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# Customer perception about service quality of Indian banking industry - An Empirical Investigation in Uttarakhand State (India)

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## **Abstract:**

*Service quality has become a significant differentiator and the most powerful competitive weapon, which all the service organization wants to possess. Banking being at present one of the competitive sectors, the sector needs improve on the quality of services that they are offering to the customer. This research study focuses on an empirical assessment of service quality perception through SERVPERF scale in the mind of customers', particularly the relative importance of the functional service quality dimensions of the Indian banking sector. The study is based on the customer survey through structured questionnaire which comprises 29 quality parameter from five (Tangibility, Responsiveness, Assurance, Reliability and Empathy) different dimension of service quality. The data were collected on bipolar semantic differential scale.*

**Key words:** customer perception, measurement of service quality, SERVPERF

## **Introduction**

Service quality has been viewed as a multi-dimensional construct in marketing literature. Parasuraman, Zeithaml & Berry (1988) have conceptualized a five dimension model. The five dimensions are reliability, responsiveness, empathy, assurance and tangibility. Their measurement instrument SERVQUAL is based on the five dimension model. Gronroos (1982) had identified two service quality dimensions – functional quality and technical quality. Functional quality represents the perception of the manner in which the service is delivered. Technical quality on the other hand represents the outcome of the service act or what the customer receives in the end. Baady and Cronin (2001) term it as outcome quality.

There is more attention on the functional service quality particularly in the developed

economies. But many products and services in the emerging markets compete at their expected product level (Kotler, 2003). In com industry, the competition

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is at basic product levels or core benefits. Market differentiation can be achieved through the way products and services are delivered; creating customer satisfaction about the company, employee and the delivery process; but this may not create the necessary competitive advantage for growth. Even in the business environments where the competition is at the augmented product level and hence it would be pertinent to know the relative strengths of industry specific aspect of "what is offered" versus "how it is offered". Whether a below expectation service outcome is considered more important by the customer or if an improper service delivery process and employee interaction is viewed as more serious issue.

Keeping this concept in the mind the present study focuses on the measurement of customer perception through **SERVPERF** scale about service quality and their level of satisfaction of different public and private sector banks.

#### **SERVPERF Scale:**

The SERVPERF Scale – developed by Cronin and Taylor (1992) - is one of the important variants of the SERVQUAL scale. For being based on the perception component alone, it has been conceptually and methodologically posited as a better scale than the SERVQUAL scale which has its origin in disconfirmation paradigm.

Being a variant of the SERVQUAL scale and containing perceived performance components alone, performance scale is comprised on only 22 items. A higher perceived performance plies higher service quality. In equation form, it can be expressed as :

$$SQ_i = \sum_{j=1}^k P_{ij}$$

Where: SQ<sub>i</sub>= perceived service quality of individual 'i'  
 k= number of attributes/item  
 P = perception of individual 'i' with respect to performance of a service firm on attribute 'j'

Methodologically, the SERVPERF scale represents marked improvements over the SERVQUAL scale. Not only is the scale more efficient in reducing the number of items to be measured by 50 percent ,it

has also been empirically found superior to the SERVQUAL scale for being able to explain greater variance in the overall service quality measured through the use of single-item scale. This explains the considerable support that has been emerge over time in favor of SERVPERF scale (Babakus and Boller, 1992; Bolton and Drew, 1991b;Boulding et al., 1993); Churchill and Surprenant, 1982;m Gotlieb,Grewal and Brown, 1994; Hartline and Ferrell, 1996; Mazis, Antola and Klippel, 19975; Woodruff, Cadotte and Jenkins, 1993).

#### **Objective of the study**

A study was undertaken to know about the consumer's perception about the quality of services provided by the Banks (public & private), the main objectives of which were as follows:

1. To analyze the perception about quality of services rendered by Public and Private sector Banks.
2. To study the customer perception about two large banks in Dehradun region.
3. To measure the significance of satisfaction level of consumers of different Banks.
4. To find out the key parameters (items) of service quality which contributes more to satisfying the customers'?

#### **Hypothesis Formulated For the Study**

- H1: The perceptions of respondents about the quality services provided by both (ICICI &SBI) Banks are same.  
 H2: The satisfaction level of the customer and their choice of bank are independent.  
 H3: The satisfaction level of the customer and their age composition are independent.

#### **Methodology**

The present study has applied exploratory as well as Descriptive research methodology. With prior knowledge of the situation or the problems under study a questionnaire has been set and responses have been recorded from random samples for further processing.

## Sample Design

**Universe or population :-** The population for the study is all the customers of all the banks of Dehradun city.

**Sampling technique :-** Multistage sampling was used for this study. In this Study first of all we have selected the banks and then the Respondents for those banks in Dehradun city.

