



A Comparative Study On Customers' Satisfaction In Service Quality Dimensions Among Public Sectors Banks And Private Sectors Banks In Chennai City

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Abstract:

The present study focuses on the customers satisfaction in service quality dimensions among public sectors banks and private sectors banks in Chennai city. The major objectives of this study are to identify the expectations (E) of customers regarding banking service, to ascertain perception (P) of customers regarding service quality of banks and to compare service quality gaps (P-E) in public sectors banks and private sectors banks in Chennai city. Empirical method adopted with the basic structures of SERVQUAL instruments to measure the service Quality of banks. Structured Questionnaire with 5 points Likert's scale was used which were split into 2 sections. Expectation and perceptions with 5 dimensions of SERVQUAL model. A grouping of convenience and duster sampling methods were used to select respondents from customers of 2 public sectors banks (SBI & Indian Overseas Bank) and 2 private sectors (ICICI & HDFC Banks) in Chennai city. Arithmetic mean was computed with the help of SPSS version 16.0 to analyses the dates. The results of this study show that the service gap is lower in private sectors banks than public sectors banks which indicates that the private sectors bank customer were highly satisfied when compared with public sectors bank customers. All the SERVQUAL dimensions more dominated by private sectors banks except in the case of assurance in which the public sectors banks have better results. Both the type of banks must find solutions to minimize the existing service gaps and improve their customers satisfaction. Public sectors banks in particular improve their performance in order to maintain its market share in Chennai city.

Keywords: Comparison of Public Sectors Bank and Private sectors bank. Customer satisfaction, service quality.



Introduction

Service quality is a critical determinant of competitiveness for establishing and sustaining satisfying relationships with customers. Service marketers have realized that competition can be well managed by differentiating the quality. A customer minded corporate culture, an excellent service-system design, and effective use of technology and information are crucial to superior service quality. Technological developments have empowered the world is providing quick and access to information and services to consumer in all industries including banking. In the recent past, banking industry has invested substantial resources in bringing ICT to customer (Vijay. M. Kumbhar 2009). For a developing country like India, it is inevitable to modernize and computerize banking Industry in order cope up with current scenario in the globe. The Indian banking industry I mixed with public sectors banks and private sectors banks, there exists a staff competition between them. Due to this competitive nature, banks were forced to the customer-centric in order to retain their existing customers and to acquire new ones. Banks has to satisfy its customers to retire them. The technological development has also increased the customers' expectations on banking services. This study attempts to identity whether there is a significant difference between the public sectors banks and private sectors banks situated in Chennai city in terms of customers satisfaction. The customer satisfaction is measured with the help of 'SERVQUAL' model developed by Parasuraman, Zeithamal and Berry (1985).

Banking industry in India A well developed financial system is one of the primary driving forces for the sustainable economic growth of a country. Especially, for a developing country like India, it works like an economic development factors. IN simple, the whole economy mainly depends on the level of growth of financial system in the country. Since banks playing a leading role in financial system, the government of India often taking tremendous efforts to improve it. Nationalization of banks by the government of India in the years of 1969 and 1980 in order to streamline the working of banks towards public welfare laid down a platform to improve banking industry and in turn the economy of the country in a sustainable manner. But sensing the necessity of private participation in order to improve the banking industry with recent developments across the world, the Indian Government approved the liberalization policy in early 1990s which paved way for



implementation of new generation banking in Indian. Thanks to the globalization policy which enables foreign banks enter into the market and flourishes with technology. This made each and every bank to modernize its services with ICT in order to service in the market. The Rangarajan Committee (1989) stressed that the implementation of ICT in banks should improve quality of customer services and efficiency (Bide 1997).

