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Customer Perceptions of Service Quality in Public and Private Sector Banks: A Case Study of Southern Haryana.

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Abstract

The banking sector serves as a foundational pillar of a nation's financial infrastructure, significantly influencing economic development, growth, and stability. This study explores customer perceptions of service quality in public and private sector banks in Southern Haryana, analyzing how differences in operational efficiency, customer service, and trust affect consumer satisfaction. Drawing from historical and theoretical perspectives, the research underscores the vital role banks play in mobilizing savings, creating credit, and facilitating investment. Through a comparative case study approach, the paper identifies key dimensions of service quality that shape customer experiences and expectations in the banking landscape. The findings contribute to a broader understanding of service quality in the banking industry, with implications for policy formulation, managerial decision-making, and the enhancement of service delivery standards in both sectors.

Keywords: - Customer Perception, Economic Development, Financial Services, Credit Creation

Introduction

Banking industry, being significant pillar of financial sector, cannot have its performance measurement neglected. For Joseph Schumpeter's 1911 study, financial institutions, especially banks, have been widely acknowledged as having a significant impact on a nation's economic development. The banking sector's performance has widespread repercussions on the economy. Productivity and efficiency issues have been at the center of discussions in recent years (Stieglitz, 1998). Banks are regarded as central nervous system of economies, heart of nation, and source of national finance. They are dealers in development rather than just money (Sharma, 1974). In terms of economic performance, banks are morepositive and directly correlated than the majority of non-economic institutions.

The state of a nation's banking system, which is crucial to the development of society, can be used to determine its financial situation. Originally called "bank" in German, "Banco" in Italian, and "banque" in French, the term "bank" has a long history. Historically, those associated with the banking system operated their businesses according to their convenience, with the credibility of the banks being reflected in their operations and financial positions.

Banks have become indispensable in modern life, evolving gradually into their current form. Banking sector is important participant in service industry, forming backbone of an economy. A strong and well-functioning banking system is necessary for a robust economy. An economy's banking system provides credit and financial services to the general public and businesses, bolstering and promoting economic growth. Banks receive deposits and lend or invest these funds, acting as dealers in debts and creating credit in the economy. They provide a major portion of the money in circulation, making them crucial in shaping the production nature and character of the economy.

The banking system holds a pivotal position in influencing important macroeconomic variables such as savings and investment, production and industrial growth, and income and employment levels. The banking sector aids economic development through:

Credit Creation: Acting as intermediaries, banks receive deposits from retail and commercial investors and channel these funds as investments or loans.
Savings Mobilization: Banks implement attractive, incentive-based schemes to encourage savings among households, thereby mobilizing resources for economic development.

Measuring Service Quality in Banking

Several models,as well as tools, can assess quality of banking service. SERVQUAL model, which compares customer expectations as well as perceptions across 5 dimensions — tangibles, assurance, reliability, as well as responsiveness- is popular framework in assessing servicequality.

Strategies to Improve Service Quality in Banking

Ongoing Training: Regular training programs to keep employees updated on new products, services, and technologies.
Customer Service Skills: Enhancing employees' interpersonal and communication skills to improve customer interactions.
Digital Banking Solutions: Investing in and continually improving online and mobile banking platforms for a seamless customer experience.
Automation: Utilizing automation to streamline processes, reduce errors, and speed up service delivery.
Feedback Mechanisms: Implementing robust systems for collecting and analyzing customer feedback to identify improvementareas.
Customer Relationship Management (CRM): Using CRM systems to personalize services,along with building stronger customer relationships.
Streamlining Operations: Identifying and eliminating inefficiencies in banking processes to improve speed and reliability.
Quality Assurance Programs: Regular audits and quality checks to ensure high standards of service are maintained.
Clear Information: Providing clear and accurate information on products, services, along with any changes or updates.
Proactive Communication: Informing customers about status of their transactions, new offerings, and any issues that may affect them.