## Sample Size

The 50 respondents from each selected Bank were chosen for this study on the basis of random sampling technique. Out of total of 145 respondents surveyed, 48 from SBI, 42 from PNB, 31 from ICICI AND 24 from AXIS bank could correctly fill up the questionnaire.

## Data collection

Primary data are collected and analysis through the structured questionnaire which consists of the 29 quality parameters from different dimension on the basis of which the view of the respondents were taken on a well defined semantic differential scale between worst and excellent. A score of 7 means you feel excellent about the concerned statement and a

score of 1 means you feel worst about the concerned statement.

## Tools used for this study

The different tools were used in this study to achieve the captioned objectives which includes the mean, standard deviation, Z-test, chi square test and regression analysis.

## Reliability and Validity of the scale

The reliability and validity of the scale has been judged through Cronbach's Alpha test. The Alpha test is the average of all possible split half coefficients resulting from different way of splitting the scale items. A value below .6 is generally unsatisfactory. The Cronbach's Alpha coefficient for an analysis run on the data collected on SPSS software and gave a Cronbach's Alpha value of 0.987, which is desirable and acceptable thereby indicating that the scale is reliable enough to be use in the future.

## Analysis and interpretations:

To analyze the service quality of the public and private sector bank, the mean value has been calculated on each quality parameters which is shown below:

**Table I: Mean value of the different bank on following quality parameters**

S.No	Banks Quality parameters Value	Axis Bank Mean Value	ICICI Bank Mean Value	SBI Mean Value	PNB Mean
1	Location of the Bank	5.21	5.13	5.29	5.71
2	Parking space in the Bank Premises	4.83	5.29	3.98	3.74
3	Working hours of the Bank	5.17	5.26	4.63	5.43
4	Fast and efficient services	5.04	5.48	3.9	4.55
5	Employee's knowledge about the bank's services and products	4.88	4.84	4.29	4.48
6	Friendly and courteous manner of the employees	4.67	5.23	3.73	4.67
7	Sincerity in the problem solving	4.5	5.29	3.79	4.55
8	Promptness of the services (serving delivery)	5	4.87	3.96	4.5
9	Transaction accuracy	5.21	5.39	4.73	4.88
10	Bank Equipments(Modern)	5.71	5.71	4.67	5.14
11	Materials associated with the bank (Pamphlets/vouchers)	5	5.16	4.71	5

12	Safety of transaction	5.38	5.55	5.04	5.26
13	Loaning interest rate	4.46	3.77	4	4.29
14	Mortgage facility	4.71	4.32	4.48	4.71
15	Reliability of the employees	5.29	4.97	4.52	5.07
16	Recognition of you as valued customer	4.63	4.94	3.9	4.38
17	Willingness to listen and respond to your need	4.67	5.13	3.92	4.62
18	Service charges	4.75	3.77	4.48	4.86
19	Services of ATM	4.46	5.32	4.81	4.71
20	Convenient location of ATM	4.42	4.77	5.67	5.6
21	Clarity of Signage	4.75	4.77	4.46	4.95
22	Availability of information brochures	4.92	5.06	4.29	4.98
23	Time and reliability of the statement sent by Bank	5.17	5.39	4.6	4.57
24	Statement easy to read and understand	5.29	5.03	4.87	4.93
25	Online banking facility	5.08	5.23	4.46	4.38
26	Your experience about the waiting time in bank for service	4.96	5.19	3.46	4.14
27	Reputation of the bank in community	4.96	5.26	5.15	5.43
28	Query resolutions	5.13	4.68	4.27	4.52
29	The way bank greets you	4.96	5.26	4.4	4.43
30	Overall satisfaction	4.92	5.23	4.4	5.07

Source: Through spss

On the basis of the captioned analysis of mean value on different quality parameter, the overall ranking of the different bank has been done by obtaining the

overall mean on all the parameters for each bank which is mention below:

**Table II: Rating of the banks**

S.No.	Name of the bank	Mean	Rank
1	AXIS	4.938	2
2	ICICI	5.043	1
3	SBI	4.429	4
4	PNB	4.782	3

Source: - Through spss

The above table II makes a comparative analysis of the four chosen banks. It clearly shows that private sector bank (ICICI & AXIS Bank) rated at first and second position by the respondent on different quality parameter. Whereas public sector banks are laying

below the private sector bank.

