Study of Perception of Service Quality of Private Sector Banks in Pune City: Path Analysis

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Abstract

The importance of private banks in development of the economy is growing and their market share is on a rise for the past few decades making them a formidable competition to the public sector banks as well as the foreign banks. The Indian private sector banks are adopting to global service features and technological changes which is giving them a strategic advantage over the public sector banks but still the growth of the private sector is relatively less than the foreign banks. Service offerings are the ones which the modern day consumers feel important and that will provide a strategic advantage to any bank which look for long term sustainability. This study using path analysis methods is focusing on understanding what the consumer behavior an perception is about the services offered by private banks in Pune city which will provide an insight in to what the consumers think and expect from the private banks that they are associated with which will provide for the private banks in the city of Pune about their consumers and their view about the services offered by them.

> **Keywords-** Perception, Service quality, Private banks, Path analysis

INTRODUCTION

Consumer behaviour and consumer perception is more inclined towards the perceived value that the customers expect from their bank rather than the benchmarks because of which a complete understanding of the consumer's point of view is essential. The dynamics of Pune city is changing rapidly and the expectations of the consumers are changing in accordance with their growing needs and understanding of global consumers like them. Private banks are facing a tougher competition in terms of customer acquisition due to the existing public sector banks and foreign banks which provide similar and better services in certain case which further increases the complications in customer acquisition. So there has to be an understanding of how the consumers select the bank and what are the factors that influence a customer in selecting a private bank.

Private banks in India have been for the past four decades have been instrumental in the development of the economy of the country especially at a retail banking level. There are about 21 private banks in India presently which includes the bigger names like ICICI Bank, HDFC Bank, Axis Bank and Kotak bank respectively. In the era of Liberalization and privatization, the role of Private Banks in India has been growing phenomenally.

Graph 1- growth of banking in India
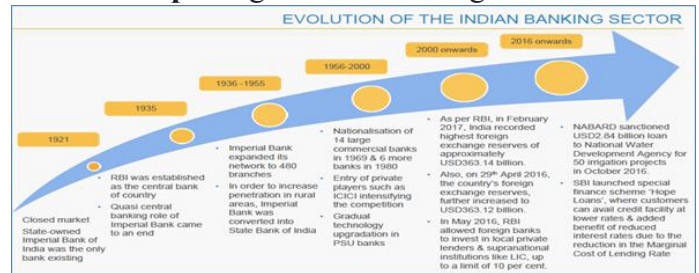
This gives a comprehensive understanding about the evolution of the banking sector in India. The evolution of the banking industry starts from 1921 with the state owned Imperial bank being the only in existence.

As discussed earlier immediately after independence the need for banking was understood by the government of India and the Reserve bank of India was constituted. From 1960 to 80's is the most important period in banking history when many changes occurred from the nationalization of banks and the entry of private banks like ICICI during the period.

Also technological advancements happened during the era. From 1991, due to LPG, the era of Private and Foreign Banks started in India and new focus on Services became the order of the day. Till now internet banking, mobile banking and other new distribution channels is taking the banking sector to the next generation of banking.

REVIEW OF LITERATURE

Many researchers worked on identifying and analyzing those factors affecting the consumers' buying behaviour. Due to the outcomes and findings of these researches various factors have been identified as the key factors which affect consumer buying behavior.

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The classification varies with respect to different researchers based upon the findings of their research. From their research Wiedermann et al (2007) classified the factors affecting consumer behavior into internal and external factor. Winer (2009) on the basis of his research has divided them into social, personal and psychological factors. In spite of the fact that they have been classified into different groups by different authors they are similar in scope and purpose (Rao, 2007).

There are multiple factors which are found to be affecting consumer behaviour in different ways and different situations. Hoyer et al. (2012) have broadly classified these factors in to four types. They are Situational factors, Personal factors, Social factors, Cultural factors

Perception is defined as the process of selecting, organizing and interpreting information inputs in order to produce a meaning out of it. Usually an individual receives information through, senses sight, taste, hearing, smell and touch. Among the different stimuli they receive and which the consumer perceives strongly affect their behavior towards products, prices, package designs, salespeople, stores, advertisements and manufactures. Perceptions generally vary from one person to another. People usually perceive different things about the same situation. Individuals assign different meanings to what they perceive. Meanings might change for a different people at times. "To perceive means to immobilize... we seize, in the act of perception, something which outruns perception itself." - Henri L. Bergson (1982) . "If the doors of perception were cleansed everything would appear to man as it is, infinite. For man has closed himself up, till he sees all things thru chinks of his cavern". - William Blake (1957)

SCOPE AND OBJECTIVES

The study is specific to Banks in Pune city, the study also relates to Consumer Behavior and their perception in selecting Private Banks. The factors studied are: Services provided by the Private Banks, Brand image of the Private Banks , Relationship maintained with Consumers by the Private Banks. Value added services provided by the private banks for attracting more and more Consumers and increasing Brand Loyalty.

