

Correlates of Service Quality in Public and Private Sector Banks

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Abstract

This is an empirical research paper which examined the demographic pattern of the customers using services at private and public sector bank and to know that how much banks focuses on correlates of service quality which plays prime role in customer satisfaction and loyalty. Survey was conducted on 200 customers to know the correlates. It is found that customers prefer reputed bank providing quick and effective services. SBI leads among Public sector banks and ICICI among Private Sector Banks. The Private Banks make their customers more aware about the grievance redressal system, about additional products, complaints status. Private Banks seem to have satisfied its customers with good services and they have been successful in retaining its customers by providing better facilities than Public sector Banks. But still Private Banks need to go a long way to become customer's first preference. Public sector banks enjoy the trust of the customers, which they have been leveraging to stay in the race however they need to improve their service quality by improving their physical facility, infrastructure and giving proper soft skill trainings to their employees.

Key words: Service correlates, grievance redressal system, additional bank products

Prologue

There always been a debate on the correlates of service quality in banks from more than two decade. This study has made an attempt to determine the whether the correlates of service quality has imperative impact on the customer satisfaction and loyalty in the banking sector. Today every bank is providing gamut of products and services to their customers. (Parasuraman et al. 1988) defined perceived service quality as "global judgment, or attitude, relating to the superiority of the service". Therefore it is also very important to study the different correlates of service quality and their role in customer's satisfaction and loyalty in Indian Banking Industry. (Asubonteng et al..., 1996) defined service quality as the difference between customers' expectations for service performance prior to the service encounter and their perceptions of the service received.

Review of Literature

Satisfaction is the outcome of good services delivered on time.

(Zeithamal et al., 2008) developed a conceptual model that correlates Service Quality, Customer Satisfaction and Customer Loyalty in one frame. According to the model, service quality is the outcome of reliability, assurance, responsiveness, empathy and tangibles. Customer satisfaction is influenced by the quality of service & product and price as well as the situational and personal factors. There always exists a relationship between the satisfaction and loyalty of the customer. More the satisfaction more will be the loyalty of customers. (Siddiqi, 2011) find the interrelationships between service quality, customer satisfaction and customer loyalty in the retail banking sector in Bangladesh. The study sought to identify the most important attributes in bank settings, which may be used to review characteristics of the banks as experienced by customers. But for better satisfaction there is a need of strong bondage between the employee as well as customer, (Rao and Bhatnagar, 2012) said that there is a strong need of bondage between employee and customer in the nationalised bank as customers are not satisfied with the employee behavior and infrastructure, while private bank customers are not satisfied with high charges, accessibility and lack of opaqueness in terms and conditions. Now a day's all banks are providing similar product, so to different and to capture market share there is need of continuous unique change (Bhatnagar, 2015) all banks are providing almost similar products and services to satisfy their customers completely. Continuous metamorphosis of bank leads to more increase in customer base of private sector bank in comparison to public sector bank as well as positive impact on the profits of the bank. (Thakur S, 2011) It is equally important that a customer experience the "Wow Effect" that only superior customer service can deliver – a business that caters to their customer need well inevitably gain the loyalty of their custom

Rationale of the Study

This empirical study attempts to find out the demographic pattern of customers using services and to find out bank focus on different correlates of service quality like complaints, grievance redressal system, services at doorstep etc on customer loyalty and satisfaction. All these correlates are equally responsible in making customers satisfied. Hence the findings of study would enable banks to formulate more rigorous strategies regarding improvement in the correlates services delivery. Management should give equal emphasis to these correlate in order to deliver service standard.

Methodology and Research Design

This study basically emphasis on the shift in the banking industry after the financial sector reforms. The purpose of this study is to determine the focus of public and private sector banks on service correlates. A research design is the

arrangement of condition for collection and analysis of data in a manner that aims to combine relevance to the research purpose with the economy in procedure. The study falls under the category of descriptive research study. In order to achieve the above objectives researcher used both primary and secondary information. Questionnaires were designed and distributed to different customers across the Udaipur city. The questionnaire we prepared and used had been pre-tested initially with few customers to ensure consistency and relevance of the questionnaire. Minor changes requested by those people were implemented before final distribution. A total of 200 useable responses were obtained.

Hypothesis Development

In order to conduct a controlled experiment and empirical study of the facts following one null hypothesis has been developed:-

Ho1: Additional product offered to customers of private and public sector banks does not differ significantly.

Ho2: Services provided at doorstep to the customers of private and public sector banks does not differ significantly.

Ho3: The grievance made by customers of private and public sector banks does not differ significantly.

