
A Comparative Study of Service Quality Dimensions in Indian Banking Industry

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Abstract: Banking Sector Being Highly Volatile Sector Has Increased Pressure On The Banks To Retain, Attract And Sustain Existing And New Customers. The Study Is Aimed To Study The Various Services Provided By The Banks And To Identify The Factors Affecting Service Quality In Indian Banking Industry. Major Part Of The Data For The Study Is Primary Data Which Is Collected Through The Use Of Questionnaire. It Is Found That Customers Of Public Sector Commercial Banks Believe That Public Sector Banks Are More Reliable And This Perception Varied With Respect To Demographics Of Respondents. But When Services Are Compared Specifically On The Basis Of Quality Of Service Private Sector Banks Are Way Ahead.

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I. Introduction

Incredible Growth Of Service Industry Has Led To Numerous Opportunities In The Industry At Large. Resultantly Even Hard Core Manufacturing Industries Is Taking Support Of The Service In Order To Push Their Products In The Market. It Is Therefore That The Quality Of Service Matters A Lot. Well Delivered Service Can Help Industries To Promote Their Business And Retain Loyal Customers And To Create New Ones. Any Kind Of Compromise In The Service Leads To An Unsatisfied Customer And Thus Results In Loss Of Business. Therefore The Major Focus Of A Firm Lies On Understanding The Needs, Wants And Demands Of Customers.

Banking Sector Being Highly Volatile Sector Has Increased Pressure On The Banks To Retain, Attract And Sustain Existing And New Customers. Moreover The Customers Are Quite Tech Savvy And Already Hold Advanced Knowledge Regarding The Various Products And Services Being Offered By The Banks. Thus Their Expectation Level Is Quiet Very High, At The Same Time Desire To Save Time In Getting The Services And Want Their Service To Be More Convenient. Thus Service Is Tumult Ensuring The Need To Satisfaction Customer Needs. But The Characteristics Of Service I.E. Intangibility, Inseparability, Heterogeneity And Perishability Makes Evaluation Of Service Quality Quiet Very Tough. The Quality Of Service Could Be Ensured If The Organizations Consider The All The Dimensions Of Service Quality I.E. Assurance And Empathy Are Taken Into Consideration And Ensure That None Of The Dimension Is Ignored While Delivering Service.

II. Review Of Literature

Gronroos (1990)¹ Mentioned That Technical Dimension And Functional Dimensions Of The Service Are The Two Dimensions That Are Mostly Considered In Buyer Seller Relation. Technical Quality Dimension Is The One Which Is The Outcome Dimension Which Refers To What Customer Actually Receives Against The Value Of The Service. Whereas Functional Dimension Refers To Process Related Dimension With The Focus On How The Customer Receives The Service.

Yongyui (2003)² In His Study Developed A Model Linking Service Quality And Reputation Of Bank. In This Model He Identified That Banks Reputation Is Largely Influenced By The Dimensions Of Service Quality Namely Tangibility, Reliability, Responsiveness, Assurance And Empathy. It Is Also Found That The Reputation Of Bank Largely Influences Customer's Decision To Purchase And Repurchase. Loyalty Of Customer Towards A Particular Bank Is Also Influenced By The Bank's Reputation, It Is Thus Every Time That The Quality Of Service Must Be Able To Fulfill customers Need And Demands Thus Ensuring Repurchase.

Johnson C.T. (2004)³ Expressed That Satisfaction Of Customer Towards Service Largely Depends Upon Service Delivery And Loyalty Of Customer Is Directly Influenced By Ability Of An Organisation To Recover Its Service. Organisations Must Be Very Particular And Quick In Handling Complaints Raised By Customers And Addressing The Issue With Alertness And Sensibly, Which In Turn Will Result In Customer Satisfaction. The Study Also Emphasizes That The Satisfaction Of Customer Will Largely Depend On Organisation's Ability To Solve The Issue/ Problem And Not Mere On The Effectivity Of Service.

