

Service Quality Dimensions- A Gap Score Analysis of Public Sector & Private Sector Banks in Punjab

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Abstract

Today, banks have become from mere agent between borrowers and lenders to providers of customer centric services. Intensified competition, educated customers and increased living standards are compelling banks to review their consumer service strategy. The objective of the present study is to assess the gap between quality of services provided by public vis-a- vis private banks to their customers. Two private bank branches (ICICI Bank & HDFC Bank) and two public bank branches (SBI & PNB) are selected. Structured questionnaire were used to gather relevant data for the study. The services of the banks were defined on popular SERVQUAL model: Tangibles, Assurance, Responsiveness, Empathy and Reliability, to determine the level of gaps and satisfaction derived from the services. The analysis of collected data is done by calculating mean score gaps and paired sample t-test. The study concludes that there is significant gap in service quality of public and private sector banks.

Keywords: *Service Quality, Gap Score Analysis, Public Sector Banks & Private Sector Banks*

Introduction

It is a known fact that no business can exist in isolation. It needs customers for its existence. Similarly, banking industry has to deal with customers and render various types of services to customers. Banks act as a backbone of economic development and an effective customer service serves as a centre to all the business activities. Banks inculcate the habit of saving and investments amongst its customers. Like many other financial service industries, banking is also facing numerous challenges ranging from fierce competition, economic uncertainties, changing market, new technologies, and educative customer demanding many facilities. Banking, being customer oriented industry, has to take many creative steps to satisfy its customers. Changing customer needs and expectations has resulted in change in the banking industry. This has resulted in the advancement in the operations of banks with the introduction of ATMs, phone banking, internet banking etc. Banks aim at providing all kinds of products and services under one roof and serve its customer in a better and effective manner. With the emergence of economic reforms in world in general and in India in particular, today's banks have come up in a big way with prime emphasis on technical and customer focused issues. Customer satisfaction, a business term, is a measure of how products and services supplied by a company meet or surpass customer expectation. It is seen as a key performance indicator within business. In a competitive

marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy.

Review of Literature

Ananda and Sonal (2017) The purpose of the study is to examine the level of customer satisfaction on service quality in the perception of retail banking customers in Oman. The service quality of the banks is assessed under five dimensions with 25 different attributes. The primary data were collected through a structured questionnaire from 152 respondents chosen using the 'snowball' method. The research design is quantitative and the five-dimensional SERVQUAL model was used to examine the service quality gaps between customers' expectation and perception. The effect of service quality dimensions on customer satisfaction was estimated using descriptive statistics, one sample *t*-tests, and correlation and regression analysis techniques. The results of the study revealed that expectation of customers was higher than their perception under all five service quality dimensions. The highest and the least service quality gap was found in the dimension of 'empathy' and 'tangibility', respectively. The findings indicate that all five service quality dimensions of the study exert a positively significant effect on customer satisfaction.

Kumar (2017) This study deals with to know the service quality gaps in Rohtak city Haryana. This study is also suggested that what the factors responsible for the gaps and how to fill this gap. In this study researcher has taken one hundred respondents from State bank of India in Rohtak district Haryana. The sample of one hundred customers is taken randomly. The score of perception shows that what is the existing status of customer in Rohtak district and expectation shows that what are the needs or what the customer are expecting from banks. The result suggests that what ways to overcome the problems.

Sai and Vinay (2015) This paper attempted to make a comparative analysis of level of customer satisfaction towards the services provided by YES Bank and UCO bank. The study has been conducted in Warangal city based on questionnaire method and a sample of each 30 customers and employees of respective banks has been selected using convenient sampling method. The servqual model analysis is conducted with its all five service dimensions and Gap analysis. This study concludes that private sector banks are more preferred by majority of the customer as they emphasize more upon relationship building with their clients and are better equipped with modern infrastructure as compared to public sector banks.

