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## AN EVALUATION OF SERVICE QUALITY GAP IN SELECTED PRIVATE SECTOR BANKS

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### ABSTRACT

*Service quality is an approach to manage business in order to ensure full satisfaction of the customers which will help to increase competitive and effectiveness of the banking industry. Quality in service is very important, especially for the growth and development of service sector business enterprises. The importance of customers in service sector business is unquestionable, because the success of service sector business is mostly depending on customers, the future and the financial security of this business is in the hands of customers. Customer satisfaction has a positive effect on service sectors. In a service sector the service features offered are as important as how they are delivered. Human element of service delivery refers to all aspects (reliability, responsiveness, assurance empathy, moments of truth, critical incident and recovery) that will fall under the domain of the human element in the service delivery. The banking industry realized the need of consistent development in their service quality offered to their customers. There is an increase in sophisticated value added services to their customers at par in the foreign banks.*

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**INTRODUCTION**

Banking system occupies an important place in a nation's economy. A banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of a country and forms the core of the money market in an advanced country. Customer satisfaction is a measure of how products and services provided by any organization meet the expectations of a customer. A customer would include an account holder, or a person carrying out casual business transactions with a bank. The efficiency of a banking sector depends upon how best it can deliver services to its target customers'. In order to survive in this competitive environment and provide continual, Customer's satisfaction, the banking service providers are required frequently to increase the quality service. Service quality is an approach to manage business in order to ensure full satisfaction of the customers which will help to increase competitive and effectiveness of the industry. Quality in service is very important, especially for the growth and development of service sector business enterprises. It works as an antecedent of customer satisfaction. The measurement of service, characteristics of a product and process of quality to become an important ISO standard, are the measurement tools of service quality, where quality is defined as the totality of features service. Private banking dealing in retail banking industry is consequently put into lot of pressures due to increase in global competition. Different 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.

**NEED FOR THE STUDY**

The competitive climate in the Indian financial market has changed dramatically over the last few years. Business houses have entered into financial services activities. Public sector banks have started Mutual Fund Trusts and other products in the markets, which have competitive advantage over product of the banks. Even private sector and foreign banks have introduced innovative services. A few Indian banks have started Experimenting with new services by offering Automatic Teller Machine (ATM) that provides 24x7 hours services. The expectation of the customers has also changed now-a-days. Many customers expect different services from the banks. Many household customers now prefer to take consumer durable loans or buy on instant credit rather than save for a few years to buy the consumer durable as a result of this growing

level of competition, service quality is emerging as an important element in banking activities. The perception on service quality is highly related to the customer satisfaction.

### **STATEMENT OF THE PROBLEM**

They realized the importance of customer's needs and customer - oriented services to survive in the market. They also realized the need of consistent development in their service quality offered to their customers in the banking industry. There is an increase in sophisticated value added services to their customers at par in the foreign banks. In addition, improved technologies are resulting in a consistent increase in alternatives customer expectations. The banks are increasing the speed of services, handling customer complaints, service delivery in order to retain their customers' base and also to attract the new customers. It is highly essential to estimate the customers' expectation and perception on various services from private Banks.

### **OBJECTIVES OF THE STUDY**

The following are the objectives of the study.

To find out the quality of service in selected private sector Banks.

To find out the gap between customer expectation and perception of private sector Banks.

To find out the different dimensions of service quality in private sector Banks.

### **RESEARCH METHODOLOGY**

In this present study the researcher has adopted simple random sampling of 120 customers from private banks in the study area. The questionnaire was used to collect the required primary data.

### **PERIOD OF THE STUDY**

The present study covers the period of March 2013 to July 2013.

### **SAMPLE BANKS AND SIZE**

The following four banks were selected for the present study.

S. No.	Name of the Bank	Sample Size
1.	City Union Bank	30
2.	Tamil Nadu Mercantile Bank	30
3.	IDBI	30
4.	ICICI	30
	Total	120

