SERVICE QUALITY AND SERVICE RECOVERY INFLUENCING CUSTOMER SATISFACTION: A COMPARATIVE STUDY BETWEEN INDIAN PUBLIC AND PRIVATE SECTOR BANKS

Mr. Abhijit Mohanty
Assistant Professor (Marketing)
Rajdhani College of Engineering & Management, Bhubaneswar, Odisha.

Indian Banking sector has undergone tremendous change since economic reform took place during 1990s. As per the reports, , the Indian banking industry holds a strong potential to turn into the world's third largest banking sector by 2025. The level of competition is increasing and banks are losing profit. Satisfying customers through superior service and handling service failure with proper service recovery strategies are two crucial elements to maximize customer satisfaction. The primary or important objective of the study is "to examine and compare the impact of perceived service quality and service recovery on customer satisfaction in public and private sectors in India The research is a descriptive study. The data used are collected from both primary and secondary sources. A purposive sampling method was adopted to draw sample of 342 customers from selected commercial banks operating in Odisha. The survey method was adopted to collect data from the respondents. A self-administered survey method was adopted to collect responses from customers having accounts in the selected banks. The structural equation modeling using AMOS was employed to verify the implication of relationships between the variables depicted in conceptual framework in respect to public and private sector banks. Based on the findings the recommendations for the both public and private sector banks were made at the end.

Key Words: service quality, service recovery, customer satisfaction, Indian banks.

INTRODUCTION

Banking industry plays a pivotal role in capital formation which facilitates economic development of the country. Banks mobilizes the small savings of the people and makes it available for productive purposes. The money borrowed from bank is then invested in business, agriculture and other income generating opportunities, creating more income, assets and employment opportunities. Such activities have direct impact on the economic growth of the country.

Indian Banking sector has undergone tremendous change since economic reform took place during 1990s. During post-liberalization phase, Indian banking sector was opened up to private bank formations in 1993 and 10 new bank licenses were given to them. As a result, the competition amongst banks was found to be high due to entry of new domestic and foreign banks. The banks started realizing the importance customer satisfaction and brought changes to its services to achieve it. In other words, retail banks are constantly formulating their strategies with an objective to increase customer satisfaction and loyalty through improved service quality (Choudhury, 2008).

As per KPMG-CII report, the Indian banking industry holds a strong potential to turn into the world's third largest banking sector by 2025. Currently, there are 12 public sector banks, 22 private sector banks, 44 Rural Regional Banks, 45 Foreign Banks and 1,574 Cooperative banks are operating in India to offer banking services to 130 crore citizens of the nation. In addition, 9 small finance banks are functioning to increase financial inclusion by provision of savings vehicles to under-served and unserved sections of the population. Further, there are 6 payment banks operating on a smaller scale without involving any credit risk. The level of competition is increasing and banks are losing profit. For this specific cause, accepting customer-oriented strategies becomes vital as that enable retail banks to deliver superior quality services, besides that, the introduction of creative banking solution will enable to stay ahead of its competitors (Culiberg & Rojsek, 2010; Kotler et al., 2010).

Satisfying customers through superior service and handling service failure with proper service recovery strategies are two crucial elements to maximize customer satisfaction. The firm's inability to handle service issues could result in losing customers. In service industries, the intensive personal interaction is responsible for frequent occasional service failure. Any deficiency and error in service delivery lead to service failure situations. The banking sector is listed among the top three sectors on the basis of customer complaints (Nadiri & Tanova, 2016). Even with well-proven procedures, use of up-to-date technology or training, cannot complete elimination of errors in the service delivery process. Service recovery processes involve activities in which a company tries to address a customer complaint regarding a perceived service failure (Grönroos, 1988). An inadequate process adopted by the organization to resolve customer's grievances may lead to their decision to leave (Knox and Van Oest, 2014) and they engage themselves in negative word-of-mouth (Joireman et al., 2013). Service failures become a very sensitive matter for the customer, so an organization's recovery efforts must be equally strong and effective to mitigate the customer's issues. The speedy recovery of service failure turned out to be very important from customers' viewpoint. The role of frontline employees becomes very important during recovery of service failures (Boshoff and Allen, 2000; Zeithaml et al., 1996).

In this study we explore two important research questions: (1) what are the likely relationships among perceived service quality and overall customer satisfaction Indian banking sector? (2) What is the impact of service recovery on overall customer satisfaction in Indian banking sectors? We developed a research model grounded in the Service Profit Chain notion of Heskett et al. (1994) and tested the model by applying structural equation modelling from the empirical data collected through a survey.

LITERATURE REVIEW

Customer Satisfaction

The ultimate marketing goal of any company is to ensure that customer needs and wants are satisfied through the desired products or services. The ability to satisfy the customers could be regarded as one of key competitive advantage for the firm. However, the overall customer satisfaction is when actual performance/results match with expectations towards the product/services. If the performance exceeds expectations customers would be highly satisfied and become delighted and if the performance is below the expectation then leads to dissatisfaction (Kotler, et al., 2010). Therefore, customer satisfaction is a collective outcome of perception, evaluation, and psychological reactions to the consumption experience with a product/service (George & Kumar, 2014).

According to Tam (2012), customer satisfaction is a cornerstone of all marketing activities. There is a general notation that the success and profitability of the business deeply rely on its ability to satisfy its customer (Shin and Elliott, 2001). Westbrook and Reilly (1983) suggested that “customer satisfaction is an emotional response to the experiences provided by and associated with particular products purchased or services provided”. Fornell (1992) defined “satisfaction as an overall evaluation after purchase”. Kotler and Armstrong (2010) defined “customer satisfaction as a feeling which results from a process of evaluating what has been received against what was expected, including the purchase decision itself and the needs and wants associated with the purchase”. Van Der Wiele,et al. (2002) suggested that “customer satisfaction is a positive, affective state resulting from the appraisal of all aspects of a party’s working relationship with another”. According to Zeithaml and Bitner (1996), “customer satisfaction is the customers’ evaluation of a product or service in terms of whether that product or service has met their needs and expectations”.

Service Quality

The four distinct characteristics of services like intangibility, heterogeneity, perishability and inseparability are responsible for making the concept of service quality vague and abstract (Ladhari, 2009). Further, these distinct characteristics of services make it convoluted to conceptualize and measure service quality (Cronin & Taylor, 1992). Irrespective of intangible in nature, the quality of the service is the most significant parameter that customer takes into account to assess the value for the price. It becomes imperative to delivery consistent and timely service each and every time to customers. The phrase 'Service Quality’ is comprised of two distinctive words 'service' and 'quality’. Service means "any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything” (Kotler et al., 2013 p.322). Whereas, quality is the degree to which a set of inherent characteristics fulfils requirements (BSI, 2000). In general terms 'Service quality' means “the ability of a service provider to satisfy customer in an efficient manner through which he can better the performance of business.”