Vanniarajan T. (2007)⁴ Conducted A Study On Regular Bank Customers Of Madurai District Of Tamil Nadu And Examined Differences In The Quality Of Service Provided To Urban And Rural Customers. It Is Concluded That The Perception Of Rural And Urban Customers Towards Quality Of Service Varies In Respect To The Dimensions Of Reliability And Responsiveness. However Perception And Expectation Of Customers Belonging To Urban Areas Is Quite High As Compared To Those Belonging To Rural Areas. It Is Therefore That Employees Dealing With Urban Customers Have To Be More Active While Dealing With Them.

Wicks & Rothlein (2009)⁵ in His Study On “Satisfaction – Based Definition Of Quality” Gauged That Customers Can Evaluate Service If And Only If They Are In Direct Contact With The Service I.E. They Personally Experience It. The Organisations Which Are Able To Deliver Satisfactory And Consistent Service To Their Clients Will Experience Better Profits And Greater Loyalty Of Their Customers. This Is Possible Just When Organisations Understand The Expectations And Perceptions Of Customers Towards Various Services Being Provided.

Philipp Et Al (2011)⁶ in A Study Titled “Perceived Value: A Critical Examination Of Definitions, Concepts And Measures For The Service Industry” And Examines That The Perceived Value Is One Of The Relevant Decision Making Factor While Deciding The Quality Of Service. It Also Infers The Relation Of Perceived Value And Satisfaction Of Customers Towards Service Quality.

Jasinskas Et Al (2016)⁷ In Their Study On “Impact Of Service Quality On The Loyalty Of Customers” Mentioned That There Are Service Quality Could Be Evaluated Objectively Or Subjectively But It Is Quite A Complex Task. It Is Further Concluded That The Perception Of Customers Towards Quality Of Service Largely Influence Loyalty Of Customer Towards Hotel Services. It Is Also Concluded That The Satisfied And Loyal Customers Performs Positive Motivation To New Clients Through “Word Of Mouth” Publicity Thus Attracting New Customers And Reducing Marketing Costs.

Statement Of The Research Problem

Banking Industry Has Undergone A Drastic And Positive Change. With The Advent Of Technology It Becomes Foremost Important To Provide Standard Services To All The Customers In Every Transactions Made By The Customer. It Is Therefore Management Nowadays Is Not Just Concerned On Creating New Customers But Also Retaining Old Customers And This Is Possible By Focusing On Improved Service Quality. In This Context, The Study Is Aimed To Study The Various Services Provided By The Banks And To Identify The Factors Affecting Service Quality In Indian Banking Industry.

Objectives Of The Study

1. To Study The Services Provided By The Commercial Banks And Customers Awareness Towards Banking Services.
2. To Do Comparative Study Between Public Sector And Private Sector Banks On Basis Of Service Quality Dimensions.

Research Methodology & Database

The Present Study Is Descriptive And Analytical In Nature. The Study Is Based On Primary Data. Major Part Of The Data For The Study Is Primary Data Which Is Collected Through The Use Of Questionnaire. Secondary Data Is Gathered From Various National/International Journals, Books, Earlier Related Studies, Reports And Survey Of Government And Non-Government Agencies Their Press Release, Newspapers, Periodicals Use Of Internet Explorer, Etc.

Selection Of Sample & Sample Size

The Sample Selection Was A Two-Step Process. In The First Process Two Largest Banks Were Selected Each From Public And Private Sector. The Study Was Conducted In Ludhiana And Mansa Districts. The Selection Of These Districts Was Done Because One Of Them Is An Industrially Developed District While The Other Is An Economically/ Industrially Under Developed District. The Second Step In The Sample Relates To The Selection Of Sampled Respondents. The Total Number Of Respondents Was 400 (200 From Public And Private Sector). For This Purpose Two Banks Each From Public And Private Sector Banks Was Taken. In Private Banks HDFC And ICICI Banks While In Case Of Public Banks State Bank Of India And Punjab National Bank Was Taken For Study.

Stratified Random Sampling Technique Was Adopted For Selection Of Respondents. While Selecting Respondents It Was Ensured That All Major Strata Of Society Were Covered In The Sample. Therefore Following Categories Of Respondents Were Covered: Farmers, Business Man, Service Class, House Wives And Students.

