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"Dissecting Service Quality: A Comparative Analysis of Public and Private Banking Institutions in Southern Haryana"

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Abstract

This study critically examines customer perceptions of service quality across public and private sector banks in Southern Haryana, applying the SERVQUAL model's five key dimensions: Tangibility, Reliability, Responsiveness, Assurance, and Empathy. Using a structured questionnaire and a sample size of 592 respondents across leading public (e.g., SBI, PNB) and private (e.g., HDFC, ICICI) banks, the research evaluates performance variations and customer satisfaction levels. The analysis reveals nuanced differences, with public sector banks marginally outperforming private counterparts in tangibility, reliability, assurance, and empathy, while private banks lead slightly in responsiveness. Despite overall comparable performance, the findings underscore distinct sectoral strengths—public banks benefit from customer trust and institutional legacy, whereas private banks excel in technological innovation and prompt service delivery. The study highlights the imperative for both sectors to enhance employee training and development while leveraging their respective strengths to improve service quality. The results offer actionable insights for policymakers and banking institutions aiming to foster customer-centric growth and competitive excellence in the evolving Indian banking landscape.

Keywords:- Service Quality, SERVQUAL Model, tangibility, Reliability, Responsiveness, Assurance, Empathy

Introduction

In India, banks have been essential to the nation's socioeconomic development, particularly since independence. In India, the banking industry holds a dominant position, contributing over 50% of the total assets within the financial sector. Financial sector reforms which are being implemented gradually have caused rapid transformations in Indian banks.

- **T ransformation and Reforms:** The current stage of change should be seen as a chance to make Indian banking a robust, robust, and dynamic system that can run smoothly and effectively without putting too much strain on the government. After the liberalization of the Indian economy, the government unveiled several reform initiatives that aimed to bolster the competitiveness and economic viability of the banking sector, drawing on the recommendations of the Narasimhan Committee.
- **Customer-Centric Approach:** Developing a customer-centric approach is desirable for banks to ensure their survival and future growth. It has become apparent that providing quick, effective, and efficient customer service is the only way to keep current clients and draw in new ones. Significant steps have already been taken in this direction by Indian banks. Indian banks are still far from maintaining current trends and competing with Western banks. Many banks have implemented customer-friendly policies like

internet banking, extended business hours, mobile and 24-hour banking, and a widespread ATM network. Expanding this goodwill is crucial in the coming months.

- **Historical Development:** The era of the East India Company was when India's current banking system first emerged. The General Bank of India was founded in 1786, marking the start of the new banking system. The Bengal Bank, the Bombay Bank, and the Madras Bank are the three other banks that became Presidency Banks after this bank. After beginning operations separately, these three presidency banks united to form the Imperial Bank of India in 1921. The State Bank of India (SBI) later replaced the Imperial Bank as the new name. Banks like BoB, Canara Bank, and Punjab National Bank (PNB) were founded during the Swadeshi Movement. The Reserve Bank of India (RBI), India's central bank, began operations in 1935 under the RBI Act.
- **Post-Independence Banking Scenario:** At the time of independence, India had a weak banking and financial system. The failure of small, unstable private banks often resulted in the loss of middle-class depositor's savings, causing significant hardship for customers. In 1949, the RBI was nationalized, and the Banking Companies Act gave banks the power to run their businesses smoothly. The All-India Rural Credit Survey Committee suggested the SBI's acquisition of the Imperial Bank, which would have strengthened the banking industry.