Qadri (2015) The study was carried with the objective of understanding the level of gap exists between expectation (excellent bank) and perception (experience bank) among the banking customer in Pakistan in the content of service quality. This study is measuring service quality by using SERVQUAL- a perceived service quality questionnaire methodology. SERVQUAL examines five dimensions of service quality, responsiveness, assurance, empathy, tangible and Reliability. For each dimension of service quality measures both the perception and expectation of the service on a scale of 1 to 7, total questions in the questionnaire are 22. Through Gap

analysis Gap score is calculated by subtracting the perception score from expectation score. A negative Gap indicates that the actual service is less than what was expected and the GAP is highlighted area for improvement. Convenience sample of 250 public and private bank's account holders in Pakistan was used to collect the data. The finding of this study showed there is very huge Gap exists between excellent bank (expectation) and account holder experience (perception) bank in Pakistan with the regards of service quality. Finding of this study is help to minimize the GAP that was exist between excellent bank and account holder experience bank in Pakistan. This study used the word excellent bank because no bank in Pakistan up to the expectation of the account holders.

Rathee et.al. (2014) This study dealt with service quality gaps in banks as after nationalisation of several commercial banks competition was restricted but with the entry of new generation tech-savvy private banks the banking sector has become too competitive. For comparative purposes, five service quality dimensions are used i.e. tangibility, reliability, assurance, responsiveness and empathy. The 22 items SERVQUAL scale based on gap model proposed by Parasuraman, Zeithmal and Berry was used. A sample size of 100 was taken using quota sampling. Gap analysis was applied to find the gaps between expected and performed service in private banks of NCR using SPSS version 20 to find difference between male and female perception and expectation. The study provided an insight into which attributes of service quality in private bank were most important in providing satisfaction to customers and areas where significant gaps existed. It is concluded that the highest gap was found in the dimension of reliability and empathy and few suggestions have been provided to improve on these factors.

Devi et.al. (2014) The aim of this paper is to assess the service quality of the products in the Mauritian Banking Sector. A sample of 110 respondents from different areas was used for this project. The SERVQUAL Model was used to carry out the analysis. The study focused on five service quality dimensions, namely; tangibility, reliability, responsiveness, assurance and empathy. The results show that expectations of customers are higher than perceptions indicating that in general customers are disappointed with service quality level. Reliability and empathy were the two factors having the highest gap. Further it was observed that tangibility had the lowest gap showing that customers are mostly satisfied with the way staffs are dressed, appearance and facilities of the banks. It was found that Self Employed respondents and respondents earning 0-8000 were satisfied of bank's staffs approach to answer questions, and speed of which problems are dealt. However respondents in higher income groups are unsatisfied with banks' services. This paper contributes to the existing literature on service quality in the Mauritian banking sector.

Ananth et.al. (2011) The present study evaluates the customer perceptions of service quality in selected private sector banks. Data was collected from 200 customers of Private Sector Banks using structured questionnaire. Gap analysis and Multi regression were used for analysis of data. The result shows that the dimension of service quality such as Empathy and Accessibility has more gap, as the customer expectations are high to their perceived service. The result also indicates that Empathy-Reliability-Assurance positively influences the service quality. The study

implies that bank should reduce the service gap to deliver superior quality of service to retain existing customers as well as to attract new customers.

Kumbhar (2011) The aim of this paper was to provide a preliminary comparative investigation of the customer satisfaction in ATM service of public and private sector banks in India. For this investigation primary data was collected from 150 respondents of public and private sector banks through a structured questionnaire. Collected data was analyzed according to the objectives of the present research and result of the statistical analysis indicates that private sector banks are providing more satisfactory ATM service as compared to public sector banks. Empirical evidences indicates that customers perception about Efficiency, Security and Responsiveness, Cost Effectiveness, Problem Handling and Compensation and Contact service related to ATM service is low in both public and privates sector banks (ranging between 3.00 to 3.50). Therefore both types of banks should aware about these aspects of ATM service to enhance customers' satisfaction

Sudesh (2007) The study revealed that poor service quality in public sector banks is mainly because of deficiency in tangibility, lack of responsiveness and empathy. Private sector banks, on the other hand, were found to be more reformed in this regards. Above all, the foreign banks were relatively close to the expectations of their customers with regard to various dimensions of service quality. Further, the study revealed that there existed service quality variation across demographic variables and suggested that management of banks should pay attention to potential failure points and should be responsive to customer problems.