III. Results And Discussions

Table 1: Response On The Basis Of Awareness About The Product Mix/ Services Offered By Public Sector And Private Sector Banks

Product mix/Bank	Public Sector Banks				Private Sector Bank			
	Yes		No		Yes		No	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
Monthly Interest Scheme	97	24.25	303	75.75	133	33.25	267	66.75
Annuity & Retirement Scheme	57	14.25	343	85.75	69	17.25	331	82.75
Farmer's deposit Scheme	66	16.5	334	83.5	69	17.25	331	82.75
Insurance linked saving bank Account	76	19	324	81	81	20.25	319	79.75
Housing Deposit Scheme	55	13.75	345	86.25	74	18.5	326	81.5
Automatic extension deposit	52	13	348	87	67	16.75	333	83.25
Loan Schemes	102	25.5	298	74.5	136	34	264	66
Currency exchange Scheme	58	14.5	342	85.5	70	17.5	330	82.5
Gold Scheme	92	23	308	77	122	30.5	278	69.5
Safe deposit Locker Service	102	25.5	298	74.5	89	22.25	311	77.75
Recurring Deposit	64	16	336	84	78	19.5	322	80.5

Table 1 Indicates Responses Of Respondents On The Basis Of Awareness About The Various Product Mix/Services Offered By Public Sector And Private Sector Banks. Various Types Of Services Provided By Both Public And Private Sector Banks Such As Monthly Interest Scheme, Annuity & Retirement Scheme, Farmer's Deposit Scheme, Farmer's Deposit Scheme, Insurance Linked Saving Bank Account, Housing Deposit Scheme, Automatic Extension Deposit, Loan Schemes, Currency Exchange Scheme, Gold Scheme, Safe Deposit Locker Service, Recurring Deposit. In Case Of Both Public Sector And Private Sector Banks Maximum Percentage Of Respondents Are Not Aware Of Various Types Of Schemes Offered By Banks. There Were Few Respondents Who Responded That They Are Aware Of More Than One Products Offered By Their Respective Banks. In Case Of Selected Respondents From Public Banks 25.5 Percent Of Respondents Are Aware Of Loan Schemes And Safe Deposit Locker Service Each, Followed By 24.25 Respondents Who Responded That They Were Aware Of Monthly Interest Scheme, Followed By 23 Percent Of Respondents Were Aware About Gold Scheme, Followed By 19 Percent Of Respondents Were Aware About Insurance Linked Saving Account, Followed By 16.5 Percent Of Respondents Were Aware About Farmer's Deposit Scheme, Followed By 16 Percent Of Respondents Were Aware Regarding Recurring Deposit, Followed By 14.5 Percent Of Respondents Were Aware About Currency Exchange Scheme, Followed By 14.25 Percent Of Respondents Were Aware Regarding Annuity And Retirement Scheme, Followed By 13.75 Percent Of Respondents Were Aware Regarding Housing Deposit Scheme And Followed By 13 Percent Of Respondents Were Aware About Automation Extension Deposit.

In Case Of Private Sector Banks Out Of The 200 Selected Respondents 34 Percent Of Respondents Are Aware Of Loan Schemes, Followed By 33.25 Respondents Who Responded That They Were Aware Of Monthly Interest Scheme, Followed By 30.5 Percent Of Respondents Were Aware About Gold Scheme, Followed By 22.5 Percent Of Respondents Were Aware About Safe Deposit Locker Service, Followed By 20.25 Percent Of Respondents Were Aware Regarding Insurance Linked Saving Account, Followed By 19.5 Percent Of Respondents Were Aware About Recurring Deposit, Currency Exchange Scheme, Followed By 18.5 Percent Of Respondents Were Aware Regarding Housing Deposit Scheme, Followed By 17.5 Percent Of Respondents Were Aware About Currency Exchange Scheme, Followed By 17.25 Percent Of Respondents Were Aware Regarding Annuity And Retirement Scheme And Farmer's Deposit Scheme Each And Followed By 16.75 Percent Of Respondents Were Aware About Automation Extension Deposit.

On The Other Hand It Could Be Concluded That Out Of The Product Mix Offered By The Selected Public And Private Sector Banks, Respondents Of Private Sector Banks Are Least Aware About Automation Extension Deposits, Followed By Annuity & Retirement Scheme And Farmer's Deposit Scheme Each. However In Case Of The Least Known Products Of Public Sector Banks Are Housing Deposit Scheme, Followed By Annuity & Retirement Scheme, Followed By Currency Exchange Scheme.