Ho4: The grievance made by customers of private and public sector banks does not differ significantly.

Ho5: Complaints made by customers of private and public sector banks does not differ significantly.

Ho6: The status of complaints made by customers of private and public sector banks does not differ significantly.

Sampling Technique and Size

Simple random sampling or probability sampling technique is used to select the sample. Under this sampling design, every item of the universe has an equal chance of inclusion in the sample. In the study simple random sampling method has been used. Respondents includes existing customers who belong to 5 reputed public sector bank i.e. SBI and associates, Punjab National Bank, Oriental Bank of commerce, Union Bank of India, Corporation Bank and 5 private sector bank ICICI Bank, HDFC Bank, Axis Bank, Kotak Mahindra Bank, Yes Bank of Udaipur district. Respondents are those who already have their account in that particular bank and are of different age, sex, religion, profession and family background.

Collection of primary data: Structured questionnaire for customers are prepared. Questionnaire has close ended and open ended questions. It is divided into 2 parts. First part involves the personal profile of respondent where questions are related to sex, education, salary, marital status were asked and second part is related to correlates of services.

Collection of secondary data: Secondary data was the source of information for conceptual framework of the subject, history background of the study concerned and review of literature. Secondary data was collected from various data sources are as follows:-

- Various books, journal, magazines, newspaper, Annual reports, Information bulletins
- Reports prepared by research scholars
- Central library, Mohan Lal Sukhadia University, Udaipur
- University College of Commerce and Management studies, library, MLSU Udaipur

Analysing Methods

The collected data and information have been analysed and examined critically through quantitative analysis such as mean score, standard deviation, z-test, Chi-Square test.

Analysis

Total 210 questionnaires were collected from the customers out of 230 questionnaires distributed. But there were 10 incomplete questionnaires that were discarded. Therefore only 200 were found completed and considered for analysis purpose. Therefore the response rate is 95.24%. Out of these 200, 125 questionnaires were found filled by the customers of public sector banks and remaining 75 from private sector bank customers. The respondents comprised of males (75.5%) and females (24.50%).

Table 1: Gender wise Distribution

Gender	Public Sector Bank		Private Sector Bank		Total	
	N	%	N	%	N	%
Male	94	75.20	57	76.00	151	75.50
Female	31	24.80	18	24.00	49	24.50
Total	125	100.00	75	100.00	200	100.00

Table 1 show that the distribution of respondents who are the customer of public and private sector bank on the basis of gender. It is seen that maximum respondents belong to male

category in both types of banks. Ratio of male is to female is approximately 3:1

Table 2: Distribution of respondents according to marital status

Response	Public		Private	
	N	%	N	%
Married	103	82.40	60	80.00
Unmarried	22	17.60	15	20.00
Total	125	100.00	75	100.00

Similarly table 2 shows the distribution of respondents according to marital status. And it is seen that in both types

of banks near about 80% of the respondents are married and rest are unmarried.

Table 3: Distribution of respondents according to age

Age	Public		Private	
	N	%	N	%
Up to 25 yrs	17	13.60	8	10.53
26 - 35 yrs	30	24.00	31	40.79
36-45 yrs	35	28.00	19	25.00
46-55 yrs	16	12.80	10	13.16
55-65 yrs	13	10.40	2	2.63
More than 65 yrs	14	11.20	6	7.89
Total	125	100.00	76	100.00

Table 3 shows distribution of respondents of both type of bank according to age and we find that distribution of respondents is good as we have received responses from each age group ranging from below 25 year to more than 65

year age. Among public sector bank maximum response is from the age group 36 to 45 year which is 27.20 % whereas maximum response (40%) among private sector bank is received from the customer of age group of 26-35 year.

Table 4: Distribution of respondents according to educational qualification

Response	Public		Private	
	N	%	N	%
Matriculate / School level	10	8.00	5	6.67
Under graduate	11	8.80	6	8.00
Graduate	45	36.00	16	21.33
Post graduate	59	47.20	48	64.00
Total	125	100.00	75	100.00

Distribution of respondent according to the educational qualification is shown in table 4. Respondents of all categories are covered in the study whether matriculate,

graduate or post graduate. But maximum respondents of both types of banks are post graduate. Hence we can say that we will certainly receive proper response for our study

Table 5: Distribution of respondents according to professional educational

Professional Education	Public		Private	
	N	%	N	%
Yes	58	46.40	32	42.67
No	67	53.60	43	57.33
Total	125	100.00	75	100.00

Table 5 shows the distribution of respondents according to professional education. It is seen that more than 40% respondents are professionally educated. Hence we can say that the data collected will be comparatively more authentic.