Research Methodology

“SERVQUAL” is a method which is widely used to assess the service quality of the organisation. It helps to identify the gaps between what customers expected from an excellent product or service provider and what they perceive the service to be from their current suppliers of that product and service. The SERVQUAL is first used by the well-known author Parasuraman et.al, (1988) to understand the gaps between perceived and expected quality of service organisations. The questionnaire as used by Parasuraman et. al., (1988) has been modified and used here with 22 statements under 5 dimensions. After the careful reviewing the literature, a five service quality dimensions questionnaire was developed to measure service quality of Public sector Banks (State Bank of India and Punjab National Bank) and Private sector banks (ICICI and HDFC bank). Each question was based on a 5-point Likert scale as shown below:

1 = Strongly Agree, 2 = Agree, 3 = Neutral, 4= Disagree, 5 = Strongly Disagree

In order to measure the level of service delivery, the five scale dimension was selected. It includes: tangibles, empathy, responsiveness, reliability and assurance (Parasuraman et. al., 1988). The performance of the services delivered was measured by the customer's expectation and perception of the SERVQUAL dimensions. Descriptive statistics were used on the responses from the customers to undertake the needed measurements. The quality gap according to

Parasuraman et.al., (1988) is the difference between perception (P) and expectation (E). ($Q = P - E$).

When Q is positive it implies customers are satisfied and when negative dissatisfied

Results & Discussions

Tangibility Dimension

Tangibility includes appearance of physical facilities, equipment, appearance of personnel, and communication materials, descriptive statistics were taken based on the expectation and the perception of the customers of the bank.

Table: 1 Service Dimension Gap for Tangibility						
Perception			Expectation			P-E
Tangibility	P (Private banks)	P (Public banks)	Tangibility	E	Gap Score Private	Gap Score Public
Does the bank have modern looking equipment	8.15	4.77	Excellent banking companies will have modern looking equipment	8.18	-0.03	-3.41
Are the Bank's physical facilities visually appealing	7.73	4.56	The physical facilities at excellent banks are visually appealing	8.34	-0.61	-3.78
Are the Bank's reception desk employees neat and professionally appearing	4.94	4.59	Employees at excellent banks will be neat and professionally appearing	4.61	0.33	-0.02
Are the physical facilities associated with the service (such as pamphlets or statements) visually appealing	6.91	4.67	Physical facilities associated with the service (such as pamphlets or statements) will be visually appealing at an excellent bank	6.74	0.17	-2.07
Average	6.93	4.65		6.97	-0.04	-2.32

Source: Primary Survey, 2017

From Table 1 the average scores (mean) are moderate in relation to the scale of measurement of public sector banks (State Bank of India and Punjab National Bank) while the average scores is relatively high of private sector banks (ICICI bank and HDFC bank). This means that customers consider visually appealing physical facilities; efficient equipment and personnel communication are relatively higher between in private sector banks as compared to public sector banks. Furthermore, it is interesting to note that the mean value of private sector banks is higher than public sector banks. It means that the gap between perceived and expected service quality is very low and negative in case of private sector banks as compared to public sector. Customers are very much interested in the modern looking equipment, neat and professionally dressed reception desk employees, physical facilities of private banks as compared to public sector banks

Clearly, it has been shown from Figure 1 that, in terms of tangibility, as the customers were expecting the bank to provide a service quality level of 6.97 while the perceived service quality is lower in both private and public sector banks. However, private sector banks are performing better than public sector banks in terms of tangibility of their services.

Reliability Dimension

Reliability dimension is one of most important parameter while assessing service quality of any organization. It refers to the ability of the organization to perform the promised service dependably and accurately to its customers. On the issue of reliability of the services delivered by public and private banks were measured at five items.

The mean scores of the items are explained in the table 2 for both expectation and perception. It shows that private banks are performing better than public banks on various parameters such as promises, sympathetic, service at right time and error free services. Out of five items private sector banks fulfil their promises on time and their average score is 8.62, which is the best score. While private banks are good in providing error free services to their customers and scored 9.19. However, it is pertinent to note that the gap between perceived and expected service quality in reliability parameter is low in private banks in comparison to public sector banks. This indicates that there is ample scope for improvement for public banks in case of reliability.