Kotler and Armstrong (2010) described the term 'service quality' as "it is the ability of a service firm to hang on to its customer". According to their view customer retention is the best determinant of service quality. Christian Gronroos (1982) suggested that "the quality of service as perceived by the customer has two dimensions - technical ("what" service is provided) or outcome dimension ("how" the service is provided) and the function of process related dimension". Parasuraman et al. (1985) defined service quality as "the delivery of excellent or superior service relative to customer expectation." Acording to Zeithaml & Bitner (2003) "service quality is a determined evaluation that is a sign of the customer's perception of specific dimensions of service quality such as reliability, responsiveness, assurance, empathy, tangibles".

Various researchers have presented a list of determinants of service quality. The most significant determinants was propounded by Parasuraman and colleagues from the USA, who have included five dimensions of service quality as the basis for their measurement instrument called as SERVQUAL (Parasuraman et al., 1988). SERVQUAL is an instrument (Parasuraman et al., 1988; Ladhari, 2009) which is based on the hypothesis that service quality is a difference of consumer's expected service and perceived service performance (Gronroos, 1984). The questionnaire of SERVQUAL includes 22 items used each for measuring customer expectations and perceptions of the service actually received. The five dimensions a SERVQUAL measures are:

(1) Tangible elements ("appearance of equipment, physical facilities, and personnel");

(2) Reliability ("ability to perform the promised service accurately and dependably");

(3) Responsiveness ("willingness to help customers and provide prompt service");

(4) Assurance ("courteous and knowledgeable employees who can inspire confidence and trust");

(5) Empathy ("personalized attention and care").

However, irrespective of its wide used, the SERVQUAL instrument has faced many criticisms by other researchers. According to some authors the dimensions of SERVQUAL are contextual and not applicable universally (Brown et al., 1993; Cronin & Taylor, 1992; Kang and James, 2004; Fowdar, 2007). Cronin and Taylor (1992, 1994) developed the SERVPERF model, which is based solely on the assessments (perceptions) of the client regarding the performance of the services (SERVice PERFormance). In it, the quality must not be measured through the differences between expectations and performance (Salomi et al., 2005). For its instrumentation, SERVPERF uses only the 22sentences or statements regarding the perceptions on the performance of the service presented in the SERVQUAL, thus eliminating those that correspond to the assessment of expectations.

Cabello and Chirinos (2012) pointed out the difficulties in determining the expectation of respondents while measuring service quality. Further, they also highlighted the issues associated with interpreting results expressed in negative averages making SERVQUAL model more complicated (Al-Ibrahim, 2014). Furthermore, it is also evident from the previous studies that researchers have clearly suggested to use

SERVPERF instead of SERVQUAL. Salomi et al. (2005) found SERVPERF is more convenient and practical approach to measure service quality than SERQUAL because the respondents need less time to fill the questionnaire as expectations are excluded.

Regardless of the way service quality has been measured, its impact on several aspects of consumer behavior is evident. Service quality influences strongly customers' perceived value, satisfaction, re-visit (Cronin et al., 2000) as well as word-of-mouth intentions (Yavas et al., 2004; Harrison-Walker, 2001). As previously mentioned, most of the researchers agree that service quality impacts indirectly loyalty via satisfaction (Caruana, 2002; Jamal and Anastasiadou, 2009) whereas a number of studies have proved the direct impact of service quality on loyalty.

Service quality and Customer satisfaction

The relationship between service quality and customer satisfaction have been studied by many researchers. Cronin and Taylor (1992) have studied the influence of service quality as a predictor of customer satisfaction. Empirical studies have also measured the cause and effect relationship between service quality and customer satisfaction (Babakus et al., 2004). It is very important and obvious for an organisation to ensure that a desired level of service should be delivered as customer satisfaction is significantly affect by the quality of service provided to them (Naik, Gantasala, & Prabhakar, 2010). Further, the studies of Lee et al. (2000) suggested that it is the service quality that has a significant impact on customer satisfaction (Yee, Yeung, & Cheng, 2011). According to Dabholkar et al. (2000) perception of customer on service quality is happened to be the most influential predictor of customer satisfaction. Similarly, in the Indian context, a variety of research has been done examining service quality with customer satisfaction using the gap model of SERVQUAL scale in banking sectors viz. public sectors, private sectors and foreign banks (Banerjee & Sah, 2012; Selvakumar, 2015). They determined that customer satisfaction levels are higher in the case of private and foreign banks than in public sector banks.

Service recovery

Service recovery is a systematic process of handling and resolving service failure encountered by a customer of a service organization. Gronroos (1988) has defined "as the proactive and reactive actions of a service provider in response to customer complaints". Whereas, Miller, Craighead, & Karwan (2000) defined it as "a specific set of actions to resolve customer problems, alter negative attitudes of dissatisfies customers, and ultimately restore customer loyalty". According to Fang, Luo, and Jiang (2013), "service failure severity is related to the level of customer dissatisfaction The literature in banking classifies service failure into three categories; 1) unavailable services, 2) unreasonably slow services and 3) other core service failures" (Bitner, Booms & Tetreault, 1990).

Basically, service failures happens when the behavior of an employee are not appropriate and undesirable by the customers' point of view. For example, the employees are engaged in chatting and phone calls, instead of delivering services to the customers. In order to circumvent the adverse impacts of service failures, the organisation should implement an appropriate service recovery (SR) procedure to resolve the problem quickly. Thus, Service Recovery is the action which a service provider undertakes in response to service failures. This is basically composed of all the measures which are used for client compensation (Reichheld & Sasser, 1990). Service recovery is defined as "the measures of a service provider to compensate and/or repair the damage to a customer that evolved from the service provider's failure to deliver a service as is designed" (Johnston & Hewa, 1997). Service recovery procedures are imperative and necessary for organizations to turn aggrieved customers to a point of contentment. In addition to that, previous studies have also suggested that if customers were seemed to be happy with complaint resolving practices, then dissatisfied and angry customers will feel more satisfied and eventually they will become loyal and customer patronage will increase (Valenzuela, 2014). Thus, successful service recovery is a mechanism that is used by an organisation to transform disappointed customers into satisfied customers and ensuring customer loyalty.