Table 2: Distribution Of Respondents On The Basis Of Awareness Of Loans Offered By Public Sector And Private Sector Banks

Nature of Loans/Bank	Public Sector Banks				Private Sector Banks			
	Yes		No		Yes		No	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
Home Loan	154	38.5	246	61.5	183	45.75	217	54.25
Car Loan	152	38	248	62	167	41.75	233	58.25
Personal Loan	138	34.5	262	65.5	167	41.75	233	58.25
Gold Loan	144	36	256	64	147	36.75	253	63.25
Loan against Securities	98	24.5	302	75.5	83	20.75	317	79.25
Loans for Business Industry	64	16	336	84	78	19.5	322	80.5
Pradhan Mantri Mudra Yojna	109	27.25	291	72.75	99	24.75	301	75.25
Agricultural Loan	117	29.25	283	70.75	98	24.5	302	75.5
SME Loans	73	18.25	327	81.75	55	13.75	345	86.25

Table 2 Shows Distribution Of Respondents On Basis Of Awareness Of Loans Offered By Public Sector And Private Sector Banks. Public Sector And Private Sector Banks Offer Different Types Of Loans Such As Home Loan, Car Loan, Personal Loan, Gold Loan, Loan Against Securities, Loans For Business Industry, Pradhan Mantri Mudra Yojna, Agricultural Loan, SME Loans. In This Case Also Maximum Percent Of Respondents Are Not Aware Of Loans Offered By Both Public And Private Sector Banks.

Table 3: Distribution Of Respondents On The Basis Of Awareness About The E- Banking Services Offered By Public Sector And Private Sector Banks

E-banking Services/Bank	Public Sector Banks				Private Sector Banks			
	Yes		No		Yes		No	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
ATMs	160	40	240	60	170	42.5	230	57.5
Electronic Fund Transfer (EFT)	106	26.5	294	73.5	100	25	300	75
Electronic Bill Payment (EBP)	110	27.5	290	72.5	106	26.5	294	73.5
E-Cheque	77	19.25	323	80.75	106	26.5	294	73.5
Internet banking	130	32.5	270	67.5	141	35.25	259	64.75
Tele-banking	78	19.5	322	80.5	88	22	312	78
Mobile Banking	118	29.5	282	70.5	127	31.75	273	68.25
Debit card	125	31.25	275	68.75	178	44.5	222	55.5
Credit card	131	32.75	269	67.25	172	43	228	57
Demat account	61	15.25	339	84.75	77	19.25	323	80.75
Digicash	53	13.25	347	86.75	80	20	320	80
Netcash	54	13.5	346	86.5	86	21.5	314	78.5
m-cheque	40	10	360	90	56	14	344	86
E-invest	44	11	356	89	71	17.75	329	82.25
Net Banking	118	29.5	282	70.5	129	32.25	271	67.75

Table 3 Shows Distribution Of Respondents On Basis Of Awareness About The E-Banking Services Offered By Public Sector And Private Sector Banks. These Services Range From Atms, EFT, EBP, E-Cheque, Internet Banking, Tele- Banking, Mobile Banking, Debit Card, Credit Card, Demat Account, Digicash, Netcash, M-Cheque, E-Invest, Net Banking. In Case Of Public Banks, 40 Percent Respondents Are Aware Regarding ATM Facility, Followed By 32.75 Percent Respondents For Credit Card Facility Followed By 32.5 Respondents For Internet Banking. In Case Of Private Sector Banks 44.5 Percent Respondents Are Aware Regarding Debit Card Facility, Followed By 43 Percent For Credit Card Facility, Followed By 42.5 Respondents For ATM Facility.