**SERVICE QUALITY IN PRIVATE BANKS – SERVQUAL MODEL**

Economic liberalization and globalization changing customer requirement and increasing competition have posed a challenge to the existing Indian banking scenario. During the past few years, the banking sector had witnessed revolutionary changes. The entry of private and foreign banks has posed a challenge to the monopoly enjoyed by the nationalized banks, with increasing competition; the importance of quality services in banking has gained paramount importance. Regarding service, banks have to rethink their strategies in delivering quality services to attract and hold customers. The service challenge involves developing new services that will meet customer needs in a better manner, improving the quality and the variety of existing services and finally, providing and distributing these economic services in a manner that best serves the customers. Quality in services is an exclusive concept. It is more difficult to evaluate the services as compared to goods. Service quality depends on both delivering the service and the quality of delivering. Service quality is measured not only on technical quality (Performance of the Service), but also on its functional quality (Whether the service provider has shown concern and inspires confidence while performing the services). This in turn, is influenced by various factors like responsiveness, empathy, tangibility, assurance and reliability. Service quality is the conformance of services to the customers' expectations and perceptions. The quality of service, therefore, depends on the ability of the server to meet the expectations of the customers. In the present scenario, internationalization of banking standards has become imperative. Not only is delivery of quality services essential for survival but also an imperative for growth and prosperity. As global competition in financial services intensifies, service quality is emerging as a new frontier of banking competition.

**SERVQUAL DIMENSIONS**

SERVQUAL was developed in the mid - 1980s by Zeithaml, Parasuraman and Berry. SERVQUAL means to measure the scale of Quality in the service sector. SERVQUAL was originally measured on 10 aspects of service quality: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding the customer and tangibles. It measures the gap between customer expectations and experience. The basic assumption of the measurement was that customers can evaluate a firm service quality by comparing their perceptions with their expectations.

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**SERVICE QUALITY ASSESSMENT**

Accepting the definition of perceived service quality as the result of comparing actual service delivery with prior experience researchers have generally followed two main theoretical perspectives. The Nordic (European) (Gronroos, 1982, 1984) perspective views service quality as having two dimensions: “technical” and “functional” quality, reflecting the service outcome and the service process respectively. Customers’ perceptions of these two dimensions are filtered through the service firm’s image.

The American model defines service quality as the discrepancy between expected and perceived service through five core components:

**Tangibles** – It consists up- to-date equipment and instrument facility, Employees are well dressed and appear neat, Attractive and informative media, theme layout, and language of the advertisement.

**Reliability** – It consists banks to do something by a certain time, they promise do so; banks should keep their records accurately and properly.

**Responsiveness** – It covers Banks should provide prompt service to the customers, Employees of the bank should always willing to help customers, Banks should reply in any query of the customers.

**Assurance** – It consists when customers have problem, Banks should be sympathetic and reassuring, customers should feel safe in transaction with private banks, and customers can trust employees of the banks.

**Empathy** – It covered employees get adequate support from the bank employees to do their jobs well, operating hours are more convenient to all their customers.

**AN ANALYSIS OF SERVICE QUALITY GAP FOR PRIVATE BANKING COMPANIES**

The SERVQUAL model is a multi-item scale developed to assess customer perceptions of service quality in service and retail businesses. The scale decomposes the notion of service quality into five constructs as follows: Tangibles, Reliability, Responsiveness, Assurance and Empathy. It bases on capturing the gap between customers’ expectations and perceptions which could be negative or positive if the expectation is higher than experience or expectation is less than or equal to experience respectively.

$$\text{SERVQUAL} = \text{Gap Score} = \text{Perceptions} - \text{Expectation}$$

TABLE 1

## SERVICE QUALITY GAP OF SAMPLE BANKS

Service Quality Dimension	Perception (P)	Expectation (E)	Gap Score (P) – (E)	Weight (%)	Weighted SERVQUAL Gap Score	Null Hypothesis	Rank
(1)	(2)	(3)	(4)	(5) = (GS/ $\sum GS$ x100)	(6) = (4 x 5) / 100	(7)	(8)
<b>City Union Bank (N = 30)</b>							
Tangible	2.90	4.33	-1.43	17.60	0.252	Rejected	2
Reliability	2.60	4.33	-1.73	21.30	0.368	Rejected	3
Responsiveness	3.16	4.33	-1.17	14.40	0.168	Rejected	1
Assurance	2.40	4.44	-2.04	25.10	0.512	Rejected	5
Empathy	2.57	4.33	-1.76	21.60	0.380	Rejected	4
Overall	2.72	4.35			0.336		
<b>TMB (N=30)</b>							
Tangible	2.90	4.30	-1.40	17.90	0.250	Rejected	2
Reliability	2.54	4.32	-1.78	22.70	0.404	Rejected	4
Responsiveness	3.13	4.33	-1.20	15.30	0.183	Rejected	1
Assurance	2.60	4.45	-1.85	23.60	0.436	Rejected	5
Empathy	2.70	4.30	-1.60	20.40	0.327	Rejected	3
Overall	2.77	4.34					
<b>IDBI (N =30)</b>							
Tangible	3.30	4.20	-0.90	13.50	0.121	Rejected	1
Reliability	2.85	4.23	-1.38	20.70	0.286	Rejected	3
Responsiveness	3.00	4.08	-1.08	16.20	0.175	Rejected	2
Assurance	2.40	4.30	-1.90	28.50	0.541	Rejected	5
Empathy	2.85	4.25	1.40	21.00	0.294	Rejected	4