OBJECTIVES OF RESEARCH

1. To study the factors influencing consumers with respect to selection of Private Banks in Pune City.
2. To understand Consumer perception about bank and services provided by them in Pune City.

RESEARCH METHODOLOGY

The research is based on primary data collected with random sample size of 240 consumers in Pune City. Based on different variables of interest that we have identified through the pilot study and qualitative research, conceptual frame with hypothesis was structured as shown below. To prove the conceptual frame, hypothesis was framed and tested using various statistical techniques using SPSS 20 and Smart PLS 3.2 Path analysis was used to test the hypotheses. Level of significance was 0.05.

Fig -1- Conceptual framework
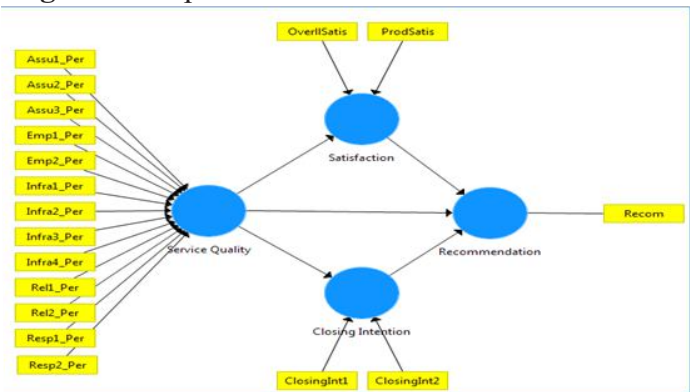
The researcher has developed the following five hypotheses,

H1: Quality of Service offered by the bank positively impacts Overall Satisfaction with the bank.

H0 : Quality of Service offered by the bank do not positively impacts Overall Satisfaction with the bank.

H2: Overall Satisfaction with the bank positively impacts recommendation of the bank to others.

H0 : Overall Satisfaction with the bank do not positively impacts recommendation of the bank to others.

H3 : Quality of Service offered by the bank positively impacts recommendation of the bank to others.

H0 : Quality of Service offered by the bank do not positively impacts recommendation of the bank to others.

H4 : Quality of Service offered by the bank negatively impacts intention to close the bank.

H0 : Quality of Service offered by the bank do not negatively impacts intention to close the bank.

H5 : Closing Intention of bank Account negatively

Impacts recommendation of the bank to others.

H0 : Closing Intention of bank Account do not negatively Impacts recommendation of the bank to others.

DATA ANALYSIS AND FINDINGS

Inferential statistics is used to prove or disprove the hypothesis. In our case we have framed five hypotheses for which inferential statistics is performed.

Reliability signifies the repeatability of the indicators to measure a particular construct. Cronbach's Alpha is one such metric through which we can conclude that the indicators can be grouped to a particular construct. Cronbach's Alpha which is more than 0.7 indicates high inter item correlation. For conducting reliability test, Cronbach's Alpha test result is considered. The reliability scores are given in the below able. The Cronbach's Alpha scores for all the constructs are above 0.8. It is clear that there is high inter item correlation among the indicators.

H1: Quality of Service offered by the bank positively impacts Overall Satisfaction with the bank.

H0 : Quality of Service offered by the bank do not positively impacts Overall Satisfaction with the bank.
 From Fig no-2 and table no-1

The path coefficient value for service quality and satisfaction came out to be 0.864, indicating that there is high level of correlation between the two. We have obtained the R square value as 0.747 signifies that 74.7% variance in satisfaction is explained by Service quality.

To prove the research hypothesis, bootstrap was performed with 1000 subsamples and the obtained result is shown in path model and tabular column. Since the p value is <0.05, it disproves the null hypothesis and proves the research hypothesis that quality of Service offered by the bank positively impacts Overall Satisfaction with the bank.