Table: 2 Service Dimension Gap on Reliability

	P (Private banks)	P(Public banks)	Reliability	E	Gap Score Private banks	Gap Score Public banks
When the bank promises to do something by a certain time, it does so	8.89	4.61	When excellent banks promise to do something by a certain time, they do	8.89	0.00	-4.28

When you have a problem your bank shows a sincere interest in solving it	9.15	4.68	When a customer has a problem, excellent banks will be sympathetic and reassuring	9.18	-0.03	-4.50
Does the bank performs the service right the first time	8.98	4.63	Excellent banks will perform the service right the first time	9.08	-0.1	-4.45
Does the bank provide its service at the time it promises to do so	6.88	4.78	Excellent banks will provide the service at the time they promise to do so	3.38	3.50	1.40
Does the bank insist on error free records	9.19	4.75	Excellent banks will insist on error free records	4.61	4.58	0.14
Average	8.62	4.69		7.03	1.59	-2.34

Source: Primary Survey, 2017

As shown in figure 2, as customers were expecting a service quality level of 7.03, the public and private bank was rather delivering a service quality level of 8.62 and 4.69 respectively. Private Banks are exceeding expectations of their customers and this indicates that, service delivery is satisfactory particularly in case private banks on important dimension of reliability. On the other hand in case of public sector banks expectations are falling short of perceived service quality indicating that service delivery is unsatisfactory. In the context, Hussar (2000) stated that the increasing rate of technology growth, has affected the expectations of customers from their service providers thereby affecting service quality.

Responsiveness Dimension

Responsiveness is defined as the willingness or readiness of employees to provide service. It involves timeliness of services (Parasuraman et al., 1985). It includes a wide range of things such as needs and wants of the customers, convenient operating hours, individual attention given by the staff, attention to problems and customers' safety in their transaction. The average mean score for private banks is 4.65 and 2.30 for public banks. It is lower than expected mean score of 4.63 in case of public banks and higher in case of private banks. However, it is relevant to note

that private banks are doing well in terms their performance on responsiveness to their customers.

Table: 3 Service Dimension Gap on Responsiveness

Responsiveness	P (Private banks)	P(Public banks)	Responsiveness	E	Gap Score Private banks	Gap Score Public Banks
Do the Employees in the bank tell you exactly when services will be performed	4.63	2.28	Employees of excellent banks will tell customers exactly when services will be performed	4.59	0.04	-2.31
Do the Employees in the bank give you prompt service	4.59	2.30	Employees of excellent banks will give prompt service to customers	4.54	0.05	-2.24
Are employees in the bank always willing to help you	4.59	2.31	Employees of excellent banks will always be willing to help customers	4.59	0.00	-2.28
Employees in the bank are never too busy to respond to your request	4.49	2.27	Employees of excellent banks will never be too busy to respond to customer's requests	4.48	0.01	-2.21
Does the behaviour of employees in your bank will instil confidence in you	4.95	2.34	The behavior of employees of excellent banks instill confidence in customer	4.93	2.61	-2.59
Average	4.65	2.30		4.63	0.02	-2.33

Source: Primary Survey, 2017

By and large, it is clear that the public sector banks are failed to meet the expectation of the customers as shown in figure 3. Private sector banks are able to meet the expectation to greater extent. The increasing difference in expectation and perceived value of responsiveness is matter of great concern for public sector banks in changing globalized scenarios. The increasing competition in banking industry may create further pressure on public sector banks to improve their performance.

Assurance Dimension

Parasuraman et. al., (1985) defined assurance as knowledge and courtesy of employees and their ability to inspire trust and confidence. It is an important dimension of service quality and it also helps us in understanding the knowledge and courtesy of employees and their ability to inspire trust and confidence. The descriptive statistics on the assurance shows that perception value is lower than expectation value. Private Banks are able to perform slightly well as compared to public sector banks. The average of private and public sector banks is 3.69 and 2.34 respectively. In specific items such as courtesy and knowledge, private banks are doing well as compared to public sector banks.