Overall	2.88	4.21			0.283		
<b>IDBI ( N =30)</b>							
Tangible	3.30	4.20	-0.90	13.50	0.121	Rejected	1
Reliability	2.85	4.23	-1.38	20.70	0.286	Rejected	3
Responsiveness	3.00	4.08	-1.08	16.20	0.175	Rejected	2
Assurance	2.40	4.30	-1.90	28.50	0.541	Rejected	5
Empathy	2.85	4.25	1.40	21.00	0.294	Rejected	4
Overall	2.88	4.21			0.283		
<b>ICICI (N =30)</b>							
Tangible	2.67	3.95	-1.28	19.60	0.251	Rejected	3
Reliability	2.61	3.77	-1.16	17.80	0.206	Rejected	2
Responsiveness	3.08	4.05	-0.97	14.90	0.144	Rejected	1
Assurance	2.38	4.16	-1.78	27.20	0.484	Rejected	5
Empathy	2.42	3.76	-1.38	20.50	0.274	Rejected	4
Overall	2.63	3.94			0.272		

Source : Primary data

### **CITY UNION BANK**

It can be seen that in case of City Union Bank, the gap for tangibles (-1.43), reliability (-1.73), responsiveness (-1.17), assurance (-2.04), empathy (-1.76) is negative, which shows that perception are less expectations for all other parameters. The City Union Bank is performing the first place in case of the Responsiveness (0.168) it terms that Bank should provide prompt service to the customers, employees are always willing to help customers, etc.

The bank is performing the second best in case of tangible (0.252) in terms of instrument facilities provided by banks, Neat appearance of employees, convenient working hours are provided by the banks etc. followed by reliability (0.368) in terms of bank should be dependable. Bank shows sincere interest in solving a problem. Bank should keep their records accurately, followed by empathy (0.380) in terms of employees get adequate support from bank to do their jobs well. bankers should give individual attention to the customers etc. followed by Assurance (0.512) in terms of customers should feel safe in transaction with banks, clients can trust employee of their bank, employee of bank should be polite etc. The overall weighted service quality gap score for City Union Bank is 0.336.

**TAMIL NADU MERCANTILE BANK**

In the case of Tamil Nadu Mercantile Bank also the gap is negative for all the dimensions. The gap for Tangible (-1.40), Reliability (-1.78), Responsiveness (-1.20), Assurance (-1.85), Empathy (-1.60) are all negative which shows that perception are less than expectations for all other parameters. Hence, the null hypothesis is rejected. The qualities of services of Tamil Nadu Mercantile Bank in all five aspects are not satisfied.

**INDUSTRIAL DEVELOPMENT BANK OF INDIA**

In the case of industrial development bank of India limited has perceptions of its customers for its Assurance (-1.90), Empathy (-1.40), Reliability (-1.38), dimensions have high negative gap score compared to other dimensions. It shows service quality gap is negative and the customer's perceptions are highly less than what they expected. The Bank performing always is not well on; we concluded that the in all Bank's performance dimensions are not satisfied to their respondents. The overall weighted service quality gap score is 0.283.

**ICICI Bank**

In case of ICICI bank performing the perception of its respondents in gap score for Tangible (-1.28), reliability (-1.16), responsiveness (-0.97), Assurance (-1.78), Empathy (-1.34) its all gap score are negative. Hence, the null hypothesis is rejected. The perceptions are less than expectations for all other parameter. Which is not satisfied their customer's perception and expectations of their respondents in all dimensions of private Banks.

**ANALYSIS OF DIFFERENT DIMENSIONS OF SERVICE QUALITY IN PRIVATE BANKS**

The responses were collected on five dimensions of service quality namely; assurance, tangibility, reliability, responsiveness, and empathy for all the 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 (annexure), 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.

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 2. As depicted in the table, it is clearly indicated that assurance has the highest score of 2.60.



