



CUSTOMER PERCEPTION OF SERVICE QUALITY IN INDIAN PRIVATE SECTOR BANKS: WITH SPECIAL REFERENCE TO BHUBANESWAR REGION

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Abstract

Customer service is an integral part of any organization. The study compares customer's perceptions of service quality in private banks in India. To enhance reputation and gain customer loyalty, a study of the performance of the banks is done to see if the perception of service quality has an effect on the banks. With the increasing competition amongst banks, the findings can act as a strategic tool to achieve competitive advantage and customer satisfaction. It is also an eye-opener for the banks to see the gap between customer expectation and customer perception regarding the quality of services rendered which should further act as a motivation which results, increases reputation and to achieve customer loyalty. The present study is an attempt in the direction, where quality perceptions of the five leading private sector banks have been compared to reach at logical conclusions.

Keywords: *Customer Perceptions, Service Quality, Private Sector Banks, Bank Service.*

Introduction

Private Banks dealing in retail banking Industry is consequently put into lot of pressures due towards increase in global competition. Various strategies are formulated to retain the customer and the key of it is to increase the service quality level. Typically, customers perceive very little difference in the banking products offered by private banks dealing in services as any new offering is quickly matched by competitors.

Initially all the banks in India were private banks, which were founded in the pre-independence era to cater to the banking needs of the people. In 1921, three major banks i.e. Banks of Bengal (1808), Bank of Bombay (1840), and Bank of Madras (1843), merged to form Imperial Bank of India. In 1950 four major banks i.e. Comilla Banking Corporation Ltd. (1914), Bengal Central Bank Ltd.(1918), Comilla Union Bank Ltd.(1922), and Hooghly Bank Ltd.(1932), merged to form United Bank of India. (Which were established in the years indicated in Brackets after the name). The origin of the bank thus goes as far back as to 1914. The Reserve Bank of India (RBI) was established on April 1, 1935 in accordance with the provisions of the RBI Act 1934. The central office of the RBI was initially in Calcutta but was permanently moved to Mumbai in 1937. Since nationalization in 1949, the Reserve Bank is fully owned by the Government of India. In 1955, after the declaration of first-five year plan, Imperial Bank of India was subsequently transformed into State Bank of India (SBI). In 1994, the Reserve Bank of India issued a policy of liberalization to license limited number of private banks, which came to be known as New Generation. Tech-savvy banks, Global Trust Bank were, thus, the first private bank after liberalization; it was later amalgamated with Oriental Bank of Commerce (OBC) at present, Private Banks in India includes leading banks like AXIS Bank, ICICI Banks, ING Vysya Bank, Yes Bank, Indusind Bank, Karnataka Bank, Kotak Mahindra Bank, HDFC BANK etc.

Perception of Service Quality

Parasuraman et. al (1985) and Zeithaml et., al (1990) noted that the key strategy for the success and survival of any business institution is the deliverance of quality services to customers. The quality of services offered will determine customer satisfaction. It is so because service quality is being used to position the banks in the market place (Brown & Swartz 1989). However, the service quality is hard to measure (Rust, Zahorik & Keiningham, 1995). In case of banking services, the varied service products being offered and their interface with the information technology like banking on Internet, electronic delivery channels, etc. help the banks in seizing the market and be the ultimate winners (Cooper & Edgett, 1996). This also forms an important aspect of service quality. Despite this understanding, conceptualization and measurement of service quality have been the most controversial and debated topics in service marketing literature. There has been considerable research as to how service quality should be measured (Babakus & Boller 1992; Brown, Churchill & Peter 1993; Parasuraman, Zeithaml and Berry 1985,1988, 1991 & 1994). Various researchers have developed alternate concepts for service quality, like the Nordic perspective (Gronroos 1982,1984) and the American perspective (Parasuraman, Zeithamal and Berry, 1988). The Nordic perspective explains the service quality on two dimensions i.e. functional and technical quality. The American perspective on the other hand defines service quality on five dimensions, which are reliability, responsiveness, empathy, assurance and tangibility. It is so because the customers do not perceive quality as a uni - dimensional concept (Zeithamal, Parasuraman & Berry 1993). Later the increased interest in the multi - dimensions of service quality led to the development of another model (Rust & Oliver, 1994), which identified service quality as a three dimensional concept. The present study however, is based upon the American perspective and the SERVQUAL/ SERVPERF model by Parasuraman, Zeithaml and Berry (1988) (reflected in Figure 1).