Recent developments in banking service in India : ICT has revolutionized most of the sectors including banking industry by quick and cost effective delivery of products and services to customers (Mittal and Dhingra, 2007). Due to competition. It is important for bank to meet the customers expectation. Hence implementing innovative mode of service delivery is mandatory in order to survive in the market (Dr. Deepak Gupta, et al 2011). In India, the process of computerization was first implemented in few private bank then the public sectors bank started in 1985 [Vijay, M, Kumaran 2009]. More funds have been invested for branch automation and computerization by Indian banks. Some of the innovations in providing better services to customers of Indian banking Industry are automated teller machine (ATM), Mobile banking, Internet Banking, Core Banking, Electronic Clearing Service (ECS), Electronic Funds Transfer (EFT) and Tele Banking.

Banking And Chennai City

Chennai as a growing Metropolis city in a developing country, Chennai confronts it features performances around and a special economic zone for apparel and footwear manufacturing. Banking, Health care etc. The special feature outline the evidence on the relationship between different bank characteristics. Almost all major bank of India have branches in Chennai city SBI bank has 196 branches and it has 194 ATMs and IOB bank has 127 branches, respectively 223 ATMs, same as ICICI bank has 73 branches, 105 ATMs and HDFC bank 57 branches 88 ATMs in Chennai city.

Literature Review

Customers' expectations: Each and every customer has their own experience regarding a product or service these experiences can be termed as customers expectations. This is more relevant



when it comes to services industry like banking. The SERVQUAL model developed by Parasuraman, Zeithaml and Berry begins with customers' expectation on services and then compares it with the actual perceived experience of customers to find out the level of customers' satisfaction (V.A. Zeithaml et al 1985). Expectations are subjective and are neither static nor predictable (Blanchard et al, 1994).

Customers perception of experiences It refers to customers' impression, awareness and / or consciousness about a company or its offerings. Customers' perception can be defined as the judgement about the quality of product / service consumed by them. Perceived quality means consumers' judgement towards products / service overall excellence or superiority (Lewin 1936). Perceived service quality determinants tend to play an important role in high skill and technology – involving industry like banking service (Abu Baker Siddique, et al 2011).

Customer satisfaction A customer's satisfaction is an important and relevant concept. The level of satisfaction will vary from person to person, product to product and service to service. There may be some possibilities of gaps between customers' expectations and actual perception of experience in any service. Which leads to customer dissatisfaction. Hence all the service industry should try to narrow down this gap to increase customer satisfaction. The relationship between expectation, perceived service quality and customers' satisfaction have been investigated in a number of researches (Zeithaml, et al 1988). Customer satisfaction provides a leading indicator of consumer purchase intentions and loyalty. Customer satisfaction data are among the most frequently collected indicators of market perception (Abu Bakar Siddique, et al 2011). Many researches agreed that consumers' satisfaction and service quality are conceptually distinct (Bitner, 1990), but these two are the major factors influencing purchase intention of customers (Prasante K. Padhy, et al 2009).

Customer satisfaction evaluation models The basis for the measurement of customer satisfaction with a service by using gap between customer's expectation of performance and their perceived experience of performance. (Zeithaml et al 1985) Cronin and Taylor (1993) proposed a theory which combines the two different measures perception and expectation of performance into a single measurement of performance according to expectation.



Dimensions of SERVQUAL Model The SERVQUAL model assumes that service quality is multidimensional concept and in turn contributes to the assessment of the service quality in any setting originally ten dimensions of service quality were proposed namely reliability, responsiveness, competences, access, courtesy, communication, credibility, security, understanding the consumer, and tangibles. Later these were reduced to five such as tangibles, responsiveness, assurances and empathy. Tangibles refers to the appearance of facilities, equipment, materials, and personnel. Reliability means the performances of the service in a dependable and accurate manner. Responsiveness can be termed as the willingness of staff to help customers and provide prompt service. Assurance is the staff's ability to provide courteous and knowledgeable service. Empty refers to the staff's ability to understand the needs of the customer.