Table 4: Service Dimension Gap on Assurance

Assurance	P (Private banks)	P(Public banks)	Assurance	E	Gap Score Private Banks	Gap Score Public banks
Do you feel safe in your transactions with the bank	4.60	2.38	Customers of excellent banks will feel safe in transaction	4.56	0.04	2.22
Do Employees in your bank are consistently courteous with you	4.54	2.32	Employees of excellent banks will be courteous with you	4.53	0.01	-2.21
Do the employees in the bank have the knowledge to answer your questions	4.55	2.34	Employees of excellent banks will have the knowledge to answer customers'' questions	4.57	-0.02	-2.23
Do your bank gives you individual	2.37	2.40	Employees of excellent banks give	4.46	-2.09	-2.06

attention			individual attention			
Do your bank has employees who give you personal attention	2.37	2.28	Employees of excellent banks give personal attention	4.45	-2.08	-2.17
Average	3.68	2.34		4.51	-0.83	-2.17

Source: Primary Survey, 2017

On the gap analysis, respondents were expecting a service quality level of 4.51 per cent they were of the opinion that, they were receiving a service quality of 2.34 (public sector banks) and 3.68 (private sector banks). The service quality gaps of -0.83 and -2.17 in both private and public sector banks. This shows a general dissatisfaction on the assurance dimension.

Empathy Dimension

It is defined as caring, individualized attention the firm gives to its customers. It includes giving customers individual attention and employees who understand the needs and expectation of their customers. For empathy dimension, seven items were analyzed. Results indicate that private banks are able to perform much better than public banks. The average mean score for private and public banks was 9.06 and 2.99 and the average mean score for expectation is 4.47. This indicates that private banks concentrate more empathy dimension vis a vis public banks.

Table 5: Service Dimension gap on Empathy

Empathy	P (Private banks)	P(Public banks)	Empathy	E	Gap Score Private banks	Gap Score Public banks
Do the employees of the bank understand your specific needs	9.04	2.31	The employees of excellent banks will understand the specific needs of their customers	4.47	6.73	-2.16
Does the bank have your best interest at heart	9.12	2.29	Excellent banks will have their customer's best interests at	4.53	4.59	-2.30

			heart			
Does the bank have convenient banking hours	9.01	4.37	Excellent banks will have convenient banking hours	4.42	4.59	-0.05
Average	9.06	2.99		4.47	4.59	-1.60

Source: Primary Survey, 2017

As indicated in Figure 5 as customers were expecting a service quality level of 4.47 public sector banks are giving a service quality level of 2.99 falling short of -1.60 of their expectations. Average score in case of private banks is 9.06 highly exceeding the expectations by 4.59 therefore providing satisfactory services.

Table 6: Paired Samples t-test for Private Sector Banks

	Paired Differences					
	Mean	Std. deviation	Std. Error Mean	t-value	d.f.	p-value(two tailed test)
Pair 1 PBs Tangibles P PBs Tangibles E	-0.35	2.295	0.163	-2.16	198	.829
Pair 2 PBs Reliability P PBs Reliability E	.015	1.679	.119	.126	199	.900
Pair 3 PBs Responsiveness P PBs Responsiveness E	.100	1.534	.108	.922	199	.358
Pair 4 PBs Assurance P PBs Assurance E	-4.42	2.438	.172	-25.613	199	0.000
Pair 5 PBs Empathy P PBs Empathy E	-.090	1.131	.080	-1.126	199	.262

Source: Calculated Values

For t-test if p-value (significance) value is less than 0.05, alternative hypothesis is accepted. For Private sector banks, value for assurance is less than 0.05, so alternative hypothesis is accepted for these dimensions that there is significant service quality gap for tangibility, reliability, responsiveness and empathy. Moreover service quality gap is negative for tangibility, assurance and empathy that service quality perception is less than the quality expected. P-value in case of private sector banks is greater than 0.05 in case of tangibility, reliability, responsiveness and empathy. It means that there is no significant service quality gap for these dimensions

Table 7: Paired Samples t-test for Public Sector Banks

	Paired Differences					
	Mean	Std. deviation	Std. Error Mean	t-value	d.f.	p-value(two tailed test)
Pair 1 PSBs Tangibles P PSBs Tangibles E	-4.653	2.249	1.59	29.193	198	.000
Pair 2 PSBs Reliability P PSBs Reliability E	-9.864	2.445	1.73	56.921	198	.000
Pair 3 PSBs Responsiveness P PSBs Responsiveness E	-11.684	2.361	1.67	69.608	198	.000
Pair 4 PSBs Assurance P PSBs Assurance E	-11.11	2.794	1.98	56.098	198	.000
Pair 5 PSBs Empathy P PSBs Empathy E	-4.774	1.656	.117	40.672	198	.000