Service Recovery and Customer satisfaction

Past studies have examined the relationship between service recovery and customer satisfaction (Kim et al., 2009). When customers experience some sorts of injustice as the firms could not provide the services as per their promise and subsequently they expect to be compensated adequately by the firm (Chebat & Slusarczyk, 2005). An outstanding service recovery effort will lead to a situation where the levels of satisfaction of customers whose problems are recovered successfully will be higher than those who have not faced any service failures are termed as "service recovery paradox" (Maxham & Netemeyer, 2002). On the contrary, an improper response or negligence to a service failure will amplify negative perception which is referred as "double deviation" (Bitner, Booms, & Tetreault, 1990). Therefore, it becomes an indispensable for an organisation to implement a good service recovery process that will eradicate or neutralize the customer anger and simultaneously it will motivate and promote customer retention by satisfying them (Etzel & Silverman, 1981).

RESEARCH OBJECTIVES

The primary objective of the study is to examine and compare the impact of perceived service quality and service recovery on customer satisfaction in public and private sectors in India. In the other words, the study aims at comparing the customers' perception towards perceived service quality and service recovery in the selected public and private sector banks India.

RESEARCH HYPOTHESES AND CONCEPTUAL MODEL

As per the objectives highlighted above, the following hypotheses have been formulated on the evidences from literature review to test the association between the variables discussed in the conceptual model.

H1: There is no influence of perceived service quality on overall customer satisfaction in public and private sector banks

H2: There is no impact of service recovery on overall customer satisfaction in public and private sector banks

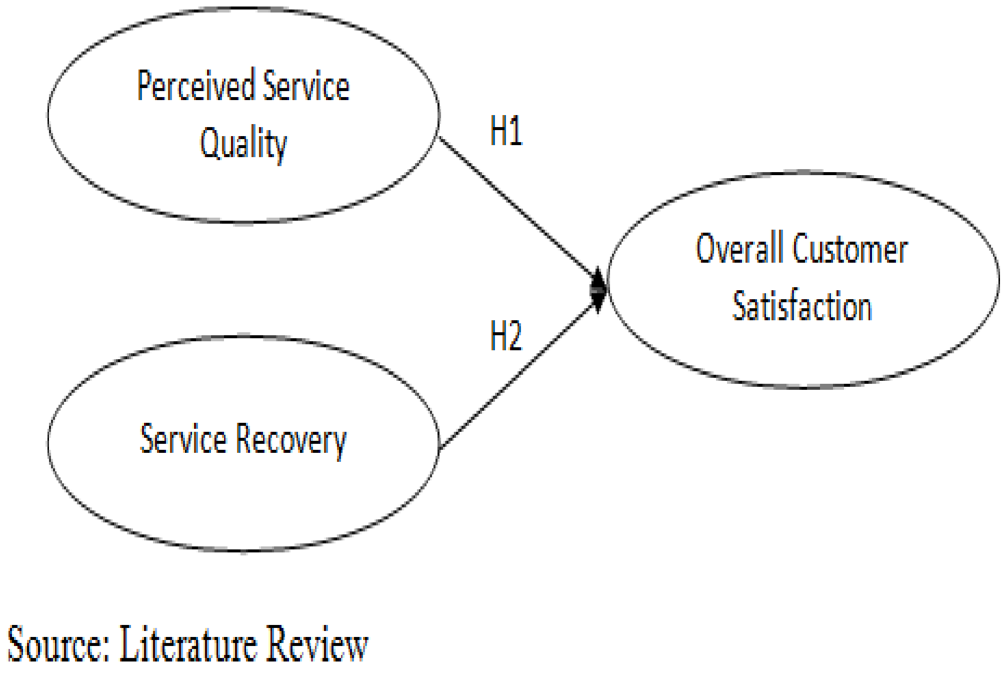

Figure 1: Conceptual Model

RESEARCH METHODOLOGY

The research is a descriptive study. The data used are collected from both primary and secondary sources. The primary data were collected through a structured questionnaire developed to elicit responses from customers of the selected banks. The secondary data were collected form journals, Reports, Magazines, News papers, websites and manuscripts, which are related to relevant data and information useful in context of the study. The collected primary data was used for meaningful insights and to reach at conclusion on the causal effect between the variables. The study includes two public sector banks and private sector banks. State bank of India (SBI) and Punjab National Bank (PNB) have been included under public sector banks. Similarly, HDFC bank and ICICI bank were included in the study.

A purposive sampling method was adopted to draw sample of 342 customers from selected commercial banks operating in Odisha. A self-administered survey method was adopted to collect responses from customers having accounts in the selected banks. The questionnaire developed for the study made use of close–ended structured statements in the form of a predetermined collection of responses and in the form of scale options (Hair et al., 2010; Iacobucci & Churchill, 2010). The questionnaire included two sections. The first section measured demographic profile of the customer and it included questions related to age, gender, marital status, occupation, annual average income and the reasons for choosing a particular bank. The second section included 22 items to measure the perceived quality of services delivered by the respective banks on seven different dimensions. This section also measured service recovery constructs with the help of nine items. At the end the customer satisfaction were measured with four items. Data were collected by using a" five-point interval Likert scale", ranging from 'strongly disagree' to 'strongly agree'. Since, this study aims to evaluate the perceptions of customers towards various statements related to service quality, service recovery and customer satisfaction in the commercial banks were measured through psychometric scales. The SERVPERF scale developed by Cronin and Taylor (1994) was used to measure perception of bank customers' towards five dimensions of service quality with 22 items. The items used to measure three dimensions of service recovery; interactional justice, procedural justice and distributive justice were adopted from Maxham and Netemeyer (2002). The overall customer satisfaction was measured using four items adopted from the studies of Siddiqui (2011) and Sabir et al. (2014).

DATA ANALYSIS

This section presents the details of data analysis and respective interpretations of research findings. The data analysis began with descriptive statistics then, gradually inferential statistics analysis is executed to test the hypotheses. Under descriptive statistics frequency distribution tables were used to outline the demographic characteristics of the customers. Further, the descriptive statistics like means and standard deviations of the various constructs measured in 5- point scale were also presented in a table. The reliability and validity of the measuring instrument are also reported. The structural equation modeling using AMOS was employed to verify the implication of relationships between the variables depicted in conceptual framework in respect to public and private sector banks.

Demographic Profile

The demographic composition of the 342 customers categorized in terms of bank and banking sector were presented in Table 1. The categorical variables like age, gender, education, occupation, income, frequency of bank visit, and reasons for banking of the participants were reported in the below table.

It can be viewed from table 1 that majority of the respondents are male in both banking sectors. In public and private banking sector the percentage of male are 58% and 63.40% respectively. Similarly, the majority of the customers lie between 20-40 years of age group i.e. 55.3% in private and 54.1% in public sector banks respectively. In terms of the educational qualification, the largest numbers of respondents in both types of banks are post graduates; 35.4% in private and 31.5% in public sector banks.