Table 6 shows the distribution of respondents on the basis of occupation. And it reveals that more than 50% respondents in both types of banks belong to service class and then businessman.

Table 6: Distribution of respondents according to occupation

Response	Public		Private	
	N	%	N	%
Student/housewife	12	9.60	2	2.67
Businessman	30	24.00	22	29.33
Service	69	55.20	45	60.00
Retired person	14	11.20	6	8.00
Total	125	100.00	75	100.00

Table 7: Distribution of respondents according to family income

Response	Public		Private	
	N	%	N	%
Up to Rs.1 lakh	21	16.80	7	9.33
Rs.1 lakh - 2 lakh	28	22.40	19	25.33
Rs. 2 lakh - 4 lakh	46	36.80	29	38.67
Above Rs. 4 lakh	30	24.00	20	26.67
Total	125	100.00	75	100.00

Table 7 shows the distribution of respondents according to family income and it reveals that response is received from all categories of group ranging from 1 lakh income to more than 4 lakh.

Table 8: Distribution of respondents according to type of bank they are dealing

Type of Bank	N	%
Public Sector Bank	125	62.50
Private Sector Bank	75	37.50
Total	200	100.00

Table 8 shows the distribution of respondents according to type of bank they are primarily deals with. And it is seen that reveals that out of total respondents 62.50% belongs to public sector bank whereas 37.50 % belongs to private sector bank.

Distribution of Respondents According to Multiple Bank Accounts

Table 9: Distribution of respondents according to multiple bank accounts

Response	Public		Private	
	N	%	N	%
SBI and associates	88	70.40	16	21.33
Oriental bank of Commerce	14	11.20	8	10.67
Corporation bank	7	5.60	1	1.33
Punjab national Bank	26	20.80	8	10.67
Union Bank of India	8	6.40	2	2.67
HDFC bank	5	4.00	15	20.00
AXIS bank	2	1.60	24	32.00
ICICI bank	26	20.80	48	64.00
KOTAK Mahindra Bank	1	0.80	6	8.00
Yes Bank	5	4.00	7	9.33

Respondents are having multiple accounts in multiple banks at same time is shown in table 9. It shows that maximum customers among public sector bank are having their account in SBI bank whereas among private sector bank maximum account in ICICI bank.

Distribution of Respondents According to Primary Operating Bank Account

After the wave of liberalisation many private and foreign

banks came into existence which gave cut throat competition to the public sector banks. Thus to study we have distributed questionnaire to the customers of 5 public and 5 private sector banks.

Table 10 shows the banks in which respondents primarily operate their account. It is evident that among the respondents of public sector bank, 65.60% primarily deals with SBI and its associates where as among private sector bank 49.33% of respondents deal with ICICI bank.

Table 10: Bank with which respondents primarily operate

Response	Public		Private	
	N	%	N	%
SBI and associates	82	65.60	0	0.00
Oriental bank of Commerce	11	8.80	0	0.00
Corporation bank	7	5.60	0	0.00
Punjab national Bank	21	16.80	0	0.00
Union Bank of India	4	3.20	0	0.00
HDFC bank	0	0.00	10	13.33
AXIS bank	0	0.00	19	25.33
ICICI bank	0	0.00	37	49.33
KOTAK Mahindra Bank	0	0.00	6	8.00
YES Bank	0	0.00	3	4.00
Total	125	100.00	75	100.00

Reason behind Opening Account with Particular Bank

The Indian banking sector has witnessed heightened competition with so many banks coming up with all their potential and using their global strength to their advantage in order to establish themselves in the market. Parasuraman et al (1985) said in the "age of customer" delivering quality service is considered an essential strategy for success and survival in today's competitive environment So customers

think many time before dealing with any type of banks. There are so many factors which customer consider before opening an account in particular bank. Table 11 shows different basic reason on the basis of which a customer open his/her account in that particular bank like near to home/office, reputation, banking environment, quick services etc.

Table 11: Reason behind opening account in particular bank

Response	Public Sector Bank		Private Sector Bank	
	Mean Score	Rank	Mean Score	Rank
Low service charges	5.79	3	3.81	9
Effectiveness in transaction	5.47	4	6.77	2
Average account balance	5.11	5	3.93	8
Bank reputation	6.94	1	6.65	3
Near to my office /home	6.04	2	4.79	6
Person working in the bank know to me	4.29	8	4.04	7
Good behavior of employees	4.51	7	5.93	4
Quick Services	5.10	6	7.56	1
Good Banking Environment	3.78	9	5.52	5
I am having account since my childhood	3.15	10	2.17	10

It is evident from table 11 that the mean score of responses received from public sector bank respondents is highest for bank reputation, second next is near to my office/home and third one is low service charges which implies that the customer of public sector prefer to open account in those banks who are well reputed. Similarly if we look at data for private sector bank then the mean score is highest for the quick services, next for effectiveness in transaction and then bank reputation.

