

Service Quality Gap Analysis: Comparative Analysis of Public and Private Sector Bank in India

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Abstract

This paper attempts to make a comparative analysis of the service gaps in public and private banks and level of customer satisfaction towards the services provided by State Bank of India and HDFC bank in Kolkata city based on questionnaire method and a sample of 165 customers consisting of respondents using both or either of the respective banks has been selected using purposive sampling technique. The SERVQUAL model analysis is conducted with all its five service dimensions and Gap analysis. Hypothesis testing is done by incorporating Factor Analysis, Paired T test and Chi-Square test. 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. Service gaps across all dimensions of public sector bank is much more compared to private sector.

Keywords: Banks, Customer satisfaction, Expectations, Gap analysis, Perceptions, SERVQUAL model.

Introduction

Service quality can thus be defined as the difference between customer expectations of service and e- perceived service. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Parasuraman et al., 1985; Lewis and Mitchell, 1990).

'SERVQUAL Model' is a multi-dimensional research instrument, designed to capture consumer expectations and perceptions of a service along the five dimensions that are believed to represent service quality. When the SERVQUAL questionnaire was first published in 1988 by a team of academic researchers, A. Parasuraman, Valarie Zeithaml and Leonard L. Berryto measured quality in the service sector, it represented a breakthrough in the measurement methods used for service quality research.

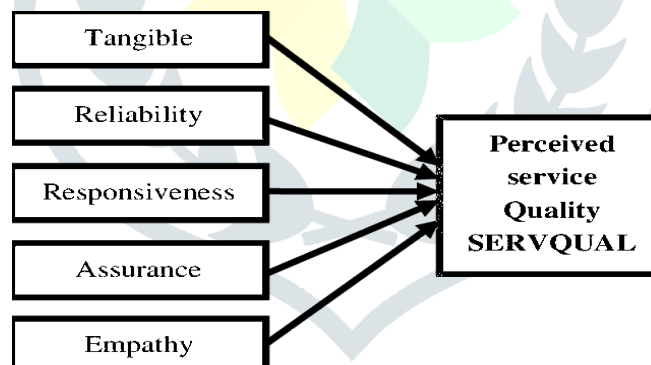


Figure 1: Dimensions of service quality.

The Gap model of service quality was developed by Parasuraman, Berry and Zeithaml (1985), and more recently described in Zeithaml and Bitner (2003). It has served as a framework for research in services marketing, including hospitality marketing, for over two decades. The model identifies four specific gaps leading to a fifth overall gap between customers' expectations and perceived service.

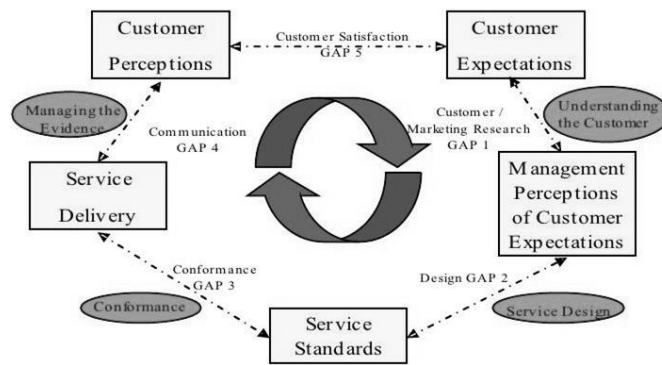


Figure 2: Types of Service Gaps.

The banks HDFC and State bank of India are chosen to identify the service quality gaps and customer perception and satisfaction in respective banks, to identify the factors for poor quality service and provide measures to remove those gaps.

Literature Review

Joshua A J and Moli. P. Koshi (2005) in their study on 'Expectation and perception of service quality in old and new generation banks', observed that the performance of the new generation banks across all the service quality dimensions are better than those of old generation banks. Dr. Vannirajan & B. Anbazagan (2007) in their study tried to make an assessment of SERVPERF scale in the Indian Retail banking sector by doing a survey in banks at Madurai. The study found that in public sector banks tangibles and assurance are most important and in private sector banks reliability, responsiveness and tangibles are most important elements. Sudesh (2007) 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 Questions-

Providing good service quality is the major concern of banking sector Success or failure of a business is determined by Customer satisfaction. As the exposure, knowledge and awareness of the customers keep on increasing, so does the expectations of the customers. Now the bankers have to meet out the expectations of their customers or else the customer will switch over to other competitor bank that provides better service. This research article studies the difference between the expected service quality and perceived service quality in SBI and HDFC banks in Kolkata city.

Aims and Objectives of the study

Research has been conducted in order to critically evaluate and examine the customer's satisfaction towards service quality in public bank (SBI) and private bank (HDFC).