Regarding occupation, the maximum number of respondents falls under employed category for both public (50.3%) and private (44.7%) banks. Further, according to monthly income, majority of customers in public banks were in below INR.25000 category (53.6%), whereas, in private sector banks the majority falls between INR.50000-70000 income categories (34.2%).

The frequency of visit to the banks reveals that most of the customers in public sector prefer to visit banks daily, whereas, in private banks the preference of visiting banks is once in a month. Interestingly, the customers who prefers branching, differs significantly in terms of the reasons for banking in public and private banks. In case of public sector most preferred reason is the convenient location of the banks (26.0%), whereas, in private sector bank the most preferred reason is better service (44.7%).

Table 1: Demographic Profile of Customers across banks

Variable	Category	Private Sector Bank				Public Sector Bank			
		HDFC	ICICI	Total	%	SBI	PNB	Total	%
Gender	Male	50	52	102	63.4	60	45	105	58.0
	Female	38	21	59	36.6	36	40	76	42.0
Age	Below 20 Years	13	7	20	12.4	8	5	13	7.2
	20-40 Years	45	44	89	55.3	52	46	98	54.1
	40-60 Years	21	15	36	22.4	30	24	54	29.8
	Above 60 Years	9	7	16	9.9	6	10	16	8.8
Education	High School	6	8	14	8.7	10	12	22	12.2
	Under Graduate	12	10	22	13.7	25	21	46	25.4
	Graduate	37	31	68	42.2	32	24	56	30.9
	Post Graduate	33	24	57	35.4	29	28	57	31.5
Occupation	Student	11	14	25	15.5	15	7	22	12.2
	Businessman	29	23	52	32.3	24	28	52	28.7
	Employed	40	32	72	44.7	47	44	91	50.3
	Pensioner	8	4	12	7.5	10	6	16	8.8
Income	Below 25000	21	8	29	18.0	47	50	97	53.6
	25000-50000	35	10	45	28.0	27	18	45	24.9
	50000-75000	24	31	55	34.2	10	11	21	11.6
	Above 75000	8	24	32	19.9	12	6	18	9.9
Frequency of Visit to banks	Daily	11	9	20	12.4	26	25	51	28.2
	Several times a week	15	9	24	14.9	20	13	33	18.2
	Once in a months	37	21	58	36.0	22	18	40	22.1
	Once in 3 months	10	20	30	18.6	17	14	31	17.1
	Once in 6 Months	6	8	14	8.7	8	10	18	9.9
	Once in a Year	9	6	15	9.3	3	5	8	4.4
	Total	**88**	**73**	**161**	**100**	**96**	**85**	**181**	**100**
Reasons for Banking	High Interest Rate	6	8	14	8.7	10	16	26	14.4
	Convenient Location	25	10	35	21.7	26	21	47	26.0
	Better Service	35	37	72	44.7	15	9	24	13.3
	Supportive Employee	17	11	28	17.4	24	25	49	27.1
	Low Service Charges	5	7	12	7.5	21	14	35	19.3
	Total	**88**	**73**	**161**	**100**	**96**	**85**	**181**	**100**

Source: Primary data

Descriptive Statistics

The mean and standard deviation is calculated for dimensions of perceived service quality, service recovery and customer satisfaction across four selected banks is calculated in the given table 2.

Table 2: Descriptive Statistics (mean and SD) for all construct across banks

Constructs	SBI		PNB		HDFC		ICICI	
	Mean	**S.D.**	**Mean**	**S.D.**	**Mean**	**S.D.**	**Mean**	**S.D.**
Tangibles	3.26	0.54	2.64	0.59	**4.28**	0.63	4.01	0.57
Reliability	**4.05**	0.58	3.45	0.81	3.04	0.79	3.75	0.61
Assurance	4.01	0.53	3.09	0.68	3.40	0.63	**4.25**	0.77
Responsiveness	3.04	0.68	3.26	0.97	**3.91**	0.79	2.81	0.57
Empathy	3.33	0.49	3.88	0.77	**4.02**	0.69	3.49	0.59
Service Recovery	2.73	0.58	3.50	0.68	**3.90**	0.34	3.21	0.63
Overall Customer Satisfaction	3.54	0.71	3.75	0.57	**4.16**	0.68	3.99	0.59

Source: Field Data

It can be depicted from the above table that HDFC bank has received relatively high mean score for constructs like tangibles (mean= 4.28 & S.D. = 0.63), responsiveness (mean= 3.91 & S.D. = 0.79), empathy (mean= 4.02 & S.D. = 0.69), and perceived service recovery (mean= 3.90 & S.D. = 0.34). But in case of reliability SBI is have highest mean of 4.05 (S.D. =0.58) and for assurance ICICI bank is having highest mean of 4.25 (S.D. =0.77). The mean score for overall customer satisfaction is also relatively high for HDFC bank in comparison to other three banks. The customised and prompt services with quick resolve of customer complaints are considered to be major reasons for such positive responses towards HDFC bank.

Reliability and validity

Cronbach's alpha for each construct under study are used to assess the internal consistency or reliability of all constructs. The Cronbach's alpha values if exceeded 0.7 is typically considered adequate (Cronbach, 1951) and acceptable if at least 0.6 in social sciences (Hair et al., 2010). The values of Cronbach's alpha for each five dimensions of perceived service quality were more than 0.7. The value for tangibility, reliability, assurance, responsiveness, and empathy were 0.893, 0.883, 0.909, 0.813, and 0.793 respectively. Similarly, the Cronbach's alpha for three dimensions of service recovery were 0.635, 0.724, and 0.640. The reliability score for overall customer satisfaction was 0.763. It shows that values of all Cronbach's alphas are in the acceptable range, which demonstrates satisfactory internal consistency reliability of all dimensions.

To measure the construct validity, convergent and discriminant validity are both considered for the study. Convergent validity measures of constructs that theoretically should be related to each other are, in fact, observed to be related to each other. Whereas, discriminant validity measures of constructs that theoretically should not be related to each other are, in fact, observed to not be related to each other. The average variance extracted (AVE) should be higher than 0.50 for constructs to confirm convergent validity (Hair et al., 2010). The AVE for all five dimensions of service quality, three dimensions of service recovery and customer satisfaction were found greater than 0.50 and confirms convergent validity of these constructs. The discriminant validity is affirmed when the AVE square route of every single construct is higher than the construct's highest correlation with any other latent construct (Hair et al., 2010; Henseler et al., 2009). As per the data given in table 3, the square roots of AVE values of all constructs on the diagonal of the matrix are higher than inter correlations of constructs in the respective of all columns. It confirms that all constructs have discriminant validity.