Literature Survey

Parasuraman, Zeithaml, and Berry (1985): Emphasized how crucial it is to achieve quality in both goods and services, pointing out that while the quality of tangible goods has been well defined and measured, the quality of services is still mostly unknown and has not received enough attention. In their seminal work, the authors conducted an extensive exploratory investigation across four service industries to gain insights into service quality. They developed a comprehensive model of service quality, highlighting key dimensions that influence customer's perceptions of service quality. Their study proposed several propositions and recommendations aimed at guiding future research in the domain of service quality, laying the foundation for subsequent studies and practical applications in various service sectors, including banking.**P. Vimal Kumar and V. Mekala (2015):** Investigated consumer perceptions of the e-banking services provided by different banks in the private sector. Their research sought to evaluate how satisfied customers were with these online banking options. Convenience sampling was used to select 120 respondents from Coimbatore city for the survey. We gathered primary data by using questionnaires. The results of the study shed light on how satisfied customers are with online banking services, which can help the banking sector expand and flourish in the future.**Niazi and Mulla (2021)**: Analysed the financial performance of Jammu and Kashmir Grameen Bank and EllaqquiDehati Bank in Jammu and Kashmir over the period from 2015-2016 to 2019-2020. Data for the study was collected from the annual reports of the banks and analyzed using the CAMEL model, which evaluates Capital adequacy, Asset quality, Management quality, Earnings, and Liquidity. The study found that EllaqquiDehati Bank performed better in terms of capital adequacy and asset quality compared to Jammu and Kashmir Grameen Bank. However, the liquidity position of Jammu and Kashmir Grameen Bank was poor, and both banks faced high levels of Non-Performing Assets (NPA). The study concluded that there was no significant difference in the overall performance of the two banks. It suggested that the government should take measures to improve the financial performance of these banks.

Analysis

The SERVQUAL model is a widely recognized tool for measuring service quality across various industries, including banking. The SERVQUAL model, developed by Parasuraman, Zeithaml, and Berry, is a widely recognized tool for measuring service quality across various industries, including banking. The SERVQUAL model encompasses five key dimensions of service quality—Tangibles, Reliability, Responsiveness, Assurance, and Empathy. This multidimensional approach ensures a comprehensive service quality assessment, covering all critical aspects that impact customer perception (Parasuraman, Zeithaml, & Berry, 1988). Its relevance to the comparative study of consumer perception of service quality in public and private sector banks in the southern region of Haryana can be outlined as follows:

Tangibles

Tangibles refer to the physical aspects of the service environment, such as the appearance of facilities, equipment, personnel, and communication materials. In the banking sector, tangible elements like the cleanliness of branches, modernity of ATMs, and professionalism of staff significantly influence customer perception (Arasli, Mehtap-Smadi, &Katircioglu, 2005). Comparing these aspects between public and private banks can reveal differences in how each sector invests in and maintains its physical assets to attract and retain customers.

Reliability

Reliability measures the ability of the bank to perform promised services dependably and accurately. For customers, the reliability of a bank translates to trust and confidence in its operations. Previous studies have shown that reliability is critical to customer satisfaction in the banking sector (Bahia &Nantel, 2000). By examining this dimension, the study can identify which sector is more consistent in delivering on promises, resolving issues, and maintaining accurate records, thus impacting customer loyalty.

Responsiveness

Responsiveness assesses how promptly and willingly the bank responds to customer needs and requests. In a competitive banking environment, timely and efficient service is crucial (Jabnoun& Al-Tamimi, 2003). This dimension helps understand whether public or private sector banks are more adept at addressing customer inquiries, providing quick services, and demonstrating a proactive approach to customer interactions.

Assurance

Assurance relates to employee’s competence, courtesy, and ability to instill confidence in customers. Assurance is critical in banking, where financial security is paramount (Yavas, Bilgin, &Shemwell, 1997). Comparing this dimension between the two sectors will reveal which one excels in creating a secure and trustworthy customer environment.

Empathy

Empathy captures the extent to which the bank provides caring and personalized attention to customers. In today's customer-centric market, understanding and addressing individual needs can significantly enhance customer satisfaction (Wang, Lo, &Hui, 2003). This dimension will help the study determine how well public and private sector banks understand and cater to their customer’s specific needs and preferences.

Sample Units:

Public Sector Banks: - PNB, SBI, CBI, CENTRAL BANK OF INDIA, BANK OF BARODA

Private Sector Banks: - AXIS, ICICI, HDFC, AU BANK, KOTAK MAHINDRA BANK

Sample Size: 592 customers

Table 1 summarizes the descriptive statistics for factors influencing consumer perception of service quality in public and private sector banks in the Southern Region of Haryana. The table includes minimum and maximum values, means, and standard deviations across 592 respondents for each factor category: Tangibility, Reliability, Responsiveness, Assurance, and Empathy. The data reveals that mean scores generally range between 2.9189 and 4.2061, indicating varying levels of agreement on service quality attributes. Standard deviations, ranging from 0.91505 to 1.47247, suggest some variability in perceptions among respondents regarding different service quality dimensions. This comprehensive overview offers insights into how consumers perceive and rate various aspects of regional bank services.

