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Assessment of Quality of Services Rendered by Public and Private Banks in the City of Patiala

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Abstract

Indian banking sector is facing a challenge of quality of services rendered to the customers of banks. In the present scenario, it is quite difficult for the banks to win the heart of the customers. It can be done by providing excellent services to them. Service quality plays a major role in this regard. It acts as a strategic tool for the service providers to attain the interest of their customers and change their perceptions about the banks in a positive way by providing them satisfactory services. The aim of this study is to critically analyze and assess the quality of banking services rendered to the customers. The assessment of service quality is not only done by evaluation of service quality scale but also revealed various factors of service quality for banking services. Along with this, the study evaluated the preference towards public/private bank across various demographic factors. In this study, one public (SBI) and one private (HDFC) sector bank have been taken for analysis purpose. The service quality of both the banks has been measured by using service quality scale, i.e., SERVQUAL. With the help of Questionnaire, data was collected from total 100 customers of Patiala city. In this study, Factor Analysis, Chi Square method, Reliability Analysis have been applied and found tangibles and assurance as the most important factors of service quality. The study also revealed that the preference towards public/private sector bank and education level is dependent on each other but found no dependency with respect to age and occupation.

Key Words

Service Quality, Banking Sector, SERVQUAL, Banking Services, Banks

INTRODUCTION

Among the components of financial system, financial institutions play an important role in the development of underdeveloped and developing economies. Banking sector is the backbone of any financial system and economy. Commercial banks play an important role in the economic development with proper allocation and mobilization of resources. The Indian banking system is regulated by the central bank of the country i.e. Reserve Bank of India (RBI), which was nationalized in 1949. RBI is a regulator for the banking sector and exercises control over all banks. RBI acts as a protector and controller of banking system as it protects the depositors and helps to stabilize the banking system. In 1969, the government did nationalization of 14 major banks and broke the ownership and control of some private players. This also enabled balanced geographical growth of banks, especially in rural areas and small towns, which accounted for the majority of the population. Service quality plays significant contribution towards the growth of any company. Service quality acts as a strategic tool for the service providers to attain the interest of their customers and change their perceptions about the banks in a positive way by providing them satisfactory services. In 1985, the service quality model highlighted the main requirements for high service quality delivery. The model identified five 'gaps' that results into unsuccessful delivery. Ten determinants that may influence the appearance of a gap were described by Parasuraman, Zeithaml and Berry in the SERVQUAL model namely, reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding the customer and tangibles. Later on, the determinants were reduced to five dimensions namely, tangibles, reliability, responsiveness, service assurance and empathy and is known as RATER model.

REVIEW OF LITERATURE

Johnston (1995) evaluated the customer's perception towards the service quality of the banking services. The service quality dimensions such as Access, Aesthetics, Alternatives, Availability, Care, Cleanliness, Comfort, Commitment, Communication, Competence, Courtesy, Flexibility, Friendliness, Functionality, Integrity, Reliability, Security and Responsiveness were taken for further analysis. Attentiveness, responsiveness, care and friendliness were the main sources of satisfaction of service quality and integrity, reliability, responsiveness, availability and functionality were the sources of dissatisfaction.

Bloemer *et al.* (1998) analyzed the positive correlation between image, customer satisfaction, quality and loyalty among each other. The author found

that quality and satisfaction had direct positive impact on loyalty whereas image had indirect relationship between image and bank loyalty via perceived quality.

Conduit and Mavondo (2001) found positive relationship between internal service quality, satisfaction, and customer retention. The study revealed that the level of employee internal service quality experienced by the staff in the main delivery systems can enhance a firm's overall quality performances.

Sureshchander *et al.* (2002) analyzed the differences between the public, private and foreign sector banks for total quality service (TQS) implementation. The study found no difference between private and foreign sector banks in terms of top management commitment and leadership, information analysis and continuous improvement and found differences among all three categories of banks in terms of human resource management, technical system, service culture, servicescapes, social responsibility, union intervention, benchmarking, customer focus and employee satisfaction.

Sureshchander *et al.* (2002) found reliability, responsiveness, empathy and assurance are the important factors and correspond to human element in the service delivery. Moreover, they contended that SERVQUAL does not address other important constituents of service quality.

Sureshchander *et al.* (2003) analyzed the customer's perspective of service quality and found that there is a difference between the public, private and foreign sector banks with respect to service quality factors from customer's point of view. Core service, human element, service delivery, tangibles of services and social responsibility were the five dimensions found in this study.

OBJECTIVES OF THE STUDY

The objectives of this study are :

- To find out the various factors that affect the service quality of banking services.
- To evaluate the scale used to measure the construct under this study.
- To ascertain the demographic variations across the preference towards public/private banks.