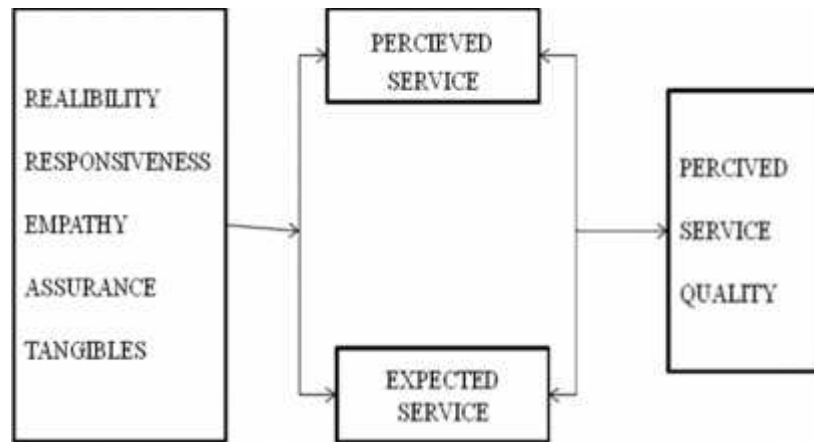


Figure 1: Model of Service Quality Perception

The model explains the service quality on the basis of gap between the expected level of service and perceptions of the customers regarding the level of service received. The SERVQUAL/ SERVPERF model is distinct from others because it determines more than one aspect of service encounters. This view supports the adoption of Rust and Oliver's (1994) view also, which states that the overall perceptions of service quality are based on various dimensions of service encounters. Various researches on service quality dimensions have increasingly led to a debate upon the dimensions. However, there is a wider agreement that the five dimensions i.e. reliability, responsiveness, empathy, assurance and tangibles are important aspects of service quality (Fisk, Baron & Bitner 1993). In fact, the researchers have proved that the Nordic as well as American perspective define the customer's perception of the organization's technical and functional quality, service product, service delivery and service environment, which reliability, responsiveness, empathy assurance and tangibles are associated with the service experience (Brady & Cronin Jr., 2001). In India, a number of studies have been conducted and committees formulated to study service quality in banks. To name a few, Saraiya Committee (1972), R.K Talwar Committee (1975), Goipuria Committee (1980) has studied below average customer service. An all India survey by the National Institute of Bank Management has also identified the lacunae in Indian banking as dissatisfaction among the customers over the delays. In another study conducted in Delhi (Debashish, 2003), the Rust and Oliver model had been used to study the service quality in banks.

Objectives and Scope of Study

- 1-To study the customer's perception regarding service quality in private banks.
- 2-To study the different dimension of service quality in private banks.

For the purpose of data collection, questionnaires were administered to the customers of five banks. Among them we select five banks namely AXIS BANK, ICICI BANK, HDFC BANK, INDUSIND BANK and YES BANK

Research Methodology

The service quality model developed by Zeithamal, Parsuraman and Berry (1988) has been used in the present study. The main assumption of the model is that service quality is multidimensional concept. These dimensions contribute to the assessment of the service quality in any setting. A construct 'SERVPERF' based upon the model has been used to ascertain the service quality in different banks under study.

The statements in the construct are one-dimensional and performance based, which incorporate the statements of 'SERVQUAL' model that can be used as measurement (Cronin).

Jr. & Taylor, 1992). The statements have been grouped under five dimensions mentioned earlier. In order to ascertain the perceptions of service quality, Likert's 5-point scale has been used for its suitability to estimate the range and variations in the perceptions. The scale 1 – 5 represents '5' as mostly agree and '1' as mostly disagree.

A pilot study was conducted to ascertain the suitability of the construct in the Indian bank setting. After the ascertaining of the suitability, the questionnaire was administered to the customer's sample size of 100 respondents. After the ascertaining of the validity, the data was analyzed to reach at conclusions regarding the customer's perceptions of service quality.



Hypothesis

The responses were collected on five dimensions of service quality namely; reliability, responsiveness, empathy, assurance and tangibility for all the five banks under study. The responses of the respondents were tabulated and subjected to the validity tests. Subsequently, the validated data was compressed in the form of different tables, which succeed the discussion on the same. The discussion on the data focuses upon the prime purpose of meeting the objectives outlined and drawing the conclusions and inferences for suggesting suitable remedies for the banks.