Table 3: Descriptive Statistics for Factors

Factors	N	Minimum	Maximum	Mean	Std. Deviation
Tangibility1	592	2.00	5.00	2.9189	1.12359
Tangibility2	592	2.00	5.00	3.3007	1.26817
Tangibility3	592	2.00	5.00	3.0304	1.27148
Tangibility4	592	2.00	5.00	3.4088	1.39438
Reliability1	592	1.00	5.00	3.4476	1.43463
Reliability2	592	1.00	5.00	3.6807	1.31544
Reliability3	592	2.00	5.00	4.0760	1.06758
Reliability4	592	2.00	5.00	3.8193	1.03383

Reliability5	592	2.00	5.00	4.0135	1.11890
Responsiveness1	592	1.00	5.00	3.1723	1.30884
Responsiveness2	592	1.00	5.00	3.7213	1.18151
Responsiveness3	592	1.00	5.00	4.0101	.95936
Responsiveness4	592	1.00	5.00	4.2061	.91505
Assurance1	592	1.00	5.00	4.1824	1.01952
Assurance2	592	1.00	5.00	4.0473	1.07003
Assurance3	592	1.00	5.00	3.0980	1.32547
Assurance4	592	1.00	5.00	3.8463	1.46303
Empathy1	592	1.00	5.00	3.0811	1.35063
Empathy2	592	1.00	5.00	3.5321	1.47247
Empathy3	592	1.00	5.00	3.1385	1.26025
Empathy4	592	1.00	5.00	3.9257	1.24817
Empathy5	592	1.00	5.00	4.0456	1.11729

Table 2 compares the group statistics for Tangibility between Public Banks and Private Banks in the Southern Region of Haryana. According to the data, Public Banks, comprising 302 respondents, have a mean Tangibility score of 2.9530 with a standard deviation of 1.13589 and a standard error mean of 0.06360. In contrast, Private Banks, represented by 290 respondents, exhibit a slightly lower mean Tangibility score of 2.8791, with a standard deviation of 1.10980 and a standard error mean of 0.06717. These statistics suggest a marginal perceptual difference in favor of Public Banks regarding tangible aspects of service quality compared to Private Banks, providing insights into how consumers perceive and rate the physical attributes of banking services offered by these sectors in the region

Table 2: Group Statistics for Tangibility

	Bank	**N**	**Mean**	**Std. Deviation**	**Std. Error Mean**
Tangibility	Public Banks	302	2.9530	1.13589	.06360
	Private Banks	290	2.8791	1.10980	.06717

Table 3 compares group statistics for Reliability between Public Banks and Private Banks in the Southern Region of Haryana. According to the data, Public Banks, with 302 respondents, have a mean Reliability score of 3.5047, a standard deviation of 1.45989, and a standard error mean of 0.08174. Conversely, Private Banks, represented by 290 respondents, show a slightly lower mean Reliability score of 3.3810, with a standard deviation of 1.40428 and a standard error mean of 0.08499. These findings suggest that while public banks exhibit marginally higher perceived reliability than private banks, the difference is relatively minor. This analysis provides valuable insights into how consumers perceive and rate the reliability of service provided by different types of banks in the region.

Table 3: Group Statistics for Reliability

	Bank	**N**	**Mean**	**Std. Deviation**	**Std. Error Mean**
Reliability	Public Banks	302	3.5047	1.45989	.08174
	Private Banks	290	3.3810	1.40428	.08499

Table 4 presents the group statistics for Responsiveness, comparing perceptions between Public Banks and Private Banks in the Southern Region of Haryana. According to the data, Public Banks, with 302 respondents, exhibit a mean Responsiveness score of 3.1442, accompanied by a standard deviation of 1.30476 and a standard error mean of 0.07305. In contrast, Private Banks, represented by 290 respondents, demonstrates a slightly higher mean Responsiveness score of 3.2051, with a standard deviation of 1.31523 and a standard error mean of 0.07960. These findings suggest that while Public Banks have a marginally lower mean score for Responsiveness compared to

Private Banks, the difference is minimal. This analysis provides valuable insights into how consumers perceive and rate the responsiveness of services provided by different types of banks in the region.