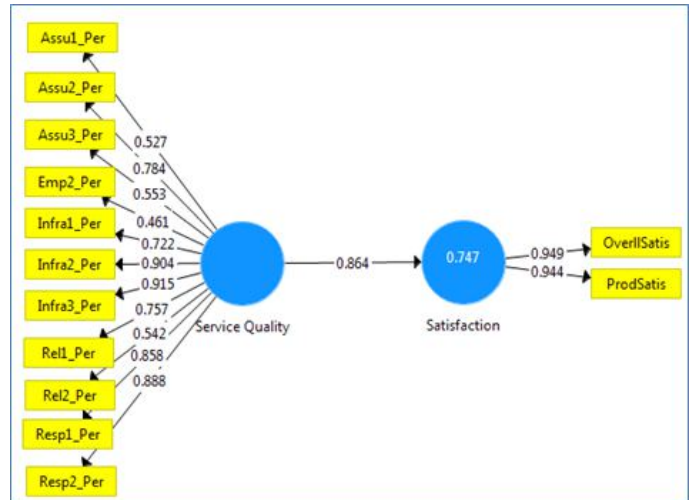**Fig-2:** Path model of Direct effect of Service quality on satisfaction

Table-1: Test of significance for direct effect of Service quality on satisfaction

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
Service Quality -> Satisfaction	0.864	0.865	0.012	75.145	0.000

Source- primary data

H2(Research Hypothesis): Overall Satisfaction with the bank positively impacts recommendation of the bank to others.

H0 (Null Hypothesis): Overall Satisfaction with the bank do not positively impacts recommendation of the bank to others.

From Fig no-3 and table no-2

The path coefficient value for service quality and satisfaction came out to be 0.952, indicating that there is high level of correlation between the two. We have obtained the R square value as 0.905 signifies that 90.5% variance in recommendations is explained by Satisfaction.

To prove the research hypothesis, bootstrap was performed with 1000 subsamples and the obtained result is shown in path model and tabular column. Since the p value is <0.05, it disproves null hypothesis and proves the research hypothesis that Overall Satisfaction with the bank positively impacts recommendation of the bank to others.

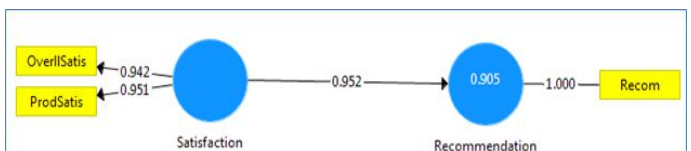**Fig-3:** Path model of Direct effect of satisfaction on recommendation

Table-2: Test of significance for direct effect of satisfaction on recommendation

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
Satisfaction -> Recommendation	0.952	0.952	0.004	215.526	0.000

H3 (Research Hypothesis): Quality of Service offered by the bank positively impacts recommendation of the bank to others.

H0 (Null Hypothesis): Quality of Service offered by the bank do not positively impacts recommendation of the bank to others.

From Fig no-04 and table no-3

The path coefficient value for service quality and satisfaction came out to be 0.861, indicating that there is high level of correlation between the two. We have obtained the R square value as 0.742 signifies that 74.2% variance in recommendation is explained by Service quality.

To prove the research hypothesis, bootstrap was performed with 1000 subsamples and the obtained result is shown in path model and tabular column. Since the p value is <0.05, it disproves null hypothesis and proves the research hypothesis that Quality of Service offered by the bank positively impacts recommendation of the bank to others.

Fig-4: Path model of direct effect of service quality on recommendation
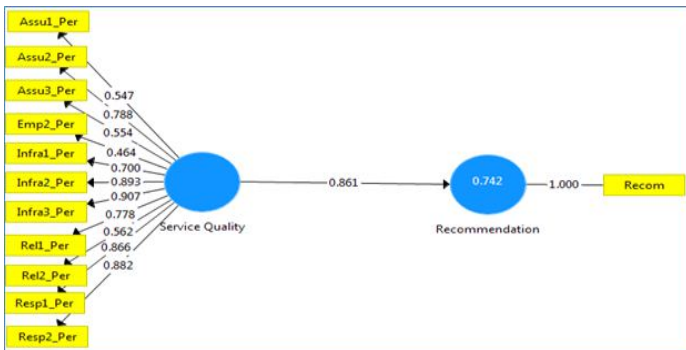

Table 3: Test of Significance of Direct effect of service quality on recommendation

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
Service Quality -> Recommendation	0.861	0.862	0.012	72.202	0.000

H4 (Research Hypothesis): Quality of Service offered by the bank negatively impacts intention to close the bank.

H0 (Null Hypothesis): Quality of Service offered by the bank do not negatively impacts intention to close the bank.

From Fig no-5 and table no-4

The path coefficient value for service quality and satisfaction came out to be -0.768, indicating that there is high level of negative correlation between the two. We have obtained the R square value as 0.590 signifies that 59.0% variance in Closing Intention of the bank account is explained by Service quality. To prove the research hypothesis, bootstrap was performed with 1000 subsamples and the obtained result is shown in path model and tabular column. Since the p value is <0.05, it disproves null hypothesis and proves the research hypothesis that Quality of Service offered by the bank negatively impacts intention to close the bank.