Table 3: Descriptive Statistics (mean and SD) for all construct across banks

Variables	Tangibility	Reliability	Assurance	Empathy	Responsiveness	PJ	IJ	DJ	OCS
Tangibility	**0.77**								
Reliability	0.02	**0.74**							
Assurance	0.04	0.09	**0.95**						
Empathy	0.12	0.06	0.01	**0.72**					
Responsiveness	0.05	0.05	0.07	0.20	**0.94**				
PJ	0.04	0.16	0.08	0.00	0.14	**0.84**			
IJ	0.18	0.10	0.04	0.12	0.10	0.15	**0.75**		
DJ	0.07	0.01	0.02	0.04	0.08	0.08	0.15	**0.77**	
OCS	0.08	0.10	0.06	0.08	0.03	0.16	0.06	0.09	**0.95**

Source: Primary data

Confirmatory Factor Analysis

In confirmatory factor analysis the researcher has to specify the number of factors on which the given variables converges and also specify which variables converges on which factors. The main usage of CFA is to understand how the pattern specified by the researcher represents the actual data. Confirmatory factor Analysis (CFA) diagram for perceived service quality dimensions is presented in figure 1 and the CFA output is discussed in table 4. The table shows the factor loading values of all the 35 variables to their respective latent factors. All the factor loadings are above the threshold value of 0.5 (Hair et al., 2010) and were significant at 0.01 levels.

Construct reliability and AVE

The table 4 shows the Construct reliability (CR) values and the Average Variance Explained (AVE) values. Composite reliability (sometimes called construct reliability) is a measure of internal consistency in scale based items and is much like Cronbach's alpha (Netemeyer et al. 2003). Table 4 shows that all the factors have Construct Reliability (CR) larger than 0.7, which is the minimum cut off value (Hair et al., 2010). This shows that higher amount of variance in the measured variables is explained by the latent constructs and the error variance constitutes only a small remaining part. Here all other factors have AVE values in the more than 0.5 and it can be concluded that the constructs are valid in terms of convergent validity (Hair et al., 2010). For convergent validity, AVE should be equal or greater than 0.50 and as well as lower than CR.

Table 4: AVE and Composite Reliability for all constructs

Construct	Items	Loadings	AVE	Composite Reliability
Tangibility	TAN1	0.777	0.585	0.849
	TAN2	0.79		
	TAN3	0.763		
	TAN4	0.728		
Reliability	RELIA1	0.749	0.545	0.856
	RELIA2	0.828		
	RELIA3	0.767		
	RELIA4	0.714		
	RELIA5	0.617		
Assurance	ASUR1	0.921	0.690	0.897
	ASUR2	0.66		
	ASUR3	0.936		
	ASUR4	0.774		
Empathy	EMPW1	0.52	0.515	0.835
	EMPW2	0.7		
	EMPW3	0.518		
	EMPW4	0.877		
	EMPW5	0.882		
Responsiveness	RESPON1	0.709	0.657	0.884
	RESPON2	0.897		
	RESPON3	0.797		
	RESPON4	0.829		
Procedural Justice	PJ1	0.865	0.705	0.878
	PJ2	0.768		
	PJ3	0.882		
Interactive Justice	IJ1	0.555	0.565	0.790
	IJ2	0.758		
	IJ3	0.902		
Distributive Justice	DJ1	0.896	0.600	0.708
	DJ2	0.761		
	DJ3	0.644		
Overall Customer Satisfaction	CS1	0.821	0.705	0.905
	CS2	0.825		
	CS3	0.846		
	CS4	0.865		

Source: Primary data

Model fit indices for Service quality dimensions:

The goodness of fit indicators such as CFI, GFI, NFI, AGFI, RMSEA indicate that the tested measurement model is having a significant fit in the table given next.

Table 5: Model fit indices for CFA

GOF Index – Absolute	Actual values	Recommended values
Chi-square	884.240	
Degrees of freedom	522	
CMIN/DF	1.694	Less than 3
GFI	0.967	Greater than 0.90
RMSEA	0.045	Less than .09
Increment fit measure		
NFI	0.977	Greater than 0.90
CFI	0.945	Greater than 0.90