Table 4: Group Statistics for Responsiveness

	Bank	N	Mean	Std. Deviation	Std. Error Mean
Responsiveness1	Public Banks	302	3.1442	1.30476	.07305
	Private Banks	290	3.2051	1.31523	.07960

Table 5 compares the group statistics for Assurance between Public Banks and Private Banks in the Southern Region of Haryana. Based on the data, Public Banks, comprising 302 respondents, have a mean Assurance score of 3.9467, with a standard deviation of 1.42980 and a standard error mean of 0.08005. In contrast, Private Banks, represented by 290 respondents, show a slightly lower mean Assurance score of 3.7289, with a standard deviation of 1.49502 and a standard error mean of 0.09048. These findings indicate that consumers perceive public banks to offer slightly higher assurance in their services than private banks, although the difference is not substantial. This analysis contributes to understanding how customers perceive the assurance provided by different regional banking sectors, highlighting areas where consumers may perceive improvements or distinctions.

Table 5: Group Statistics for Assurance

	Bank	N	Mean	Std. Deviation	Std. Error Mean
Assurance4	Public Banks	302	3.9467	1.42980	.08005
	Private Banks	290	3.7289	1.49502	.09048

Table 6 compares perceptions of Empathy between Public Banks and Private Banks in the Southern Region of Haryana. Based on the data, Public Banks, represented by 302 respondents, have a mean Empathy score of 3.1066, with a standard deviation of 1.35328 and a standard error mean of 0.07577. In contrast, Private Banks, comprising 290 respondents, exhibit a slightly lower mean Empathy score of 3.0513, accompanied by a standard deviation of 1.34940 and a standard error mean of 0.08167. These findings suggest that while both sectors are perceived similarly in terms of empathy, Public Banks are marginally rated higher than Private Banks. This analysis provides valuable insights into how consumers perceive and differentiate the empathy offered by various regional banking institutions.

Table 6: Group Statistics Empathy

	Bank	N	Mean	Std. Deviation	Std. Error Mean
Empathy	Public Banks	302	3.1066	1.35328	.07577
	Private Banks	290	3.0513	1.34940	.08167

The study employed the SERVQUAL model, a widely recognized framework for assessing service quality, to evaluate customer perceptions in both Public and Private Sector Banks. This model assesses service quality across five dimensions: Tangibility, Reliability, Reliability, Responsiveness, Assurance, and Empathy. Each dimension was examined to understand how customers perceive the quality of services banks offer in these sectors. Using the SERVQUAL model, the study aimed to identify strengths and weaknesses in service delivery, providing a structured approach to measure and analyse customer satisfaction and expectations. This analysis helps benchmark service quality and offers actionable insights for both sectors to improve customer service strategies and enhance overall customer satisfaction.

Thus, the study comprehensively analyses customer perceptions of service quality in Public and Private Sector Banks in the Southern Region of Haryana. While there are nuances in how customers perceive specific aspects of service quality, overall findings indicate that both sectors perform similarly in meeting customer expectations across the SERVQUAL dimensions. These insights are valuable for both Public and Private Banks to strategize and prioritize improvements in service delivery, thereby enhancing customer satisfaction and loyalty. By addressing identified areas of improvement and building on existing strengths, banks can strengthen their competitive edge and better meet their clientele's diverse needs in Haryana's competitive banking landscape. The performance of various factors is aimed at improving service quality in banks. Significant positive mean differences across factors like Customer Perception, Technological Advancements, and Customer Feedback indicate these areas are notably above average. However, Employee Training and Development stands out with a significant negative mean difference, highlighting a crucial need for improvement in this aspect of service quality. Thus, the findings underscore customer engagement and infrastructure strengths while emphasizing the importance of enhancing employee development initiatives.

The study compared public and private sector banks using various service quality parameters, such as customer service, technology integration, process efficiency, and convenience. It was found that private banks generally performed better in terms of customer-centric services and technological advancements, while public sector banks scored higher on trust and long-term stability. These comparisons provided a nuanced view of where each sector excels and where it lags behind. The findings suggest that both public and private sector banks have distinct strengths that cater to different customer segments and regional preferences. While private banks have made significant strides in enhancing service quality through innovation and customer-centric strategies, public sector banks continue to maintain a strong foothold based on trust and reliability, especially in rural areas.

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