“To Identify Service Quality Gaps in Banking Sector: A Comparative Study of Public Sector Banks and Foreign Banks”

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Abstract

This study aims to assess the service quality gaps (difference of customer expectation and perception of service quality) in Indian public banking sector and foreign banks operating in India. It seeks to study service quality perceptions and expectations for the Indian banking customers by using SERVQUAL model. Primary data has been collected through survey. The questionnaire has been developed in two parts. First part includes five service quality dimensions namely tangibility, reliability, responsiveness, assurance and empathy. The second part of the questionnaire includes demographic information. Sample size is 150. The respondents were asked to rate each statement on a Likert scale of 1 to 5. Where 1 is “strongly disagree” and 5 is “strongly agree”. The data collected was analyzed through statistical tools such as frequency, descriptive statistics, T-test etc. and hypothesis testing was implemented for the different dimensions. The study contributes in understanding service quality gaps in Indian public sector banks and foreign banks operating in India.

Keywords: Service quality, public sector banks, foreign banks, customer expectation, customer perception, India, SERVQUAL

Introduction

Service quality has been identified as a critical success factor for organizations to build their competitive advantage and increase their competitiveness. For an organization which provides services as its product, the most important things are
customer relations, service quality and satisfaction. To keep a check on their quality and delivery of service is of utmost importance. As the number of banks are increasing, customer’s service quality expectation is growing. It has become crucial to measure the service quality of the bank, so that service providers can assess their level of service quality and identify the quality gaps for improvements.

This study has used SERVQUAL instrument to find out service quality gap. The five dimensions of SERVQUAL are tangibility, reliability, responsiveness, assurance and empathy.

(1) Tangibles, which pertain to the physical facilities, equipment, personnel and communication materials; (2) Reliability, which refers to the ability to perform the promised services dependably and accurately; (3) Responsiveness, which refers to the willingness of service providers to help customers and provide prompt service; (4) Assurance, which relates to the knowledge and courtesy of employees and their ability to convey trust and confidence; and (5) Empathy, which refers to the provision of caring and individualized attention to customers.

**Literature Review**

A. Ananth, R. Ramesh and B. Prabaharan carried out a survey to analyze service quality gap in private sector banks. Ravi K. Dhar and Silkky Vigg Kushwah studied the topic “Service Quality Expectations and Perceptions of Public and Private Sector Banks in India. Reena Roy 1, Dr. P. Vaijayanthi 2 and K.A. Shreenivasan carried out a survey about service quality gap of foreign banks in India using PZB service quality model. They tried to find out the factors associated with customer satisfaction among the customers of Indian foreign banks in Tamil Nadu. Melisha Krishundutt and Sanjana Brijball Parumasur used conceptual model of service quality to map gaps in perceived service quality in a banking sector.

In the case of banking services, few of the previous studies only used SERVQUAL model to examine the quality perception of the customers (Newman, 2001; Tsoukatos and Mastrojiani, 2010; Kumar, Kee and Manshor, 2009; Kumar, Kee and Charles, 2010). Furthermore, none of the previous studies have been done in the context of public sector banks and foreign banks operating in India. Thus, the current paper is an attempt to fill the gap in the literature by applying SERVQUAL model to study the service quality gaps in public sector banks and foreign banks operating in India.

**Research Objective**

- To study service quality gaps (difference between perceptions and expectations of services by customers) in the Indian banking sector.
- To understand if there are differences between customer expectation and perception in local and foreign banks? Which dimension is doing well among all five dimensions (tangible, reliability, responsiveness, assurance and empathy) in banking sector?
To Identify Service Quality Gaps in Banking Sector: A Comparative Study of

➢ To study the quality of services provided by banking institutions and different dimensions of quality.
➢ How is the value delivered by banks in India (local and foreign banks) perceived by their customer and does it meet the expectations of their customer?
➢ To identify the areas that need to be improved to deliver a superior quality of service.

Hypothesis
➢ H0, 1: There is no significant service quality gap in Indian public sector banks and foreign banks in India.
➢ H0, (2, 3, 4, 5, 6): There is no significant service quality gap with respect to tangibility, reliability, responsiveness, assurance, empathy dimensions in Indian public sector banks and foreign banks in India.

Research Methodology
The study used survey to collect primary data from public banking and foreign bank’s customers. This study has been carried out in NCR. Sample size of the study is 150. The questionnaires were extended to more than 250 respondents. The sampling used in the study is convenience sampling (non-random sampling). The data collected is analyzed through T-test, frequency, descriptive etc. using SPSS.