Result and Discussion

Table 1: Reliability Dimension in banks

BANKS	RELIABILITY FORCTOR	RANKS
AXIS BANK	5.87	1
ICICI BANK	5.73	2
HDFC BANK	5.69	3
INDUSIND BANK	4.89	4
YES BANK	4.85	5
Mean	5.40	

The comparison between the individual bank scores and average scores also indicates that the calculated mean value is 5.40, which is less than the AXIS Bank, ICICI Bank and INDUSIND Bank. Again, it is the Indusind Bank and yes bank, which has the reliability value less than the average value. Empathy dimension of service quality deals with the approach towards the customers and understanding their needs effectively. The analysis of the responses of the customers towards reliability (see Table 1) indicates that the AXIS Bank has scored the highest value of 5.87. It is followed by ICICI Bank with a score of 5.73. HDFC follows them with a value of 5.69 and Indusind Bank with a score and 4.89 YES Banks with a score 4.85. The analysis of the scores clearly depicts that the three banks in the sample viz. AXIS Bank, ICICI Bank, HDFC Bank have the scores higher than '5', which represents more than satisfactory perception of consumers.

Table 2: Responsiveness Dimension in Banks

BANKS	RESPONSIVENESS FACTOR	RANKS
AXIS BANK	5.96	1
ICICI BANK	5.90	2
HDFC BANK	5.62	3
INDUSIND BANK	4.96	4
YES BANK	4.81	5
Mean	5.45	

Responsiveness indicates that the dimension has a lot of significance in the service quality, AXIS Bank has scored a very high value among four of the five banks under study. It is only the yes bank, for which the score has been the lowest. Among the other banks, it is again the AXIS Bank, which has the highest value of 5.96, followed by ICICI bank at 5.90. HDFC is at the third place with a score of 5.62. The average mean score for responsiveness has been worked at 5.45. On comparing the individual values with the average mean, it can be concluded that again all the three banks except Indusind and YES bank have higher than average scores.

Table 3: Empathy Dimension in Banks

BANKS	EMPATHY FACTOR	RANKS
AXIS BANK	5.75	1
ICICI BANK	5.65	2
HDFC BANK	5.60	3
INDUSIND BANK	4.56	4
YES BANK	4.55	5
Mean	5.22	

The comparison between the individual bank scores and average scores also indicates that the calculated mean value is 5.72, which is less than the AXIS Bank and ICICI Bank. Empathy dimension of service quality deals with the approach towards



the customers and understanding their needs effectively. The analysis of the responses of the customers towards empathy (see Table 3) indicates that the AXIS Bank has scored the highest value of 5.75. It is followed by ICICI Bank with a score of 5.65, HDFC follows them with an empathy value of 5.60, INDUSIND Bank with a score of 4.56 and last among all is YES Bank with a score of 4.55. The analysis of the scores clearly depicts that the Three banks in the sample viz. AXIS Bank, HDFC bank and ICICI bank have the scores higher than '5', which represents more than satisfactory perception of consumers. On comparing the individual scores with the average mean score, it can be said that AXIS Bank and ICICI Bank have higher than average scores; whereas Indusind bank have values lesser than average.

Table-4: Assurance Dimension in banks

BANKS	ASSURANCE FACTOR	RANKS
AXIS BANK	5.81	1
ICICI BANK	5.67	2
HDFC BANK	5.66	3
INDUSIND BANK	4.74	4
YES BANK	4.68	5
Mean	5.31	

The assurance dimension of service quality deals with trust, safety and support. It is also an important dimension of service quality, which has been represented in Table 4. As depicted in the table, it is clearly indicated that assurance has the highest score of 5.81.

The comparison between the individual bank scores and average scores indicates that the calculated mean value is 5.31, which is less than the AXIS BANK, ICICI BANK, HDFC BANK. Again, it is the INDUSIND BANK and YES Bank which has the assurance value less than the average value. Assurance dimension of service quality deals with the approach towards the customers and understanding their needs effectively. The analysis of the responses of the customers towards Assurance (see Table 4) indicates that the AXIS Bank has scored the highest value of 5.81. It is followed by ICICI Bank with a score of 5.67. HDFC Bank follows them with an empathy value of 5.66 and last among all is INDUSIND Bank with a score of 4.74, YES Bank with a score of 4.68. The analysis of the scores clearly depicts that the Three banks in the sample viz. AXIS, ICICI and HDFC have the scores higher than '5', which represents more than satisfactory perception of consumers. On comparing the individual scores with the average mean score, it can be said that AXIS, ICICI and HDFC have higher than average scores; whereas INDUSIND bank and YES bank have values lesser than average.