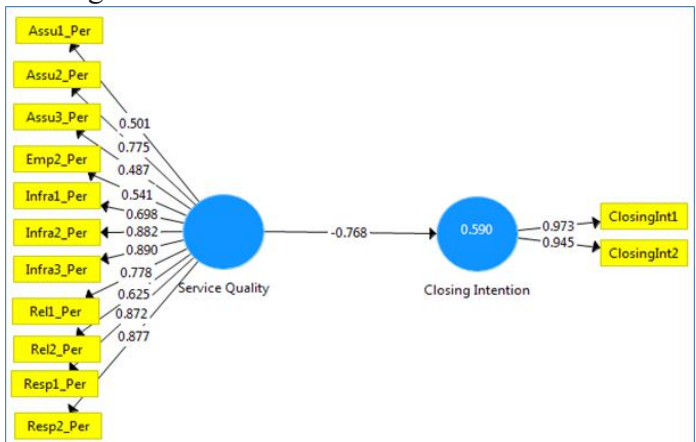Fig-5: Path model of direct effect of service quality on closing intention

Table 4: Test of significance for direct effect of service quality on closing intention

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
Service Quality -> Closing Intention	-0.768	-0.769	0.016	49.165	0.000

H5 (Research Hypothesis): Closing Intention of bank Account negatively Impacts recommendation of the bank to others.

H0 (Null Hypothesis): Closing Intention of bank Account do not negatively Impacts recommendation of the bank to others.

From Fig no- 6 and table no-5

The path coefficient value for service quality and satisfaction came out to be -0.638, indicating that there is high level of negative correlation between the two. We have obtained the R square value as 0.408 signifies that 40.8% variance in Recommendation of the bank account is explained by Closing Intention of the bank

To prove the research hypothesis, bootstrap was

performed with 1000 subsamples and the obtained result is shown in path model and tabular column. Since the p value is <0.05, it disproves null hypothesis and proves the research hypothesis that Closing Intention of bank Account negatively Impacts recommendation of the bank to others.

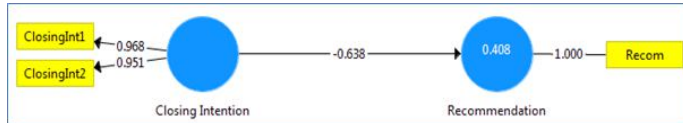**Fig 6:** Path model of direct effect of closing intention on recommendation

Table 5: Test of significance for direct effect of closing intention on recommendation

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
Closing Intention -> Recommendation	-0.638	-0.639	0.032	19.706	0.000

Other Findings:
The following findings will be useful in validation of the objective 1.

When the respondents were asked about the reason for choosing the particular bank and holding to it in spite of being their salary account and using as a Salary cum savings account are as Follows: the major reasons for Choosing and using ICICI bank as per its customers are 50% of the customers have chosen the bank mainly because of its service quality. This is followed by 25$ of them choosing the bank due to the availability of its ATMs. The Major reasons for Choosing and using HDFC bank as per its customers are 50% of the customers have chosen the bank mainly because of its service quality. While 17% of them have chosen the bank because of the availability of ATM's.

When the respondents were asked about whether job change was the reason because of which the respondents have chosen the particular bank, the data interpretation shows that 25% of the ICICI bank customers have chosen the bank as a result of job change whereas it is 17% in case of HDFC bank.

CONCLUSION

A research problem was identified and objectives were created in accordance with the research problem. The primary data collected and statistical analysis has been able to provide many new insights about consumer behavior and consumer perception with respect to customers in Pune city. The researcher believes that this effort would be adding value to the existing research and literature in the topic of perception in banking services and also would provide an opportunity for further research with the broad area. The aim of this study was to identify factors having impact on consumer behavior and another aim was to understand the perception of banks by using path analysis methods with respect to service quality, overall satisfaction, closing of banks, recommending banks to others. Relationship between these was studies and it was found that, service quality was positively associated with overall satisfaction of consumer. Overall customer satisfaction with the bank positively impacts recommendation of the bank to others. Quality of Service offered by the bank was positively impacting the recommendation of the bank to others. Quality of Service offered by the bank negatively impacts intention to close the bank account. Closing intention of bank Account negatively impacts recommendation of the bank to others.

ABOUT AUTHOR

Mr. Vinod Mohite, MBA, PhD (Persuing) and presently working as an Asst. Professor with MM'S IMERT Pune .He has total 14 years of experience ,out of which 9 years in academia and Almost he has served for 5 years in Banking sector as a Dy. Manager Axis Bank Ltd. His area of interest is Marketing Management, and pursuing research on title " An Analytical Study of Consumer Behavior and Consumer Perception of Services Provided by Private Banks in Pune City".
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