Table 4: Significance Of Service Quality Dimensions Between Public Sector And Private Sector Banks

Dimension/Bank	Public (N=200)		Private (N=200)		T Value	Df	P Value
	Mean	SD	Mean	SD			
Tangibility	52.86	12.32	51.06	13.15	1.41	398	0.16
Reliability	21.06	4.97	20.02	5.46	2.0	398	0.04*
Responsiveness	23.73	5.85	23.22	6.23	0.85	398	0.40
Assurance	17.62	4.36	16.61	4.27	2.34	398	0.02*
Empathy	10.43	2.67	10.19	2.86	0.87	398	0.39
Total	125.69	29.19	121.09	31.16	1.525	398	0.13

*Significant At 0.05 Level Of Significance

Fig. 4: Significance Of Service Quality Dimensions Between Public Sector And Private Sector Banks

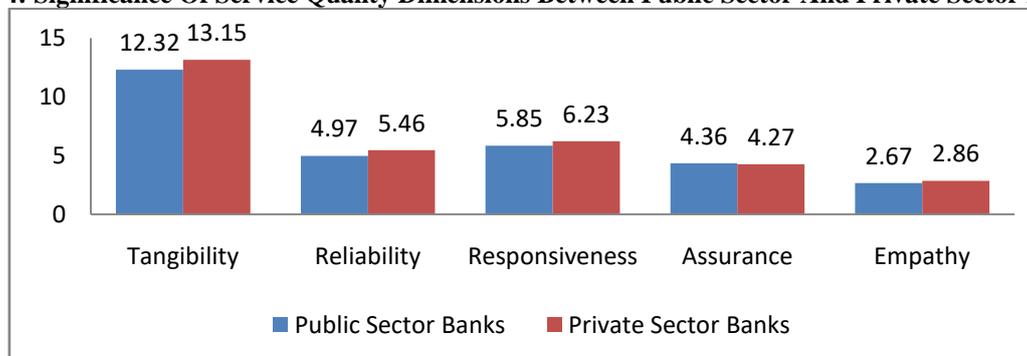


Table 4 Shows Significance Of Service Quality Dimensions Between Public And Private Sector Banks. Tangibility Has Mean Of 52.86 For Public Sector Banks And 51.06 For Private Sector Banks. This Indicates That Tangibility Dimension Of Service Quality Of Both Public Sector And Private Sector Banks Have Higher Preference For The Customers Of Banks Of Both Sectors. P Value Is 0.04 In Case Of Reliability And 0.02 In Case Of Assurance Which Is Less Than 0.05. Therefore Null Hypothesis Is Rejected In Favour Of Alternative Hypothesis. It Means There Is Significant Difference In Service Quality Dimensions Of Public Sector And Private Sector Banks On Basis Of Reliability And Assurance. In Case Of Tangibility, Responsiveness, Empathy P Value > 0.05, Therefore There Is No Significant Difference Between Public Sector And Private Sector Banks On Basis Of These Dimensions.

IV. Conclusions

Service Quality Is One Of The Important Aspects Of The Growth Of Any Industry. No Industry Could Exist In The Long Run If It Compromises With The Quality Of Service Provided By Its Employees. Service Covers Five Dimensions Namely Tangibility, Reliability, Responsiveness, Assurance And Empathy. The Fact Could Not Be Ignored That The Level Of Customer Satisfaction Might Not Remain Same Forever. One Bad Experience Might Push A Loyal Customer To Change His Mind And Switch To Some Other Brand Permanently; Same Is Applicable In Banking Sector Too. Out Of The Selected Banks Of Public And Private Sector Banks (HDFC And ICICI From Private Sector And SBI And PNB From Public Sector Banks) Most Of The Respondents Were Holding Their Accounts In Banks Of Both The Sector. They Are Experiencing Services Of Banks From Both The Sector. Though The Parameters Of Satisfaction Do Not Remain Same Forever And The Level And Extent Of Satisfaction Keeps On Varying But Still Respondents Highlighted Certain Aspects Of Banks From Both The Sector. It Is Found That Customers Of Public Sector Commercial Banks Believe That Public Sector Banks Are More Reliable And This Perception Varied With Respect To Demographics Of Respondents. But When Services Are Compared Specifically On The Basis Of Quality Of Service Private Sector Banks Are Way Ahead. It Is Due To The Reason That Employers Of Private Sector Banks Are More Empathetic Towards The Customers, Even In Case Of Tangibility Private Sector Banks Are Better Whereas In Case Of Reliability And Assurance Banks Of Public Sector Are Considered To Much Better By The Selected Respondents. Also In Case Of Responsiveness Employees Of Private Sector Banks Are More Effective.

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