In banking sector,service quality is pivotal in maintainingloyalty,customer satisfaction, andcompetitive advantage. By concentrating on essential dimensionslike assurance, empathy, reliability, responsiveness, and tangibles, banks can enhance their service delivery. Continuous improvement through employee training, technology adoption, customer engagement, process optimization, and effective communication can significantly elevate service quality given by banks.Service quality in banking is crucial. It is important for customer satisfaction and loyalty, competitive advantage, financial performance, trust, regulatory compliance, operational efficiency, innovation, and customer relationships. Banks that prioritize and invest in service quality are better positioned to thrive in the dynamic and competitive financial landscape.

Literature Survey

Parasuraman, Zeithaml, and Berry (1985): Emphasized significance of achieving quality in both goods and services, pointing out that while quality of tangible goods was well-defined as well as measured, service quality is still mostly unknown and has not received enough attention. In their seminal work, the authors conducted an extensive exploratory study across 4 service industries to acquire insights regarding service quality. They build a comprehensive service qualitymodel, highlighting key dimensions that impactcustomers' perceptions of service quality. Their study proposed several propositions and recommendations aimed at guiding future research in service qualitydomain, laying foundation for subsequent studies and practical applications in various service sectors, including banking.

Jha Kumar Dalip (2019): Examined the variables affecting clients' satisfaction with private and public bank services, focusing on onlineand mobile banking. Study made clear how important it is to prioritize security, privacy, and quality of service when trying to increase customer satisfaction. Primary data has been gathered using a carefully designed questionnaire. Research revealed thatin both private as well aspublic sector banks, customer satisfaction is profoundly impacted by servicequality, delivery, convenience, security, as well as privacy.

PriyamvadaChaturvedi and Vishnu Osmond Buckle (2021): Conducted research to determine customer satisfaction with e-banking services, involving 166 participants. They looked into significant correlations between gender and e-banking service satisfaction, branch banking and e-banking service satisfaction, along with education and e-banking service satisfaction,utilizingANOVA (analysis of variance). Findings demonstrated that levels of customer satisfaction with e-banking services varied among distinct age and occupational groups. Results imply that Internet banking habits are highly influenced by demographic factors, especially age and occupation. The study concludes that a deeper understanding of customer satisfaction with e-banking is important.

Dr.Sowmya Praveen K and Dr. C.K. Hebbar (2021): Compared consumer opinions of e-banking services via research. Through use of secondary data, study sought to comprehend e-banking system as well as explore consumer perceptions of these services. Investigationshows that private-sector banks provided superior services overall, while public-sector banks typically offered subpar services. It has beenrevealed that fees charged by private-sector banks were greater than those by public-sector banks. Researchstated that both private and public sector banks have to strive tooffer excellent services to their customers at reasonable costs, emphasizing that customers are central to the market and that banks must prioritize delivering high-quality customer service.

Natarajan Ramya (2021): Focused on customer satisfaction with e-banking services given by private as well aspublic sector banks. Research aimed to identify factors affecting adoption of electronic banking by these banks and assess client satisfaction with e-banking. Additionally, the research investigated client awareness of electronic banking. The results showed that banks promote their e-banking goods and services primarily through message alerts. According to the report, banks should employ additional marketing strategies to raise awareness and usage of e-banking, including print publications, hoardings, emails, and more. It was suggested that banks hold conferences, seminars, and presentations on safe utilizationof e-banking, in addition to providing video presentations in bank locations to assist and educate customers, especially those who are not familiar with computers or ATMs, to boost adoption of e-banking further.

Niazi and Mulla (2021): Analysed the financial performance of Jammu and Kashmir Grameen Bank and EllaqquiDehati Bank in Jammu and Kashmir during the period from 2015-2016 to 2019-2020.Data for research was gathered from annual reports of banks alongside analysis using CAMEL model, which evaluates Earnings,Liquidity, Capital adequacy, Asset quality, as well asManagement quality. Research found thatEllaqquiDehati Bank performed better regardingcapital adequacy and asset quality compared to Jammu & Kashmir Grameen Bank. Althoughliquidity position of Jammu and Kashmir Grameen Bank was poor, both banks faced high levels of Non-Performing Assets (NPA). Research concluded that no significant difference in overall performance of 2 banks was seen. It suggested that government should take measures to enhance financial performance of these banks.