The objectives of the study are:

1. To study and compare the existing service quality dimensions in the Public and Private sector banks.
2. To identify whether there is a difference in expectations and perceptions of service quality of private and public banks.
3. To compare the service quality gap between private and public sector banks.

Research Methodology

The research design was used to gain knowledge and information through the primary data and secondary data and data collected through a structured questionnaire.

- 1) **Sampling Method:** Purposive Sampling method and SERVQUAL will be used as framework to illustrate the relationships between all the variables in this study. Expectations and perceptions of SBI, Expectations and perceptions of HDFC, dependent variable customer satisfaction and independent variables age and occupation

are the various variables to be analyzed in this study.

- 2) *Sampling Units:* Customers of SBI and HDFC banks.
- 3) *Sampling Area:* Kolkata City-North, Central and South.
- 4) *Sample Size:* Number of respondents is 165. Percentages and simple average are used in making comparisons between two or more series of data.
- 5) *Statistical tools:* Bar Graph and hypothesis testing through Factor Analysis, Chi-Square test of independence and Paired Sample T Tests is used for data analysis which was done through SPSS software.

Hypothesis of the study

Keeping the objectives in mind, this study intends to test the following hypotheses:

1. (H₀₁): There is no significant difference in the expectations of customers of public and private sector banks.
2. (H₀₂): There is no significant difference in the perceptions of customers of public and private sector banks.
3. (H₀₃): There is no significant difference between customer perception and expectations of service quality in private sector bank.
4. (H₀₄): There is no significant difference between customer perception and expectations of service quality in public sector bank.
5. (H₀₅): There is no significant difference in customer gap between private and public sector banks.

Results and Discussion

Majority of the respondents were from the age group (26-35 years) followed by (17-25 years) indicating that more of middle aged people were part of this survey and hold accounts in both Public and Private banks that is why majority of the respondents were married (69%). 44% of respondents were postgraduates and 45% were salaried persons showing that more of the working class having adequate education are having accounts in both of the banks with majority having income around Rs.30000-50000 p.m. 88% of them were males and 77% were females showing men hold more bank accounts than women. 30% of the respondents have bank accounts in public banks, 27% in private banks and rest 43% have accounts in both public and private banks.



Figure 3: Average Gap score of SBI and HDFC for all five dimensions of service quality.

From the above graph we can see that State Bank of India's gap score is more compared to HDFC in all five dimensions of service quality. It can be said that SBI representing the largest public sector bank in India cannot meet its customers expectations. Customers prefer and perceive the service quality of HDFC bank, a private sector bank better than SBI. Even though SBI has more customers than HDFC, people availing its services think they are less responsive and lack assurance. This could be due to large number of customers and less number of employees to attend them.

Table 1 : Ranking of HDFC bank’s top 5 Gap areas from customers perspective.

N o.	Attributes	Dimension	Gap scores	Rank
1	Employees instills confidence in you	Assurance	1.17	I
2	Delivers service at promised time.	Reliability	1.14	II
3	Modern looking equipment and latest technologies	Tangibility	0.87	III
4	Gives individual attention	Empathy	0.86	IV
5	Trustworthy employees	Assurance	0.83	V

N o.	Attributes	Dimension	Gap scores	Rank
1	Employees instill confidence in you.	Assurance	1.18	I
2	Employees gives prompt service	Responsiveness	1.06	II
3	Trustworthy employees	Assurance	1.04	III
4	Visually appealing physical features	Tangibility	1.01	IV
5	Willingness to help	Responsiveness	1.00	V

From the above Tables 1 and 2, we can see that HDFC and SBI have the highest gap in employees instills confidence in you, but HDFC’s gap scores are lesser than SBI. In the 2nd position HDFC has delivers service at promised time (Reliability) and SBI has employees gives prompt service (Responsiveness). Trustworthy employees is a common gap factor for both where HDFC’s gap score

is again lesser than SBI. So both SBI and HDFC needs to work on its assurance factor as customers feels the employees are not very dependable. Willingness to help is less in case of SBI while giving individual attention is less in case of HDFC. In the tangibility dimension ,both have one major factor each falling in the top 5 gaps of service quality. Overall we can see SBI is considered more reliable and empathetic than HDFC , while HDFC is more responsive towards its customers in which SBI lacks behind.

1. Paired Sample T Test to find out the difference in the expectations of customers towards service quality of public and private sector banks.

Testing of Hypothesis 1

Paired Samples Test									
		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Private - Public	.380	.319	.031	.320	.441	12.52	109	.000

In the above case, Sig (2-Tailed) value is 0.000 which is less than 0.05. This means we will accept the alternative hypothesis (H₁) and reject the null hypothesis (H₀).Therefore it can be said that there is a statistically significant difference between customer perception and expectations of service quality in private sector bank. Since our Paired Samples Test box revealed that the Mean private expectation was greater than the Mean public expectation by 0.38, we can conclude that expectations of customers from private bank is significantly more than the expectations of customers of public bank.