Customer satisfaction in public/private banks In a study, Nirmaljeet Virk, Prahjot Kaur Mahal (2012) has identified that private sector banks are preferred by most of the customers as they emphasize relationship building with their clients and are better equipped with modern infrastructure as compared to public sector banks. Surabhi Singh and Renu Arora (2011) have concluded that the customers of nationalized banks are not satisfied with behaviour of employees and infrastructure, but in case of private and foreign banks, they worried about high charges, accessibility and communication. Foreign banks are leading in providing better services and products when compared to other banks (RBI 2001). Most of the researchers findings shows that customer satisfaction in private sectors banks is comparatively better than public sector banks in India.

Susesh (2007) revealed that poor service quality in public sectors banks is due to deficiency in tangibility, lack of responsiveness and empathy but this is not the case in private sectors banks. The performance of privatized state owned banks when compared with other banks has increased by 95% after their privatization. This resulted in greater market share for privatized state – owned banks than before (Khademzadeh et al 2012). Service quality is an important feature of customers satisfaction in Indian banking industry irrespective of public sector banks and private sectors banks and found to be strongly associated with propensity to recommend (Monica Bedi 2010). M.J. Vidhyaa (2009) concluded that both SBI and ICICI banks are competing equality with each other but SBI is slightly below the line in customer complaints handling when compared to ICICI bank.



Research Methodology

Survey method was used for this empirical study, the basic structures of SERVQUAL instruments and dimensions developed by Zeithaml, Parasuraman and Berry (1988) were employed to measure the service quality of banks. The structured questionnaire split into two sections in order to collect state from respondents regarding expectations and perceptions of banking service in India. A five points likert's scale was employed to collect data with 20 sets of question statements grouped under 5 dimensions (4 each), 30 respondents from each bank (SBI, Indian Overseas bank, ICICI bank and HDFC bank) in Chennai City were personally met and get the questionnaires filled by them. Samples were selected using a grouping of convenience sampling and cluster sampling methods. The respondents are chosen from the customers coming out of the banks, where it would be easy to invite them to take part in the research. Arithmetic mean was computed with the help of SPSS version 16.0 for analyzing the data.

Objectives of the Study

1. To identify the expectations (E) of customers regarding bank services in public sectors banks & private sectors bank in Chennai city.
2. To ascertain perceptions (P) of customers regarding service quality in public sector bank and private sectors banks.
3. To analyze and compare service gap (P-E) of customers in public sector banks and private sectors banks in Chennai City.

Demographic Profile of the Respondents The demographic profile of the respondents is given in table 1 as follow in order to show the diversity of respondents.

Table 1:

Gender	Frequency	Percentage
Male	63	52.5%



Female	57	47.5%
Total	120	100
Age (in Years)		
18-25	21	17.5%
26-40	37	30.8%
41-50	33	27.5%
51-60	24	20%
Total	120	100
Educational Qualification		
Post Graduate	28	23.3%
Graduate	64	70%
Higher Secondary	08	6.7%
Secondary or Less	00	0%
Total	120	100
Monthly Family Income		
Less than 10000	32	26.7%
10,001 – 20,000	68	56.6%
20,001 – 30,000	11	9.2%
30,001 – 40,000	08	6.7%
40,001 – 50,000	01	0.8%
Greater than 50,000	0	0
Total	120	100
Status		
Student	08	6.7%
Employed	83	69.2%
Self employed	16	13.3%
Housewife	-	0%
Retired	13	10.8%



Total	120	100
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Results and Discussion

Overall service quality in public sector banks and private sector banks in India: The analysis of Table 2 reveals that the expectations of private banks customers are higher than public sector banks customers. The perception of actual service experienced is also greater among private banks customers. Eventhough the expectations are high, the service gap is minimum in private sectors banks which clearly denotes that the private bank customers were highly satisfied when compared with public sectors bank customers regarding the dimensions of tangibles responsiveness and empathy. Assurance is the only dimension in which the expectation perception and service gap were better in public sector bank than private sectors banks which denotes that public sectors bank employees are highly capable. The service gap in the dimension of reliability is almost equal in both the banks. But the private banks were comparatively better because it covers more expectations. On the whole private banks have lower service gap and generates greater satisfaction to customers.