This implies that customers prefer to open their account in those private banks which provide quick services and then

they prefer effectiveness in transaction preceded by bank reputation. Bank reputation is found to be the common factor for both categories of customers, which signifies that reputation of any organization plays very important role in their success. There are few other factors also which customer takes into consideration before opening an account in the bank are employee behavior, banking environment, low service charges etc.

Teller /Bank Officer Offers Additional Products

Ho1: Additional product offered to customers of private and public sector banks does not differ significantly.

Table 12: Teller/bank officer offer additional products

Frequency	Type of Bank				Chi Sqr	Df	Result
	Public		Private				
	N	%	N	%			
Always	9	7.20	33	44.00	49.07	2	Significant
Sometimes	48	38.40	31	41.33			
Never	68	54.40	11	14.67			
Total	125	100.00	75	100.00			

Now a day's banks are targeting themselves as one point stop shop of financial services which provide bunch of products/services to customer under one roof. It is the responsibility of the employee to tell/offer additional products to their customer. Data encapsulated in table 12 shows the frequency at which employee provided information to the customer about additional products by both category of bank.

The results of chi-square test (values = 49.07, df = 2, $p < 0.001$) shows that the frequency of offering additional products by both categories of bank differ significantly. This difference is may be due to proper and timely training programs conducted for the employees by private sector bank.

Therefore we can say that near about 55% customer of

public sector bank said that bank officer /teller are least interested in offering additional products which really puts negative impact on satisfaction level on their customer base whereas more than 80 % customers said that private banks always or sometimes take initiative and offers various new and additional products to their customers which contributes in the enhancement of customer satisfaction level. Hence private sector banks are leading again in offering their customers more and more products as well as one roof.

Bank Provide Services at Doorstep

Ho2: Services provided at doorstep to the customers of private and public sector banks does not differ significantly.

Table 13: Bank services at doorsteps

Frequency	Type of Bank				Chi Sqr	Df	Result
	Public		Private				
	N	%	N	%			
Always	4	3.20	8	10.67	26.09	2	Significant
Sometimes	32	25.60	41	54.67			
Never	89	71.20	26	34.67			
Total	125	100.00	75	100.00			

Banking industry is focusing on the strategy as Bank @home to capture more customers and to provide more and more services to their doorstep. Table 13 shows the frequency at which services are provided at customer doorstep by both type of bank. The results of chi-square test (values = 26.09, df = 2, $p < 0.001$) shows that the frequency of providing services at doorstep by both categories of bank differ significantly. This difference is may be due to better services as well as to provide ease and convenience to the customer by private sector bank.

More than 70% customers of public sector bank refuses that their banks are providing services at their doorstep whereas this percentage is also low in case of private sector bank. More than 60% customers are providing services at doorstep sometimes or always. Hence we can say that

overall private banks are providing services more to customer doorstep. Now public sector banks are also taking various initiatives to implement this strategy to make their customer happy.

Customer Awareness about Grievance Redressal System

Ho4: The grievance made by customers of private and public sector banks does not differ significantly.

Banks are providing lot of products/services to customer thereby has to handle lots of complaints from the customers. Banks are having their own grievance redressal cell but our study reveals that private sector banks are making their customers more aware about the same when compared with private sector banks.

Table 14: Awareness about grievance redressal system

Frequency	Type of Bank				Chi Sqr	Df	Result
	Public		Private				
	N	%	N	%			
Yes	37	29.60	50	66.67	26.20	1.00	Significant
No	88	70.40	25	33.33			
Total	125	100.00	75	100.00			

Table 14 shows the awareness about grievance redressal system by both type of bank customer. The results of chi-square test (values = 26.20, df = 1, $p < 0.001$) shows that the awareness by both categories of bank customers about grievance redressal system differ significantly. This difference is may be due to more display of information or more employee and customer interaction. Hence we can say

that 66.67% of customers of private sector bank are aware about redressal system whereas this ratio is opposite in case of public sector banks.

Complaints Made

Ho5: Complaints made by customers of private and public sector banks does not differ significantly.