The consumer's perception about the top five service quality parameters provided by the banking institutions are summarized below:

**Table III: Top five quality parameter of the banks**

Axis Bank	ICICI Bank
● Bank equipments(modern)	● Bank equipments(modern)
● Safety of transaction	● Safety of transaction
● Statement easy to read and understand sent by bank	● Statement easy to read and understand sent by bank
● Location of the bank	● Location of the bank
● Transaction accuracy	● Transaction accuracy

SBI	PNB
<ul style="list-style-type: none"> <li>● Convenient location of ATM.</li> <li>● Location of the bank</li> <li>● Safety of transaction.</li> <li>● Statement easy to read and understand sent by bank.</li> <li>● Services of ATM.</li> </ul>	<ul style="list-style-type: none"> <li>● Location of the bank</li> <li>● Working hours of the Bank.</li> <li>● Reputation of the Bank in community.</li> <li>● Safety of transaction.</li> <li>● Bank equipments (modern).</li> </ul>

### Comparative Analysis of service quality on different dimension

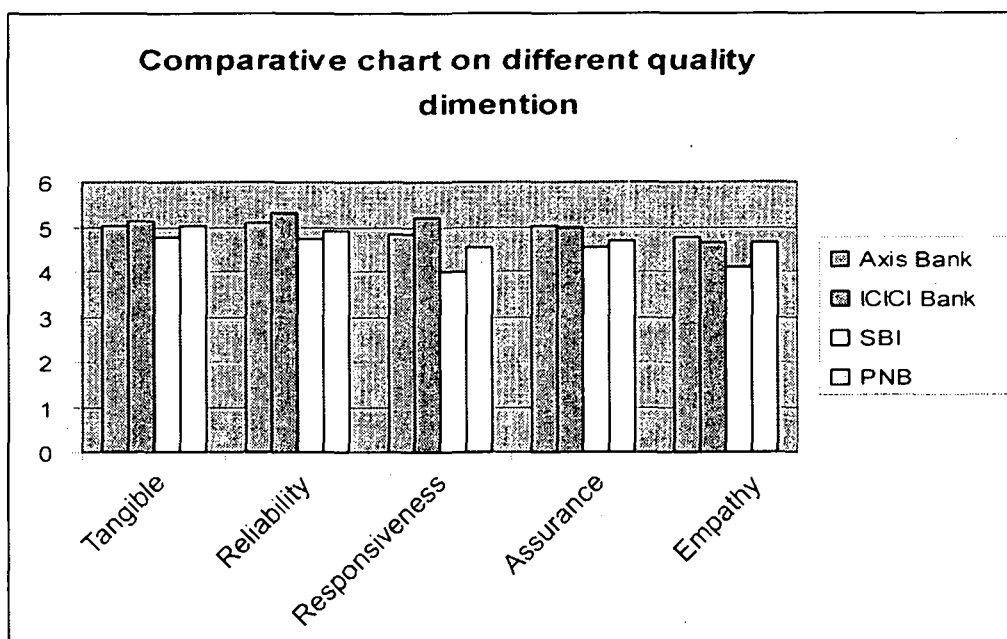
The service quality perception of different bank has been also analyzed on the basis of different dimension of SERVQUAL given by Parasuraman, Zeithaml & Berry

(1988). It is very much clear from the mean value on different quality dimension that private sector banks are providing the better service to their customer in comparison to public sector banks.

**Table IV: Mean value on different quality dimension**

Bank	Tangible	Reliability	Responsiveness	Assurance	Empathy
Axis Bank	5.0179	5.1	4.8333	5.0104	4.7619
ICICI Bank	5.1106	5.3226	5.2065	5	4.6406
SBI	4.747	4.7417	3.9917	4.5417	4.0952
PNB	5.0068	4.9	4.5286	4.7024	4.6395

Source: - Through spss



**Customer perception about service quality:**

are same.

The perception about service quality for public and private sector bank has been tested through formulation the hypothesis which is discussed in the following steps:

Ha: - The perceptions of respondents about the quality of services provided by both the banks (SBI & ICICI) are different.

**STEP 1.** Stating the null and alternate hypothesis.

**STEP 2:** Taking alpha = .05 then the z critical values is set to ±1.96

Ho: The perceptions of respondents about the quality of services provided by both the banks (SBI & ICICI)

**STEP 3:-** Tabulated Mean value and Std.deviation of the public and private sector banks.

**Table V: Bank wise Mean and SD**

Name of the bank	Mean	No. of respondents	Standard deviation
ICICI	5.0367	31	1.1384
SBI	4.4289	48	1.0084
<b>Total</b>	9.4656	79	2.1468

**Source:-Through spss**

**STEP 4:-** Since the z-value of 2.422) is well outside of the critical values of z, therefore we reject the null hypothesis which means that the perceptions of respondents about the quality services provided by both the banks (SBI & ICICI) are different.