Analysis

Rationale behind using Factor Analysis and the SERVQUAL Model for private as well aspublic sector banks lies in their ability to enhance service quality along with operational efficacy. Factor Analysis helps in identifying underlying relationships among variables, reducing dimensionality, and uncovering key drivers of customer satisfaction, financial performance, as well as risk management. Extracted variables will be used as SERVQUAL model to measure service quality by detecting gaps between customer expectations as well as perceptions across dimensions like empathy, reliability, and responsiveness. Together, these tools enable banks to improve customer experience, benchmark performance, target marketing efforts, and design strategic service enhancements, fostering a customer-centric approach and competitive advantage.

Table 1.1: Descriptive Statistics for Initial Factor Analysis

Manifests	Mean	Std. Deviation	N
Physical facilities are visually appealing.	2.9189	1.12359	592
Equipment is modern and well-maintained.	3.3007	1.26817	592
The bank's employees appear neat and professional.	3.0304	1.27148	592
The bank's printed materials are visually appealing.	3.4088	1.39438	592
The bank provides its services as promised.	3.4476	1.43463	592
Shows a sincere interest in solving customer's problems.	3.6807	1.31544	592
The bank performs the service right the first time.	4.0760	1.06758	592
The bank provides its services at the time it promises to do so.	3.8193	1.03383	592
The bank keeps accurate records of transactions.	4.0135	1.11890	592
Informs customers exactly when services will be performed.	3.1723	1.30884	592
The bank gives prompt service to customers.	3.7213	1.18151	592
The bank is always willing to help customers.	4.0101	.95936	592
The bank is never too busy to respond to customer requests.	4.2061	.91505	592
The Behaviour of the bank's employees instills confidence in customers.	4.1824	1.01952	592
Customers feel safe in their transactions with the bank.	4.0473	1.07003	592
The bank's employees are consistently courteous.	3.0980	1.32547	592
Employees have the knowledge to answer customer questions.	3.8463	1.46303	592
The bank gives individual attention to customers.	3.0811	1.35063	592

The bank has convenient operating hours.	3.5321	1.47247	592
Employees who give personal attention to customers.	3.1385	1.26025	592
The bank has the customer's best interest at heart.	3.9257	1.24817	592
The bank's employees understand the specific needs of their customers.	4.0456	1.11729	592

Table 1.1 provides descriptive statistics from an initial factor analysis of bank customer responses, based on 592 participants. Key findings show that the most positively rated factors are the bank's responsiveness to customer requests (mean: 4.2061, SD: 0.91505), employee behavior instilling confidence (mean: 4.1824, SD: 1.01952), and accurate transaction records (mean: 4.0135, SD: 1.11890). Other highly rated areas include prompt service (mean: 3.7213, SD: 1.18151), sincerity in problem-solving (mean: 3.6807, SD: 1.31544), and modern, well-maintained equipment (mean: 3.3007, SD: 1.26817). Lower-rated factors include physical facilities visual appeal (mean: 2.9189, SD: 1.12359) and the neatness of employees (mean: 3.0304, SD: 1.27148). This analysis highlights the bank's strengths in service delivery and responsiveness, while identifying areas for improvement in aesthetics and employee presentation.

Table 1.2: Factors Communalities

Manifests	**Initial**	**Extraction**
Physical facilities are visually appealing.	1.000	.911
Equipment is modern and well-maintained.	1.000	.704
The bank's employees appear neat and professional.	1.000	.859
The bank's printed materials are visually appealing.	1.000	.868
The bank provides its services as promised.	1.000	.814
Shows a sincere interest in solving customer’s problems.	1.000	.690
The bank performs the service right the first time.	1.000	.700
The bank provides its services at the time it promises to do so.	1.000	.772
The bank keeps accurate records of transactions.	1.000	.850
Informs customers exactly when services will be performed.	1.000	.708
The bank gives prompt service to customers.	1.000	.729
The bank is always willing to help customers.	1.000	.651
The bank is never too busy to respond to customer requests.	1.000	.712
The Behavior of the bank's employees instills confidence in customers.	1.000	.784
Customers feel safe in their transactions with the bank.	1.000	.713
The bank's employees are consistently courteous.	1.000	.804
Employees have the knowledge to answer customer questions.	1.000	.786
The bank gives individual attention to customers.	1.000	.787
The bank has convenient operating hours.	1.000	.800
Employees who give personal attention to customers.	1.000	.641
The bank has the customer's best interest at heart.	1.000	.720
The bank's employees understand the specific needs of their customers.	1.000	.550