Table 15: Any complaints made

Frequency	Type of Bank				Chi Sqr	df	Result
	Public		Private				
	N	%	N	%			
Yes	76	60.80	55	73.33	3.258	1	Non Significant
No	49	39.20	20	26.67			
Total	125	100.00	75	100.00			

By the time customers are getting more aware about their legal rights, so whenever they face any problem or if they are having any complaints they visit to their bank branch to get their problem solve.

According to Zeithaml et al. (1991), service providers'

apologies start to wear thin when a company is careless in performing the service, when it makes frequent mistakes and when it is casual about keeping its service promises. Any such incident can force the customer to break his ties with the bank. Hence, it is quintessential to provide ace

service, individualised attention, instant response and constant support whether it is a public or a private sector bank.

Table 15 reveals the intensity of complaints made by both type of bank customer. The results of chi-square test (values = 1.46, $df = 1$, $p > .05$) shows that the number of complaints made by both categories of bank customers does not differ significantly. The difference can be due to the chance.

The percentage analysis shows that near about 60.80% customers of public sector banks made complaints whereas this ratio is 73.33% in private sector bank. Therefore we can say that customers of private sector banks are making more complaints in comparison to public sector bank.

Complaint Status

Table 16 shows that status of complaints made by the customer of both categories of bank. Some complaints are solved instantaneously, some are solved but took very long time, some are solved after so many persuasion and some are never solved. The results of chi-square test (values = 4.43, $df = 3$, $p > 0.05$) shows that the status of complaints made by both categories of banks customers does not differ significantly. The difference can be due to the chance.

Ho6: The status of complaints made by customers of private and public sector banks does not differ significantly.

Table 16: Status of Customers Complaint

Frequency	Type of Bank				Chi Sqr	df	Result
	Public		Private				
	N	%	N	%			
Solved instantaneously	28	36.84	27	49.09	4.443	3	Not Significant
Solved but took long time	22	28.95	17	30.91			
Solved after so many persuasion	14	18.42	8	14.55			
Never solved	12	15.79	3	5.45			
Total	76	100.00	55	100.00			

Hence it is clear that most of the complaints made by public and private sector banks are solved quickly and only 15.79% are never solved whereas this ratio is very small i.e. 5.45% in case of private sector bank. Rather near about 49.09% complaints made by private sector banks are solved instantaneously whereas this ratio is 36.84% in public sector banks customers. So again private sector bank are leading in solving problems of their customers.

Conclusion

This research demonstrates conceptually and empirically that among public sector banks SBI is the first choice and among private sector bank preference is ICICI bank to open their accounts. There are so many vital factors which customer consider before opening an account in particular bank. And it is found that customer prefers to open their account in those reputed banks which provide effectives and

quick services. Today private banks are leading in offering various new and additional products to their customers in comparison to public sector bank. In 21 century where technology is at boom banks are focusing on the strategy i.e. Bank @ home and it is evident that public sector banks are never or are less providing services at customer doorstep whereas private sector bank are providing their services at customers doorstep.

Awareness of rights are growing among people, it is found that customers of private sector bank are more aware about grievance redressal system than public sector banks. Sometime customers are also having complaints but most of them hesitate to visit their bank in order to solve them. This study shows that customers of private sector banks visits more to their bank branches to solve their enquiry and make complaints in comparison to public sector bank. Private

sector banks are solving the complaints of their customer more quickly in comparison to public sector bank. The result of chi-square test shows that the status of complaints made by both categories of banks customers does not differ significantly.

Private Banks seem to have satisfied its customers with good services and they have been successful in retaining its customers by providing better facilities than Public sector Banks. But still Private Banks need to go a long way to become customer's first preference. Public sector banks enjoy the trust of the customers, which they have been leveraging to stay in the race however they need to improve their service quality by improving their physical facility, infrastructure and giving proper soft skill trainings to their employees.

Research Limitation and Further Research

It is necessary to replicate this study on a sample having different demographics such as rural context, regarding new banking channels as well as in reference to internet and mobile banking. Banking Industry is the fastest growing industry where every day hundreds of customers are connecting to the banks. Further study including these measures could bridge the knowledge gap. Finally, future research with a larger sample is necessary to investigate new correlates and the extent to which correlates are responsible in affecting customer satisfaction.

Managerial Implication

Managers should be aware of the various correlates of the services quality and their role in providing effective and quick services to the customers there by making them loyal for the organisation. Banks should work to strengthen their grievance redressal system and making it more transparent. Contemporary services should be promoted to get in touch with the customers. Therefore banks should work to build its unique image among all players in the race.

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