**Analysis of Satisfaction Level**

To analyze the level of satisfaction of the respondents of the different bank, the hypothesis were formulated and tested through chi square test as below:

**Table VI: Banks wise level of satisfaction towards services rendered by the banks**

Bank	Very much dissatisfied	Some what satisfied	Very much satisfied	Total
AXIS BANK	2	13	9	24
ICICI BANK	2	12	17	31
SBI	3	34	11	48
PNB	2	21	19	42
<b>TOTAL</b>	9	80	56	145

**Source: -Through spss**

**Null Hypothesis (Ho):** The satisfaction level of the customer and their choice of Bank are independent.

**Alternate Hypothesis (Ha):** The satisfaction level of the customer and their choice of bank are not independent.

**Chi – Square Test**

Calculated value = 9.844  
 Degree of freedom = 6  
 Table Value = 12.592 (at 5%

level of significance)

Inference

= Not Significant

From the above analysis, it is found that the calculated value is less than the table value, i.e., null hypothesis is accepted. So there is no significant relationship between the choice of bank and the level of satisfaction towards the services rendered by the banks.

**Table VII: Age wise level of satisfaction towards services rendered by the banks**

Bank	Very much dissatisfied	Some what satisfied	Very much satisfied	Total
BELOW 25	1	21	12	34
26-35	2	30	23	55
36-45	2	19	11	32
40-60	3	9	8	20
<b>Above 60</b>	1	1	2	4
<b>TOTAL</b>	9	80	56	145

Source: -Through spss

**Null Hypothesis (Ho):** The satisfaction level of the customer and their age are independent.

**Alternate Hypothesis (Ha):** The satisfaction level of the customer and their age are not independent.

**Chi – Square Test**

Calculated value = 7.883  
 Degree of freedom = 8  
 Table Value = 15.507 (at 5% level of significance)  
 Inference = Not Significant

From the above analysis, it is found that the calculated value is less than the table value, i.e., null hypothesis is accepted. So there is no significant relationship between the age and the level of satisfaction towards the services rendered by the banks.

**Regression Analysis**

To analyze the nature of relationship between dependent and independent variable, the multiple regression analysis has been carried out. Keeping the overall satisfaction derived by services by the chosen bank as a dependent variable and rest all 29 parameter of service quality has been taken as independent variable.

The analysis was done with the help of SPSS package and five models have been developed by the software. Out of these models the **R** and **R square** value of the fifth model is highest i.e .781 & .609. the fifth model explain that out of 29 parameter of service quality only five are playing the major role or contributing more in satisfying the customer at large

these parameters are- *promptness of the services(serving delivery), statement easy to read and*

*understand, friendly and courteous manner of the employees, reputation of the bank in community, online banking facility.*

**Table VIII: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.673	.452	.449	1.10
2	.725	.526	.519	1.03
3	.751	.564	.554	.99
4	.769	.591	.579	.96
5	.781	.609	.595	.95

Model 5 : Predictors: (Constant), promptness of the services(serving delivery), statement easy to read and understand, friendly and courteous manner of the employees, reputation of the bank in community, online banking facility

### Discussion of Results

The banking sector in India is undergoing major changes due to competition and the advent of technology. The customer is looking for better quality services which can provide him/her with satisfaction. This study reveals the perception about service quality and levels of satisfaction with banks and helps to identify the key parameters of service quality of banks and also as a whole the key parameters which contribute more in satisfying the customer.

Looking at the overall mean value calculated to measure the perception about service quality of ICICI, AXIS, SBI and PNB, it was found that ICICI bank is proving better than rest other in delivering better services to their customer. On the basis of mean value it is found that private banks are competing or taking competitive advantage to the public sector banks due to modern equipment, professional delivery system, establishing CRM and so on. Where as public sector banks are lacking in these areas. In public sector banks, majority of the employees belongs to the middle and upper middle age group and they are very rigid to adopt any change in their systems. This could be a formidable reason for inefficiency of the public sector bank. The satisfaction level of the respondents of different age groups was measured and put on the statistical test to find that there is no significant relationship between different age group and the level of satisfaction towards services rendered

by banks (public and private). From the study it was also found that the perceptions about service quality delivered by the public and private sector banks are different. Out of 29 parameter of service quality only five parameter have contributions more towards satisfying the customer at large i.e. promptness of the services(serving delivery), statement easy to read and understand, friendly and courteous manner of the employees, reputation of the bank in community, online banking facility.

### Concluding remarks

Delivery of good Service quality in the banking industry is playing a vital role to take the competitive advantage over others. Good quality leads to customer satisfaction and loyalty which also leads to making good strategy of CRM. In the above study the overall perception and satisfaction level among the customer about selected banks are stating that private sector banks are concentrating more on delivering good service quality and satisfying their customers' whereas public sector bank are not much behind private sector. But if they are make changes towards improvement in their delivery system certainly they will be far behind the private sector banks in the day to come.

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