Source: Primary data

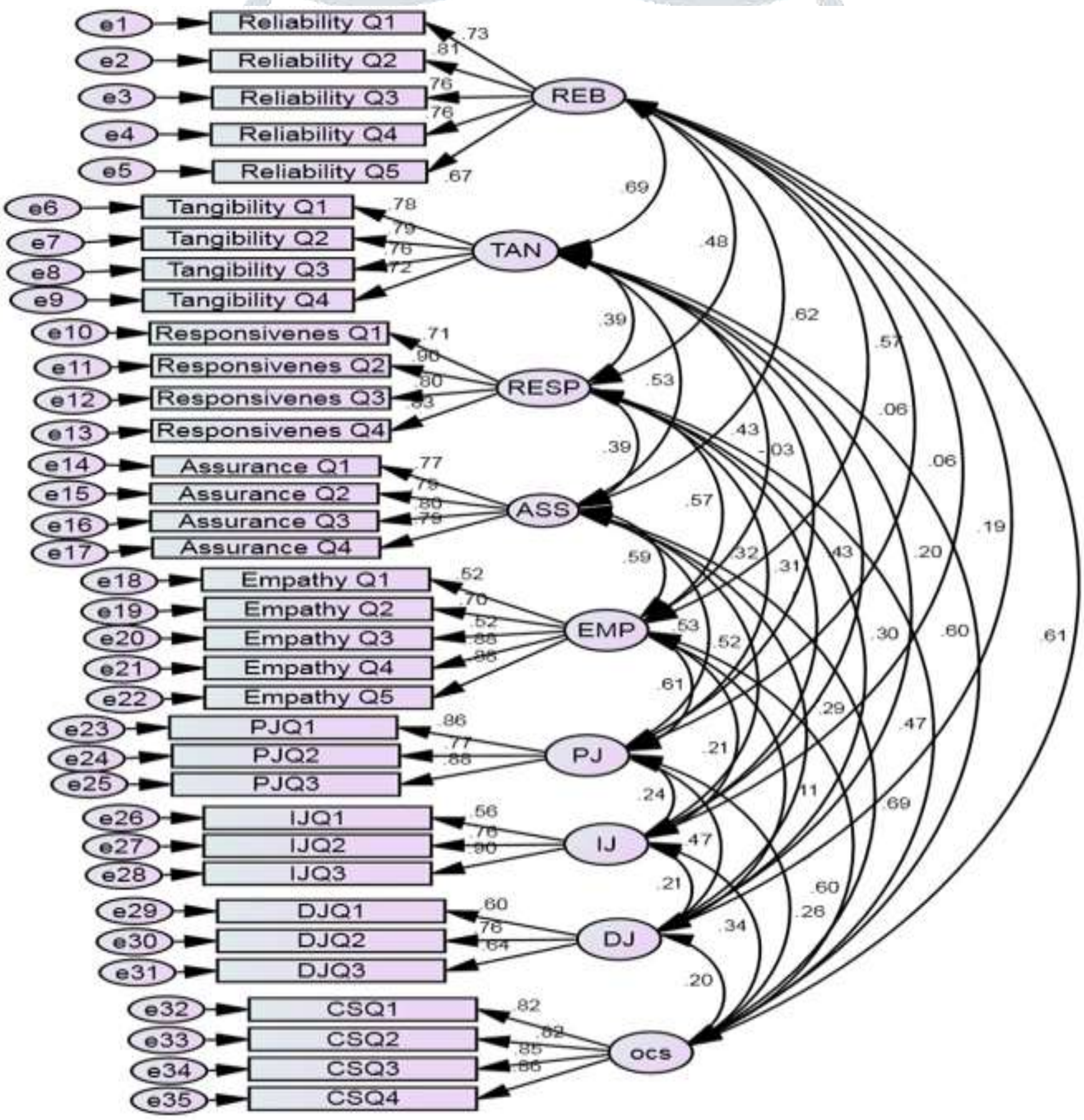

Figure 2: Confirmatory Factor Analysis

Structural Model and Hypothesis Testing

The evaluation of the measurement model paves the way for the Structural Model for both public and private banks separately. The Structural Equation Modeling (SEM) with AMOS 20.0 was used to estimate the causal relationship between IDVs and DVs. Figure 3 and 4 depict the research model and the designed path for public sector and private sector banks respectively. In the research models, perceived service quality (psq) and service recovery (sr) are the independent variables, whereas, overall customer satisfaction is the only dependent variable. The research models consist of three main constructs: perceived service quality, service recovery and customer satisfaction.

Structural Equation Modeling for Public Sector Banks

The overall model fit indices reveal the model fits to the data. The ratio of Chi-square to degrees of freedom is 1.180; a value up to 5 is acceptable and indicates that the model fits to the data. The other Fit indices are GFI=0.987, AGFI=0.965, CFI=0.971, and RMSEA=0.017 denoted that the model showing the existence of interrelationships among the three constructs. The research model in figure 3 hypothesizes that perceived service quality and service recovery had a positive influence on customer satisfaction in the public sector banks. The following hypotheses were tested with the help of structural equation modeling (SEM).

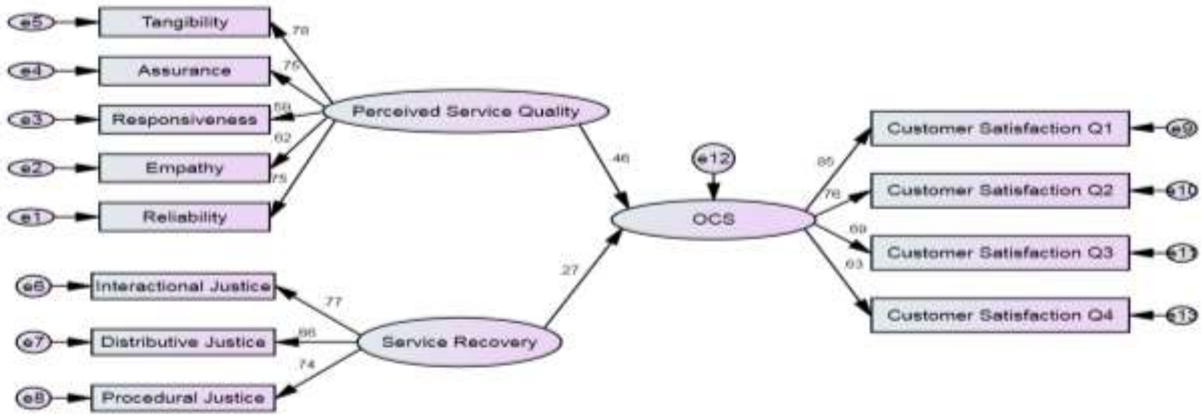

Figure 3: Structural Equation Modeling for Public Sector Banks

The results indicate that the structured regression rate of the relationship between perceived service quality and overall customer satisfaction (OCS) is 0.462 and is found to be significant (p=.000) in context of public sector banks. Hence, with the 95% confidence level the null hypothesis (H1A) "There is no influence of perceived service quality on overall customer satisfaction in public sector banks" cannot be accepted. Hence, it can be concluded that the perceived service quality in public sector banks have a positive and significant impact on customer satisfaction. Similarly, the cause and effect relationship between service recovery and overall customer satisfaction is found to be 0.265 and significant (p=.000) in context of public sector banks. Hence, with the 95% level of confidence the null hypothesis (H2A) "There is no impact of service recovery on overall customer satisfaction in public sector banks" cannot be accepted. Further, it can also be concluded that the service quality in public sector banks have a positive and significant impact on overall customer satisfaction.

Structural Equation Modeling for Private Sector Banks

In context of private sector banks, the fit indices of overall model for private sector banks were also calculated. The ratio of chi-square to degrees of freedom is 2.058. The other fit indices are GFI=0.902, AGFI=0.850, CFI=0.947, and RMSEA=0.081 indicated that the model showing the interrelationships among the three constructs. The research model in figure 4 hypothesizes that relationship between the constructs in the context of private sector banks.