Source: Calculated Values

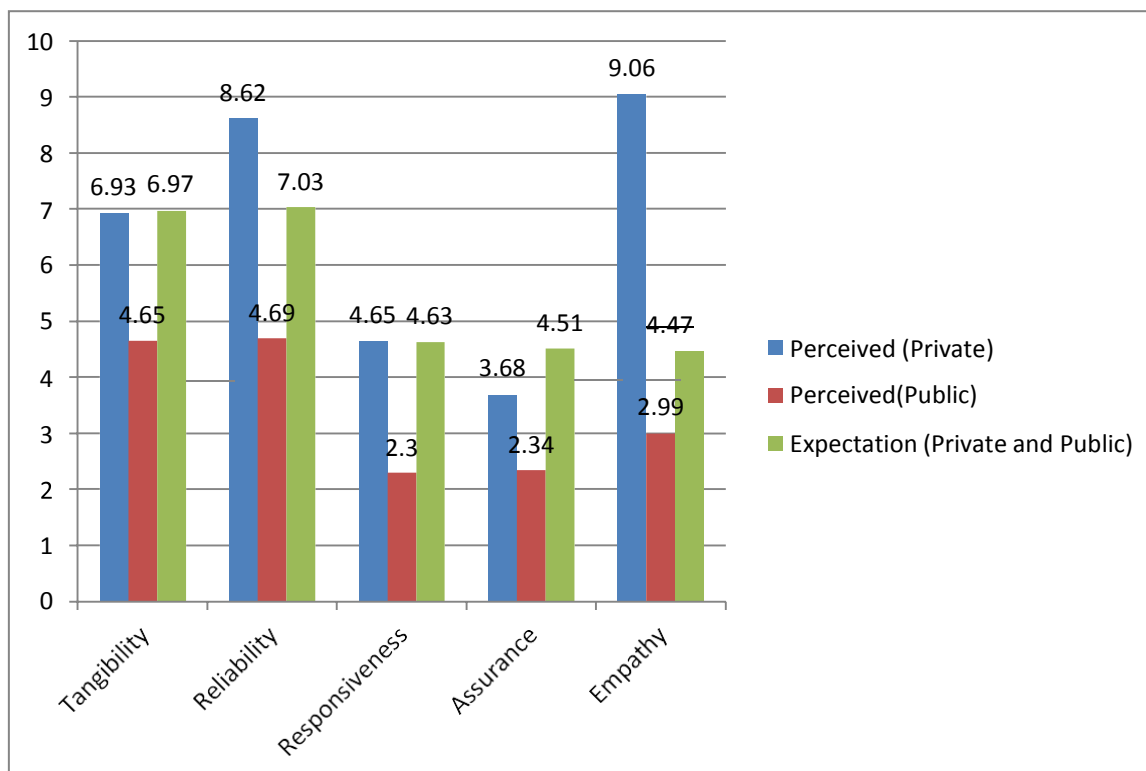
As indicated in table 7, for Public sector banks, p-value for all dimensions of service quality is less than 0.05. Therefore, alternative hypothesis is accepted for all the dimensions. It means there are significant service quality gaps for all the dimensions.

From the mean analysis and hypothesis testing, service quality for Public sector banks is negative for all the dimensions namely tangibility, reliability, responsiveness, assurance, empathy that means service quality perception is less than the quality expected.

Comparison of Overall Service Delivery Gaps of Service Quality

To achieve one of important objective for the study, the overall comparison is important to understand the gaps of service quality in public and private banks. It helps in understanding the trends of the gap analysis for each of service quality dimensions. It is worth noting that the service delivery gaps for perception and expectation are significant in both public and private sector banks as given in pictorial representation.

Figure 1: Comparison of Overall Service Delivery Gaps of Service Quality



Source: Primary Survey, 2017

As shown in Figure 1, the gap for tangibility, reliability, responsiveness, assurance and empathy significant in case of public banks. The performance on these indicators brings important insights about the service quality delivered by banks to their customers. The data raises serious concerns on the performance of public banks while competing with private sector banks. In changing global economic scenario, it is important for banks to work proactively on their service quality dimension for their long run sustainability. Otherwise, they will be out of the market in the highly competitive world.

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