2. Paired Sample T Test to find out the difference in the perceptions of customers towards service quality of public and private sector banks.

Testing of Hypothesis 2

Paired Samples Test									
		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Private - Public	.533	.328	.031	-.471	.595	17.06	109	.000

In the above case, Sig (2-Tailed) value is 0.000 which is less than 0.05. This means we will accept the alternative hypothesis (H_1) and reject the null hypothesis (H_0). Therefore it can be said that there is a statistically significant difference between customer perceptions of service quality in public and private sector banks. Since our Paired Samples Test box revealed that the Mean private perception was greater than the Mean public perception by 0.53, we can conclude that perception of customers from private bank is significantly more than the perception of customers from public bank.

3. Paired Sample T Test to find out the difference in the perception and expectation of service quality in private sector bank.

Test of Hypothesis 3

Paired Samples Test									
		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Expectation - Perception	.638	.235	.022	-.594	.683	28.46	109	.000

In the above case, Sig (2-Tailed) value is 0.000 which is less than 0.05. This means we will accept the alternative hypothesis (H_1) and reject the null hypothesis (H_0). Therefore it can be said that there is a statistically significant difference between customer perception and expectations of service quality in private sector bank. Since our Paired Samples Test box revealed that the Mean expectation was greater than the Mean perception by 0.62, we can conclude that expectations of customers from private banks are significantly more than the perception of customers.

4. Paired Sample T Test to find out the difference in the perception and expectation of service quality in public sector bank.

Test of Hypothesis 4

Paired Samples Test									
		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Expectation - Perception	.770	.279	.025	-.721	.819	31.06	126	.000

In the above case, Sig (2-Tailed) value is 0.000 which is less than .05. This means we will accept the alternative hypothesis (H_1) and reject the null hypothesis (H_0). Therefore it can be said that there is a statistically significant difference between customer perception and expectations of service quality in private sector bank. Since our Paired Samples Test box revealed that the Mean expectation was greater than the Mean perception by 0.77, we can conclude that expectations of customers from private banks are significantly more than the perception of customers.

5. Paired Sample T Test to find out the difference in customer gap between private and public sector banks.

Test of Hypothesis 5

In		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Public- Private	.080	.311	.070	-.066	.226	21.15	19	.000

above case, Sig (2-Tailed) value is 0.00 which is less than 0.05. This means we will accept the alternative hypothesis (H_1) and reject the null hypothesis (H_0). Therefore it can be said that there is a statistically significant difference between customer gap of service quality in public and private sector bank. Since our Paired Test Statistics box revealed that the Mean service gap of public bank was greater than the Mean service gap of private bank by 0.08, we can conclude that customer gap from public banks is significantly more than the customer gap from private banks.

CONCLUSION

The results from the test showed that there is significant difference in expectations of customers from public and private banks and that expectations from private banks is more than public banks. There is a significant difference in perceptions of customers towards service quality of public and private banks and perceptions of customers is more for private banks than public. There is a significant difference between expectations and perceptions of both public and private banks and the expectations of customers is more than its perceptions about service quality for both the banks. Lastly there is a significant difference between customer gaps of public and private banks and customer gap of public banks is more than private banks.

This research survey concludes the service quality gap analysis is having more gaps between customer expectation and perception of service quality in State bank Of India. The bank has to reduce this gap giving individual personal attention to understand the customer specific needs and in HDFC bank, more gap is identified for Reliability. Banks may follow a feedback system to know the customer expectations for improving the level of customer satisfaction to maximum level. Remarks on service reliability, responsiveness and empathy should be continuously obtained from customers. This will enhance their service quality to a large extent.

Limitations

The research was limited to Kolkata city and done over a short period that is why only 100 respondents could be taken. Data available was limited and reliability is not fully assured.

Recommendations

- Respondents have also given reasons for dissatisfaction like unnecessary mails and deductions for services which need to be worked upon by both the banks. Washroom facilities and proper environment is also missing, which should be implemented.
- Reliability is an obvious place to start especially for HDFC bank. Customers of the bank want to know their resources are safe and within trustworthy institutions. A way to ensure this peace of mind would be to take steps to ensure bank employees are well trained, so each bank associate is able to offer complete and

comprehensive information at all times. Consistent policies combined with a knowledgeable staff will foster a high degree of institutional cohesion and reliability.

- Responsiveness, again when associated with a well-trained staff and timely answers to service-related questions, would make significant inroads into causing SBI be regarded as responsive. Staff should be encouraged to present relevant options to banking customers in a manner that does not resemble salesmanship so much as a desire to serve. Recruitment of new staffs is required to serve the large number of customers and deliver prompt services.

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