**TABLE 2**  
**ASSURANCE DIMENSION IN BANKS**

Banks	Assurance Factor	Ranks
City Union Bank	2.40	2.5
Tamil Nadu Mercantile Bank	2.60	1
IDBI	2.40	2.5
ICICI	2.38	4
Mean	2.45	

The comparison between the individual bank scores and average scores indicates that the calculated mean value is 2.45, which is less than the Average; it is the City Union 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 indicates that the scored the highest value of 2.60. It is followed by City Union Bank, IDBI Bank with a score of 2.40. Last among all is ICICI Bank with a score of 2.38. The analysis of the scores clearly depicts that, one of the banks in the sample viz. has the scores higher than 2.45, which represents more than satisfactory perception of consumers. On comparing the individual scores with the average mean score, it can be said that have higher than average scores; whereas ICICI bank have values lesser than average.

**TABLE 3**  
**TANGIBILITY DIMENSION IN BANKS**

Banks	Tangibility Factor	Ranks
City Union Bank	2.90	2.5
Tamil Nadu Mercantile Bank	2.90	2.5
IDBI	3.30	1
ICICI	2.67	4
Mean	3.10	

The comparison between the average score of Tangibility factor and individual scores, it can be concluded that the IDBI banks have a positive perception (3.30). However, the IDBI bank has the score more than the average score. This can be interpreted as the bank has a potential to lead in terms of tangibility.

**TABLE 4**  
**EMPATHY DIMENSION IN BANKS**

Banks	Empathy Factor	Ranks
City Union Bank	2.57	3
Tamil Nadu Mercantile Bank	2.70	2
IDBI	2.85	1
ICICI	2.42	4
Mean	2.64	

The comparison between the individual bank scores and average scores also indicates that the calculated mean value is 2.64, which is less than the IDBI Bank and Tamil Nadu Mercantile 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 4) indicates that the IDBI Bank has scored the highest value of 2.85. It is followed by Tamil Nadu Mercantile Bank with a score of 2.70, City Union bank follows them with an empathy value of 2.57 and last among all is ICICI Bank with a score of 2.42.

The analysis of the fourth dimension of service quality i.e. responsiveness indicates that the dimension has a lot of significance in the service quality, City Union Bank has scored a very high value among three of the four banks under study. It is only the ICICI bank, for which the score has been the lowest. Among the other banks, it is again the City Union Bank, which has the highest value of 3.16, followed by Tamil Nadu Mercantile Bank at 3.13. IDBI is at the third place with a score of 3.00.

**TABLE 5**  
**RESPONSIVENESS DIMENSION IN BANKS**

Banks	Responsiveness	Ranks
City Union Bank	3.16	1
Tamil Nadu Mercantile Bank	3.13	2
IDBI	3.08	3
ICICI	3.00	4
Mean	3.10	

The average mean score for responsiveness has been worked at 3.10. On comparing the individual values with the average mean, it can be concluded that again all the three banks except ICICI bank have values higher than average scores.

**TABLE 6**  
**RELIABILITY DIMENSION IN BANKS**

Banks	Reliability	Ranks
City Union Bank	2.60	3
Tamil Nadu Mercantile Bank	2.61	4
IDBI	2.85	1
ICICI	2.54	2
Mean	2.65	

The comparison between the individual bank scores and average scores also indicates that the calculated mean value is 2.65, which is less than the IDBI Bank followed by Tamil Nadu Mercantile Bank.

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 IDBI have been higher in comparison to other banks.

**TABLE 7**  
**CONSOLIDATED STATEMENT FOR DIMENSION OF BANKS**

Banks	Private Sector	Ranks
Reliability	2.65	3
Responsiveness	3.10	1.5
Assurance	2.45	5
Empathy	2.64	4
Tangibility	3.10	1.5
Mean	2.80	

The analysis of the private sector banks clearly identifies Responsiveness and tangibility as the most relevant factor of quality perception, as it has the highest value among the dimensions. Assurance 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 private 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 private sector banks enjoy a better quality perception among their customers.

## **CONCLUSION**

In today's competitive world, service quality has become an important aspect to retain the customers, not only to grow but also to serve. A major contribution of this study is the provision of an approach for the managers to identify the factors of service quality and customer satisfaction in Private Banks in the study area. Customer service is the critical success factor in a bank and providing top notch customer service differentiates great customer service from indifferent customer service, therefore it is found that high negative service quality gap, is certainly not a good sign for the bank's ambitions. Customers of the bank do not perceive the expected service quality levels. Bank's service quality delivery gap is comparatively high on human element, social responsibility and systemization of service fronts is a matter of concern for the bank. They have low score for reliability dimension is not a good signal for them. They need to focus on the reliability part, and at the same time, since they are good at tangibles, they should leverage it for their rapid growth. Assurance is also one area they need to focus, so that customers can be satisfied. The perception of customers is that bank employees can use technology to solve their problems, helping to develop a sense of trust and satisfaction that is likely to extend their relationship.

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