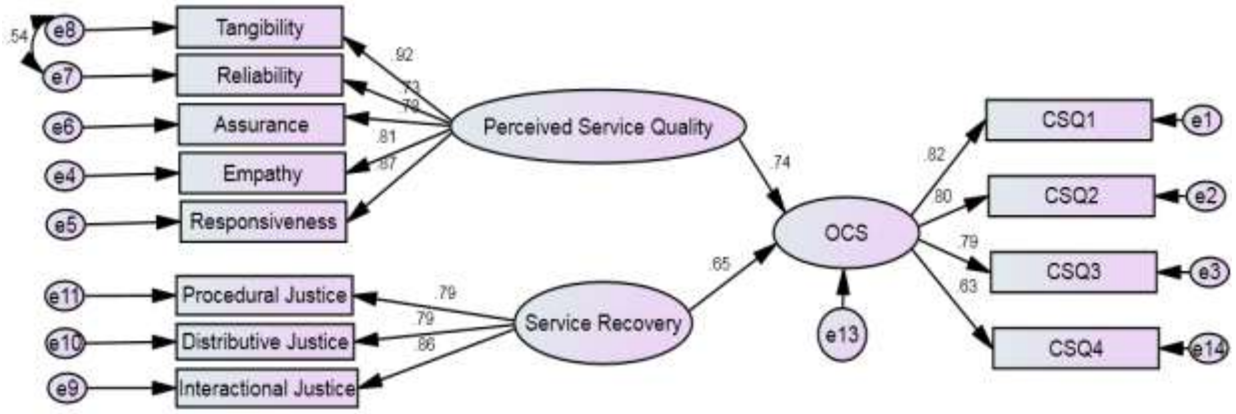

Figure 4: Structural Equation modeling for private Sector Banks

The research hypotheses of the study pertaining to the relationship between perceived service quality and overall customer satisfaction for private sector banks are accepted as $p<0.001$. The results of the structural model shows that perceived service quality had a significant and positive influence on customer satisfaction ($\beta=.737$, $p<0.001$). Hence, with the 95% confidence level the null hypothesis (H1B) "There is no influence of perceived service quality on overall customer satisfaction in private sector banks" cannot be accepted. Secondly, service recovery as an antecedent of overall customer satisfaction had a positive and significant impact ($\beta=.655$, $p<0.001$). Improvement in the service recovery increases the overall customer satisfaction. The null hypothesis (H2B) stating that "There is no impact of service recovery on overall customer satisfaction in private sector banks" is not accepted as $p<0.001$. Therefore, it was concluded that there exists a statistically significant relationship between the constructs of service recovery and overall customer satisfaction.

DISCUSSION

The beta coefficient values between overall customer satisfaction (OCS) and perceived service quality (PSQ) for public and private sector banks are 0.462 and 0.737 respectively. It can be understood that the quality of service is comparatively better in context of private sector banks which in turn leads to higher level of satisfaction among the customers. The factors like privilege banking facilities, promptness in handling customer grievances, security oriented lending, faster decision making and most importantly fast and accurate service delivery were responsible for leaving public sector banks behind in all aspects of banking in India. Since customer satisfaction and profitability are highly related, necessary measures are to be imposed by the banks to ensure improvements in the five dimensions of service quality. It can be observed that reliability is the only dimension observed to be more effective in public sector banks in comparison to private. In order to increase the overall customer satisfaction the public sector banks need to develop the aesthetically pleasing physical environment of the bank and provide facilities like proper setting facilities, use and maintenance of complementary equipment like automated printing machines, auto-mated cheque deposit machines etc. But, the rest four dimensions more effective in case of private sector banks result in higher level of customer satisfaction.

Secondly, the beta coefficient values between overall customer satisfaction (OCS) and service recovery (SR) for public and private sector banks are 0.265 and 0.655 respectively. Another cause of behind decreasing customer satisfaction in public sector banks is poor way of handling customer grievances. The factors like large number of customers, inadequate infrastructure, incapable employees and service process of service recovery make it impossible for public sector banks to resolve customers' issues or service failures in timely manner. Necessary steps must be adopted by public sector banks to make service recovery procedure quicker and hazel free to increase the level of customer satisfaction. It is suggested that public banks can appoint dedicated persons or exclusive counters in the branches to address and resolve the customers' issues in a more efficient way. The public sector banks have to bring some strategic changes in the way service is delivered and the more importantly the emphasis must be given in service recovery procedures to ensure and maintain high level customer satisfaction.

CONCLUSION

Prior to the liberalization policy in India, there was no private and foreign bank available in the market. Liberalization opened the banking sector to private and foreign players. This has provided customers of banks with a wide range of choice. To maintain the customer base, banks have now to focus on the service quality so that customers remain satisfied. Nowadays, banking has emerged as an integral part of the financial sector of the economy. The efficiency of a banking sector depends upon how best it can deliver services to its target customers. In order to survive in the competitive environment and provide continual customer satisfaction, the providers of banking services are now required to continually improve the quality of services and technology and other aspects like resolving service related issues efficiently. Before making their banking strategies, banks should give importance to the various factors that have been highlighted in this research so that they can retain their customers and attract the new customers to the bank.

REFERENCES

Al-Ibrahim, A. (2014). Quality management and its role in improving service quality in public sector. Journal of Business and Management Sciences, 2(6), 123-147.

Babakus, E., Bienstock, C. C., & Van Scotter, J. R. (2004). Linking perceived quality and customer satisfaction to store traffic and revenue growth. Decision Sciences, 35(4), 713-737.

Banerjee, N., & Sah, S. (2012). A Comparative study of customers' perceptions of service quality dimensions between public and private banks in India. International Journal of Business Administration, 3(5), 33.

Bitner, M. J., Booms, B. H., & Tetreault, M. S. (1990). The service encounter: diagnosing favorable and unfavorable incidents. Journal of marketing, 54(1), 71-84.

Boshoff, C., & Allen, J. (2000). The influence of selected antecedents on frontline staff's perceptions of service recovery performance. International Journal of Service Industry Management.

Brown, T. J., Churchill Jr, G. A., & Peter, J. P. (1993). Research note: improving the measurement of service quality. Journal of retailing, 69(1), 127.

Cabello, E., & Chirinos, J. L. (2012). Validación y aplicabilidad de encuestas SERVQUAL modificadas para medir la satisfacción de usuarios externos en servicios de salud. Revista Médica Herediana, 23(2), 88-95.

Caruana, A. (2002). Service loyalty. European journal of marketing.

Chebat, J. C., & Slusarczyk, W. (2005). How emotions mediate the effects of perceived justice on loyalty in service recovery situations: an empirical study. Journal of Business Research, 58(5), 664-673.

Choudhury, K. (2008). Service quality: insights from the Indian banking scenario. Australasian Marketing Journal (AMJ), 16(1), 48-61.

Cronbach, L. J. (1951). Coefficient alpha and the internal structure of tests. psychometrika, 16(3), 297-334.

Cronin Jr, J. J., & Taylor, S. A. (1992). Measuring service quality: a reexamination and extension. Journal of marketing, 56(3), 55-68.

Cronin Jr, J. J., Brady, M. K., & Hult, G. T. M. (2000). Assessing the effects of quality, value, and customer satisfaction on consumer behavioral intentions in service environments. Journal of retailing, 76(2), 193-218.

Culiberg, B., & Rojšek, I. (2010). Identifying service quality dimensions as antecedents to customer satisfaction in retail banking. Economic and business review, 12(3), 151-166.

Dabholkar, P. A., Shepherd, C. D., & Thorpe, D. I. (2000). A comprehensive framework for service quality: an investigation of critical conceptual and measurement issues through a longitudinal study. Journal of retailing, 76(2), 139-173.

Etzel, M. J., & Silverman, B. I. (1981). A managerial perspective on directions for retail customer dissatisfaction research. Journal of Retailing.

Fang, Z., Luo, X., & Jiang, M. (2013). Quantifying the dynamic effects of service recovery on customer satisfaction: evidence from Chinese mobile phone markets. Journal of Service Research, 16(3), 341-355.