Table -5: Tangibility Dimensions in Banks

BANKS	TANGIBILITY FACTOR	RANKS
AXIS BANK	5.78	1
ICICI BANK	5.70	2
HDFC BANK	5.64	3
INDUSIND BANK	4.61	4
YES BANK	4.55	5
Mean	5.25	

The comparison between the average score of Tangibility factor and individual scores, it can be concluded that all the banks Bank have an overall positive perception. However, the AXIS, ICICI, HDFC has the score more than the average score. This can be interpreted as the bank has a potential to lead in terms of tangibility.

Private Sector Banks

The analysis reveals that among the private sector banks all the dimensions of service quality are equally important. However, the scores have been different for these banks. While comparing the dimensions, (see Table 6) the scores for AXIS Bank have been higher in comparison to other banks.

Table 6: Private Sector Banks

FACTOR	PRIVATE SECTOR
Reliability	5.40
Responsiveness	5.45
Assurance	5.31
Empathy	5.22
Tangibility	5.25
Mean	5.32



The analysis of the private sector banks clearly identifies Reliability and Responsiveness as the most relevant factor of quality perception, as it has the highest value among the dimensions. Empathy has scored the minimum value in the private sector, which certainly is a big factor contributing towards the lower quality perception of the private sector banks.

Comparison of individual scores with the average mean value also confirms the above average perceptions in public sector banks, as three out of five dimensions have scored higher than average values. In case of private sector banks, only two dimensions have higher than average values. This shows that public sector banks enjoy a better quality perception among their customers.

Suggestions

All branches of bank should provide different facility like parking, seating arrangement, drinking water and sanitary facilities. Procedure of applying loans should be made simple and information regarding new investment schemes should also be displayed at appropriate places. Modern technology and innovation are required in every aspect of banking system.

To develop the social banking environment, bank officials should be maintain good relationship with the customers. As majority of private banks doing aggressive marketing they have succeeded in attracting more customers Banks should provide more facilities to customers and make them fell comfortable in their banking activities.

On the basis of the findings of the study banks should consider the areas of personal assistance, helping employees, bank charges and internet telephone banking.

The customers trust the public sector banks. These banks have existed in the market for a longer period than the private sector banks. The reliability factor is a positive factor for these banks. They should position themselves in the market on the basis of this dimension and promote themselves aggressively. This will not only help them survive the present onslaught from private sector banks, but also be competitive in the market. The Private sector Banks should be improved in such point of view.

Last but not the least, the customer base of the public sector banks is very big as compared to the private sector banks, therefore it is important to retain them with the banks. It becomes imperative for the private sector banks to train their employees to treat the customers with empathy. This can give the required leading edge and finally the competitive advantage over the public sector bank.

Conclusion

The study included five dimensions of service quality perceptions, which are reliability, responsiveness, assurance, empathy and tangibility. The analysis of these dimensions identified that, among the five banks under study, it is the AXIS bank, which has the highest realibility in terms of the employees, physical evidence and ambience. Although, the bank has 13 branch in the Bhubaneswar, but it has been able to instill a higher reliability value among its customers. As compared to it, the other private sector bank, YES bank has the lowest realibility value. However, in the recent years, it has spent huge amounts on the infrastructure, especially technology (Annual Reports of the YES bank). Still, people do not perceive it as a quality tangible offer.

The analysis of the other dimension, responsiveness represents the AXIS Bank again as the front-runner among the five banks followed by ICICI Bank, HDFC Bank and YES Bank respectively. This can be interpreted as the employees' capability to respond to the customers. This fact is well represented in the voluminous increase in the retail trade of these banks. The analysis reveals that YES Bank has the lowest service quality perception value, whereas the AXIS bank has the highest perception. This is also correlated to the factors of reliability, as reliability leads to trust, support, etc.

Measurement of the empathy dimension identifies better understanding of customers' needs, as being very high in the AXIS bank, followed by ICICI Bank, HDFC Bank, INDUSIND Bank and lastly by YES Bank. The results of all these dimensions can be summed up as: AXIS Bank has the highest quality perception, which is also validated by the Best Bank Survey 2014. It is followed by ICICI Bank, HDFC and YES Bank respectively.

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