Analysis and Findings
T-Test

<table>
<thead>
<tr>
<th>Paired Samples Test for public sector banks</th>
<th>Paired Differences</th>
<th>Std. Error</th>
<th>95% Confidence Interval of the Difference</th>
<th>t</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>Diff</td>
<td>Lower</td>
<td>Upper</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Par 1</td>
<td>PSB_Tangibles_E - PSB_Tangibles_P</td>
<td>2.08582</td>
<td>32504</td>
<td>16252</td>
<td>1.58862</td>
<td>2.60303</td>
</tr>
<tr>
<td>Par 2</td>
<td>PSB_Reliability_E - PSB_Reliability_P</td>
<td>2.99600</td>
<td>22938</td>
<td>10259</td>
<td>2.11317</td>
<td>2.68282</td>
</tr>
<tr>
<td>Par 3</td>
<td>PSB_Responsiveness_E - PSB_Responsiveness_P</td>
<td>2.40750</td>
<td>38785</td>
<td>19392</td>
<td>1.79035</td>
<td>3.02465</td>
</tr>
<tr>
<td>Par 4</td>
<td>PSB_Assurance_E - PSB_Assurance_P</td>
<td>1.84000</td>
<td>43704</td>
<td>21852</td>
<td>1.14456</td>
<td>2.53542</td>
</tr>
<tr>
<td>Par 5</td>
<td>PSB_Empathy_E - PSB_Empathy_P</td>
<td>2.44400</td>
<td>19579</td>
<td>08758</td>
<td>2.20091</td>
<td>2.68709</td>
</tr>
</tbody>
</table>
From the T-test for public sector banks and foreign banks, if p value (significance value) is less than .05, alternate hypothesis is accepted. For PSB (public sector banks), p value for all the dimensions are less than .05, so alternate hypothesis is accepted for all the dimensions, i.e. there is significant service quality gap for all the dimensions. For foreign banks, from the p value (more than .05), there is no significant service quality gap except responsiveness. For FBs, tangibility, reliability and responsiveness dimensions have negative service quality gap, i.e. performing better than expectation. From the mean analysis and hypothesis testing, service quality gap for public sector banks is positive and significant with respect to all the five dimensions namely tangibility, reliability, responsiveness, assurance and empathy. The gap of expectation and perception is lowest for assurance. Responsiveness and empathy have similar service quality gap, which is positive and very significant.

For foreign banks service quality gap is negative for the dimensions tangibility, reliability and responsiveness, i.e. service quality expectation is less than the quality perceived. So, foreign banks are performing very well on these two dimensions. For the dimensions assurance and empathy dimension is positive but very less as compared to public sector banks.

For public sector banks, almost two third of the customers are males. For foreign banks operating in India almost 77% of the customers are males.

<table>
<thead>
<tr>
<th>Pair</th>
<th>Paired Differences</th>
<th>t</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>Std. Deviation</td>
<td>Std. Error</td>
<td>95% Confidence Interval of the Difference</td>
<td>Lower</td>
</tr>
<tr>
<td>FB_Tangibles_E - FB_Tangibles_P</td>
<td>-0.30260</td>
<td>.36056</td>
<td>.17528</td>
<td>-0.89032</td>
</tr>
<tr>
<td>FB_Reliability_E - FB_Reliability_P</td>
<td>-0.16000</td>
<td>.15297</td>
<td>.08841</td>
<td>-0.34994</td>
</tr>
<tr>
<td>FB_Responsiveness_E - FB_Responsiveness_P</td>
<td>-0.28000</td>
<td>.07616</td>
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<td>-0.40118</td>
</tr>
<tr>
<td>FB_Assurance_E - FB_Assurance_P</td>
<td>.11000</td>
<td>.30714</td>
<td>.15357</td>
<td>-0.37672</td>
</tr>
<tr>
<td>FB_Empathy_E - FB_Empathy_P</td>
<td>.04000</td>
<td>.10598</td>
<td>.04722</td>
<td>-0.09111</td>
</tr>
</tbody>
</table>
Conclusion and Recommendations

The service quality gap in public sector banks is more as compared to the foreign banks operating in India. For public sector banks all the five dimensions of service quality namely reliability, tangibility, responsiveness, assurance and empathy are needed to be improved. For tangibility, physical facilities, equipment, external appearance of store and appearance of personnel should be improved. Company’s potential of performing the promised service dependably and accurately for reducing gap of reliability. There is need to improve responsiveness such as company’s willingness to help customers and provide prompt service. To reduce empathy gap, improve caring and personalized attention. Employees’ knowledge and courtesy levels (assurance dimension) is needed to be improved to inspire trust and confidence.

For foreign banks service quality gap is negative for reliability, tangibility and responsiveness. So, foreign banks are required to maintain on these dimensions. Gap for assurance and empathy is positive but very less as compared to public sector banks. Foreign banks are required to improve service quality on these two dimensions.

References


[4] Reena Roy , Assistant Professor, Dr. P. Vaijayanthi, Senior Assistant Professor, and K.A. Shreenivasan , Assistant Professor”Service Quality Gap of Foreign Banks in India using PZB Service Quality Model – an Empirical Study”.