Table – 2 Overall service Quality

Service Quality Dimensions	Public Sectors Banks			Private Sectors Banks		
	Expectation	Perception	Gap	Expectation	Perception	Gap
Tangibles	23.74	18.46	-5.28	20.36	18.28	-2.08
Reliability	25.35	22.35	-3.03	24.84	22.08	-2.04
Responsiveness	22.66	18.14	-4.52	20.78	15.37	-4.45
Assurance	23.58	19.22	-4.36	23.02	18.51	-4.51
Empty	21.71	16.04	-5.31	19.75	15.00	-4.75
TOTAL	117.04	94.57	-22.47	108.75	89.24	-19.51

Dimension-wise analysis and interpretation

Tangibles: Table 3 compare the expectation, perception and service gap among customers of public sector banks and private sectors banks respectively. The private sectors bank have lower service gap



(-2.08) when compared with public sectors bank [-5.28]. This clearly reveals that private sector banks provide better tangible services. When element-wise analysis made, it is found that the service gap in public sectors banks is very high in all the elements which reflects the poor visually appearing services as against private banks.

Table 3 : Tangibles

Service Quality Dimensions	Public Sectors Banks			Private Sectors Banks		
	Expectation (E)	Perception (P)	Gap (P-E)	Expectation (E)	Perception (P)	Gap (P-E)
Modern Looking equipment	6.80	5.57	-1.23	6.82	5.70	-1.12
Physical facilities visually appearing	5.86	4.68	-1.18	3.26	3.16	-0.10
Employers have neat appearance	5.83	4.50	-1.33	5.20	4.57	-0.63
Materials associated visually appearing	5.25	3.71	-1.54	5.08	4.85	-0.26
TOTAL	23.74	18.46	-5.28	20.36	18.28	-2.08

Reliability: The table service gap regarding reliability dimension is almost equal among public sector and private sectors banks in India as depicted by table 4. According to the survey, fulfillment of promise in time and maintaining error – free record is done well by public sector banks as its service gap is lesser than private sector banks. This may be due to huge expectations on private banks regarding fulfillment of promise in time. Private sector banks were better in ease of showing interest in solving customers problems and performing right service at the first time. On the whole perceived services of private banks (22.08) is greater than that of public sector bank (22.35) which indicate the private banks were rendering better reliable services.

Table 4 : Reliability

Statement	Public Sectors Banks			Private Sectors Banks		
	Expectation	Perception	Gap	Expectation	Perception	Gap



	(E)	(P)	(P-E)	(E)	(P)	(P-E)
Promises to do in time fulfilled	5.26	4.73	-0.50	6.01	5.37	-0.64
Sincere interest in solving customers problems	6.56	5.31	-1.25	6.24	5.70	-0.54
Perform the right service at the first time	6.33	5.50	-0.83	5.20	4.88	-0.32
Error free record	7.20	6.78	-0.42	7.39	6.85	-0.54
TOTAL	25.35	22.35	-3.03	24.84	22.08	-2.04

Responsiveness Analysis of table 5 clearly shows that private sector banks exceed the level of satisfaction of their customers when compared to public sectors banks in respect of responsiveness. Eventhough the private sector banks have not totally meet all the expectations of its customers, all the four elements pertaining to this dimension of its customers, all the focus elements pertaining to this dimension reflects the superiority of private sector banks over public sector banks. The overall service gap as per the respective customers point of view, the private sector bank (-4.45) satisfy them well as against public sector banks (-4.52).

