modern looking equipment, physical facilities appearance communication material) has  $\chi^2_{cal}$  1.0561 for Private sector banks and  $\chi^2_{cal}$  0.7449 for public 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).

2. SERVQUAL SCORE of tangibility suggests that public sector banks need to improve their infra structure and ambience to compete with private sector banks.

3. 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.

4. 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.

## V. Conclusion

In the Modern Marketing Era, Customers are given first preference to satisfy their needs/demands. Hence FLE (Front Line Employees) has to be focused fully to meet the requirements of the customers and the FLEs must know that banks cannot function without customers. Hence all minor to major demand of the customer has to be satisfied by FLEs. 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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