Fornell, C. (1992). A national customer satisfaction barometer: The Swedish experience. Journal of marketing, 56(1), 6-21.

George, A., & Kumar, G. G. (2014). Impact of service quality dimensions in internet banking on customer satisfaction. Decision, 41(1), 73-85.

Gronroos, C. (1988). Service quality: The six criteria of good perceived service. Review of business, 9(3), 10.

Hair, J. F., Celsi, M., Ortinau, D. J., & Bush, R. P. (2010). Essentials of marketing research (Vol. 2). New York, NY: McGraw-Hill/Irwin.

Harrison-Walker, L. J. (2001). The measurement of word-of-mouth communication and an investigation of service quality and customer commitment as potential antecedents. Journal of service research, 4(1), 60-75.

Henseler, J., Ringle, C. M., & Sinkovics, R. R. (2009). The use of partial least squares path modeling in international marketing. In New challenges to international marketing. Emerald Group Publishing Limited.

Heskett, J. L., Jones, T. O., Loveman, G. W., Sasser, W. E., & Schlesinger, L. A. (1994). Putting the service-profit chain to work. Harvard business review, 72(2), 164-174.

Iacobucci, D., & Churchill, G. A. (2010). Marketing research. Methodological foundations (10th ed.). Mason, OH: South-Western Cengage Learning.

Jamal, A., & Anastasiadou, K. (2009). Investigating the effects of service quality dimensions and expertise on loyalty. European Journal of Marketing.

Johnston, T. C., & Hewa, M. A. (1997). Fixing service failures. Industrial marketing management, 26(5), 467-473.

Joireman, J., Grégoire, Y., Devezer, B., & Tripp, T. M. (2013). When do customers offer firms a “second chance” following a double deviation? The impact of inferred firm motives on customer revenge and reconciliation. Journal of Retailing, 89(3), 315-337.

Kang, G. D., & James, J. (2004). Service quality dimensions: an examination of Grönroos’s service quality model. Managing Service Quality: An International Journal.

Kim, T. T., Kim, W. G., & Kim, H. B. (2009). The effects of perceived justice on recovery satisfaction, trust, word-of-mouth, and revisit intention in upscale hotels. Tourism management, 30(1), 51-62.

Knox, G., & Van Oest, R. (2014). Customer complaints and recovery effectiveness: A customer base approach. Journal of marketing, 78(5), 42-57.

Kotler, P., & Armstrong, G. (2010). Principles of marketing. Pearson education.

Ladhari, R. (2009). Service quality, emotional satisfaction, and behavioural intentions. Managing Service Quality: An International Journal.

Lee, H., Lee, Y., & Yoo, D. (2000). The determinants of perceived service quality and its relationship with satisfaction. Journal of services marketing.

Maxham III, J. G., & Netemeyer, R. G. (2002). A longitudinal study of complaining customers' evaluations of multiple service failures and recovery efforts. Journal of marketing, 66(4), 57-71.

Miller, J. L., Craighead, C. W., & Karwan, K. R. (2000). Service recovery: a framework and empirical investigation. Journal of operations Management, 18(4), 387-400.

Nadiri, H., & Tanova, C. (2016). What factors influence employee service recovery performance and what are the consequences in health care?. Quality management in health care, 25(3), 162-175.

Naik, C. K., Gantasala, S. B., & Prabhakar, G. V. (2010). Service quality (SERVQUAL) and its effect on customer satisfaction in retailing. European journal of social sciences, 16(2), 231-243.

Netemeyer, R. G., Bearden, W. O., & Sharma, S. (2003). Scaling procedures: Issues and applications. Sage Publications.

Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1985). A conceptual model of service quality and its implications for future research. Journal of marketing, 49(4), 41-50.

Philip, K., Kevin, K., Abraham, K., & Mithileshwar, J. Marketing Management-A South Asian Prespective 14 e 2013.

Ramsaran-Fowdar, R. R. (2007). Developing a service quality questionnaire for the hotel industry in Mauritius. Journal of Vacation Marketing, 13(1), 19-27.

Reichheld, F. F., & Sasser, W. E. (1990). Zero defeofions: Quoliiy comes to services. Harvard business review, 68(5), 105-111.

Sabir, R. I., Ghafoor, O., Hafeez, I., Akhtar, N., & Rehman, A. U. (2014). Factors affecting customers satisfaction in restaurants industry in Pakistan. International Review of Management and Business Research, 3(2), 869.

Salomi, G. G. E., Miguel, P. A. C., & Abackerli, A. J. (2005). SERVQUAL x SERVPERF: comparação entre instrumentos para avaliação da qualidade de serviços internos. Gestão & Produção, 12(2), 279-293.

Schütz, V., Lehnert, S., & Nüssel, M. (2014). 2.1 Definition of quality and its significance. Quality and risk management in agri-food chains, 24.

Selvakumar, J. J. (2015). Impact of service quality on customer satisfaction in public sector and private sector banks. PURUSHARTHA-A journal of Management, Ethics and Spirituality, 8(1), 1-12.

Shin, D., & Elliott, K. M. (2001). Measuring customers' overall satisfaction: A multi-attributes assessment. Services Marketing Quarterly, 22(1), 3-19.

Siddiqui, K. (2011). Personality influences customer switching. Interdisciplinary Journal of Contemporary Research In Business, 2(10).

Tam, J. L. M. (2012). The moderating role of perceived risk in loyalty intentions: an investigation in a service context. Marketing Intelligence & Planning.

Valenzuela, F. (2014). Switching barriers' influences on service recovery evaluation in the retail banking industry: Construct development and testing. Australasian Marketing Journal (AMJ), 22(4), 296-306.

Van Der Wiele, T., Boselie, P., & Hesselink, M. (2002). Empirical evidence for the relationship between customer satisfaction and business performance. Managing Service Quality: An International Journal.

Westbrook, R. A., & Reilly, M. D. (1983). Value-percept disparity: an alternative to the disconfirmation of expectations theory of consumer satisfaction. ACR North American Advances.

Yavas, U., Benkenstein, M., & Stuhldreier, U. (2004). Relationships between service quality and behavioral outcomes. International Journal of Bank Marketing.

Yee, R. W., Lee, P. K., Yeung, A. C., & Cheng, T. C. E. (2013). The relationships among leadership, goal orientation, and service quality in high-contact service industries: An empirical study. International Journal of Production Economics, 141(2), 452-464.

Zeithaml V A and Bitner M J (2003), Services Marketing: Integrating Customer Focus Across the Firm, 3rd Edition, Tata McGraw-Hill, New Delhi.

Zeithaml, V. A., Berry, L. L., & Parasuraman, A. (1996). The behavioral consequences of service quality. Journal of marketing, 60(2), 31-46.