Table 5 : Responsiveness

Statement	Public Sectors Banks			Private Sectors Banks		
	Expectation (E)	Perception (P)	Gap (P-E)	Expectation (E)	Perception (P)	Gap (P-E)
Bank tell exactly when service will be performed	6.52	4.69	-2.13	4.76	4.46	-0.36
Prompt service	5.55	4.20	-1.35	5.79	4.37	-1.42
Willing to help customers	6.23	5.88	-0.35	4.88	2.98	-1.09
Never be too busy to	4.36	3.67	0.69	5.35	4.52	-0.83



respond						
TOTAL	22.66	18.14	-4.52	20.78	15.37	-4.45

Assurance The data derived from this survey reveals that public sector banks were comparatively better than private sector banks regarding one of the SERVQUAL dimension named assurance. It is found that assurance is the only dimension in which public sector banks exceeds the private sector banks in all perspective (Expectation, perceptions and service gap). When element-wise analysis made, the major contribution for this is given by the customers safety feeling while transacting with banks. Public sector banks customers feel very safe (Service gap is (-0.09) than the private banks customers (Service gap (-1.36). The service gaps for employee behavior and courteous with customers are minimum in private sector banks. On the other hand the service gaps for safety feeling and employers knowledge to clarify enquires are least in public sector bank.

Table 6 Assurance

Statement	Public Sectors Banks			Private Sectors Banks		
	Expectation (E)	Perception (P)	Gap (P-E)	Expectation (E)	Perception (P)	Gap (P-E)
Employee behaviour instill confidence in customers	5.27	4.72	-0.55	5.30	4.28	-1.02
Feel safe in transaction	5.72	3.82	-1.09	6.43	5.07	-1.36
Consistently courteous with customers	6.72	5.68	-1.24	5.85	4.12	-1.73
Employees have knowledge to answer customers questions	5.87	5.00	-0.87	5.44	5.04	-0.40
TOTAL	23.58	19.22	-4.36	23.02	18.51	-4.51

Empathy



When the data in table 7 are analysed, private sector bank employees were comparatively better than public sector banks in understanding the customers needs and requirements. This is because their total service gap for this dimension is comparatively better than public sector banks. When the element wise analysis made, it is found that private sector banks have contributed much to their customers than by public sector banks in all the elements and in all perspective.

Table 7 : Empathy

Statement	Public Sectors Banks			Private Sectors Banks		
	Expectation (E)	Perception (P)	Gap (P-E)	Expectation (E)	Perception (P)	Gap (P-E)
Individual attention to customers	4.22	3.22	-1.00	5.39	4.05	-1.34
Convenient operation hours	5.92	4.55	-1.37	4.29	2.98	-1.31
Give customers personal services	5.82	4.12	-1.07	5.59	4.80	-0.79
Understand the specific needs of their customers	5.75	4.51	-1.24	4.48	3.17	-1.31
TOTAL	21.71	16.4	-5.31	19.75	15.00	-4.75

Conclusion

Customers expectations perceptions and service gap of private sector banks is better than that of public sector banks in case of all the service dimensions expect the dimensions of assurance in which public sector banks exceeds private sector banks. The more expectation in private sector banks is may be due to greater interest in transaction which them than with public sector banks. Customer's expectations reveals that they believe better satisfaction can be arrived with private sector banks than with public sector banks. As the service gap regarding the dimensions of



tangibles, responsiveness and empathy were comparatively lower than public sector banks they provide greater satisfaction to their customers.

In case of public sectors banks the service gap regarding assurance is comparatively lower than private banks. Which reveal that the public banks enjoy confidence among customers in Chennai city. The service gap is very high in dimensions of responsiveness and empathy which exhibits the lack of employees responsiveness especially in providing prompt services. It is very important for the public sector banks to improve responsiveness among employees which is one of the major concerns for customers.

In case of private sectors banks, it is important to generate and improve confidence among customers and to give utmost safety to their customers. Eventhough service gap is comparatively better than public sector banks, the private sector banks should be very careful because the public sector banks are being privatised and gaining market share in India. The expectations of customers are rising in a very high rate, hence banks should give greater effort to meet it.

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