Extraction Method: Principal Component Analysis.

Table 1.2 presents the commonalities for factors analyzed in the factor analysis of bank services, with initial communalities set at 1.000 and extraction values indicating proportion of variance described by factors. High extraction values are seen for "Physical facilities are visually appealing" (0.911), "The bank's printed materials are visually appealing" (0.868), and "The bank's employees appear neat and professional" (0.859), indicating these factors are well-represented in the analysis. Other notable factors include "The bank keeps accurate records of transactions" (0.850) and "The bank provides its services as promised" (0.814). Lower extraction values, such as "The bank's employees understand the specific needs of their customers" (0.550), suggest less variance explained, highlighting areas that may need further investigation or improvement.

Conclusion

This comparative study on consumer perception of service quality between private as well aspublic sector banks in Southern Region of Haryana has yielded nuanced insights into customers' banking preferences and experiences. The findings highlighted several key differences and similarities influencing how customers perceive and evaluate service quality between private as well aspublic sector banks.

Private Sector Banks Perception of Service Quality: Private sector banks were generally perceived to excel in service quality compared to their public sector counterparts. This perception has been shaped by factors such as staff responsiveness, efficient banking processes, and personalized attention to customers. Private banks often leverage technology and innovation to enhance service delivery, resonating with urban customers seeking convenient and advanced banking solutions. The focus on customer-centric services gives private banks a competitive edge, particularly in regions with tech-savvy clientele.

Public Sector Banks Trust and Stability: In contrast, public sector banks were appreciated for their reliability and trustworthiness, stemming from their long-established presence and government backing. Customers valued the stability and assurance provided by these banks, particularly in rural areas where familiarity and accessibility are prioritized over technological advancements. Public sector banks, despite lagging in technological innovation, compensate with strong community relationships and customer trust, which are vital in regions where people prioritize long-term security over cutting-edge banking solutions.

Customer Satisfaction as a Key Factor: Customer satisfaction appeared as pivotal factor impacting perceptions of quality of service in both sectors. Satisfied customers consistently pointed to factors like the courtesy of staff, quick resolution of complaints, and overall customer service experience as critical determinants of their satisfaction. This aligns with previous research, which suggests that pleased customers are more probable ofmaintainingloyalty and recommend their banks, underscoring direct link between satisfaction,servicequality, as well as customer loyalty.

Enhance Technological Integration: Both private andpublic sector banks should prioritize integrating advanced technologies to improve service delivery. This includes investing in robust digital platforms, mobile banking solutions, and AI-driven customer service devices. By leveraging technology, banks couldenhance operational efficiency, provide personalized banking experiences, and meet the evolving digital expectations of customers across urban and rural areas in Southern Haryana.

Strengthen Customer Service Training: Implement wide-ranging training programs for bank staff to improve customer service skills,alongsidefostering a customer-centric culture. Training should focus on empathy, effective communication, problem-solving, and handling digital banking queries. Well-trained staff can significantly impact customer satisfaction levels, build trust, and differentiate banks based on service quality in the competitive banking landscape.

Personalized Financial Advice and Education: Develop initiatives to provide customers with personalized financial advice as well as educational resources. This includes offering financial planning sessions, workshops on investment strategies, and digital literacy programs tailored to different customer segments. By empowering customers with knowledge and personalized guidance, banks can enhance financial literacy, improve decision-making, and strengthen long-term relationships in Southern Haryana.

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