RESEARCH HYPOTHESES

- H_1 : Preference towards public/private sector bank and age group is dependent on each other.
- H_2 : Preference towards public/private sector bank and occupation is dependent on each other.
- H_3 : Preference towards public/private sector bank and education is dependent on each other.

RESEARCH METHODOLOGY

The descriptive research design has been used for the study. Primary data has been used to have first-hand information on happening of event. With the help of questionnaire, Survey method was used for data collection purpose and it was conducted in the city of Patiala. Convenience sampling was used to select the sample and the sample size is 100. Fifty respondents each form SBI and HDFC were required for assessing the quality of services rendered by banks in Patiala. These banks were selected on the basis of highest market capitalization among public and private banks and have market capitalization of ₹ 234,538.16 Crore and ₹ 565,623.09 Crore respectively.

SERVQUAL model of Parasuraman (1988) was finalized after review of literature and was used as tool for data collection method. Data was collected on a Likert scale, where "1" stands for Strongly Disagree and "5" for Strongly Agree. Scale was evaluated with the help of reliability and validity tests. Exploratory Factor Analysis was used for the identification of factors affecting service quality of banking services. Chi-Square method was applied to find out the preference towards public/private bank. Percentage method and other statistical tools were also used in the study.

DATA ANALYSIS AND INTERPRETATION

Reliability Test

Reliability is a measure of consistency or stability of data values. The reliability of scale was tested with the help of reliability analysis using SPSS 24.0 software. Reliability statistics is given below in the Table 1.

Table 1

Reliability Statistics

Cronbach's Alpha	0.764
Number of Items	22
Number of Cases	100

Source : Field Investigation Survey

As the reliability metric (0.764) is more than standard criteria (0.700) {Andy Field}, so the scale is highly reliable. The individual Cronbach's Alpha values were also calculated separately and the details are mentioned in the following Table 2.

In Table 2, the Cronbach's Alpha value shows that the scale is reliable as the values are more than 0.7.

Table 2

Reliability Statistics of Five Dimensions

Source	Measures	Cronbach's Alpha
SERVQUAL Parasuraman *et al.*	Reliability (5Qs)	0.852
	Assurance (4Qs)	0.852
	Tangibility (4Qs)	0.802
	Empathy (5Qs)	0.866
	Responsiveness (4Qs)	0.825

Source : Parasuraman *et al.* (1988)

Validity Test

The Face Validity Method was used to check the validity of the scale and the validity was found to be satisfactory to carry out the study. If the test measures what it is supposed to measure, then it is known as validity of the test.

Objective 1 : To find out the various factors that affect the Service Quality of Banking Services.

SPSS 24 software was used to find out the relevant factors that affect the service quality of the banks. 22 factors of SERVQUAL model have been taken for analysis purpose and was used further to find out the factors responsible for quality of services rendered by banks. Four factors were generated with the help of Principle Component Method and Oblimin Rotation. Kaiser Meyer Olkin (KMO) and Bartlett's Test of Sphericity are two measures, which indicate the suitability of your data. KMO measures the sample adequacy and it indicates the proportion of variance in specified variables that might be caused by underlying factors. Factor analysis is suitable option for your data if KMO value is more than 0.60 (Julie Pallant, 2007:190). Here, the value of KMO comes out to be 0.795 which gives a positive indication for further running factor analysis. Similarly, Bartlett's Test of Sphericity is a measure that shows the strength of the relationship among variables. Its value should be less than 0.05 (Julie Pallant, 2007:190) for further analysis. Here, the value is 0.000 and it is a good indicator. Factor Analysis Statistics is mentioned below in the Table 2.

Table 3

Factor Analysis Statistics

Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO)		0.795
Bartlett's Test of Sphericity	Approx. Chi-Square	1126.307
	Df	231
	Sig.	0.000

Source : Field Investigation Survey

The combined results of factor analysis were shown below in the Table 4 as given below :-

Table 4
Compiled Results of Factor Analysis

Factor Name	Eigen Value	% of Variance	Statements	Factor Loading
F1	5.136	23.344	Service staff understands the customer very well and are experienced in their field	0.855
			Service staff's behavior has been creating trust and confidence among customers	0.813
			The service equipment is modern	0.805
			The service prints are designed beautifully and scientifically	0.790
			The service staff is always friendly, cheerful and welcome with you	0.779
			You feel secured when using the services at the bank	0.775
			Physical facilities of the services are wide and enough	0.769
			The service staff's dress tidy and polite	0.730
F2	3.41	15.499	Bank assures customers' interest when providing the services	0.726
			The bank expresses special concern about you	0.699
			The service staff gives thoughtful care to you	0.699
			The service staff understands your needs clearly	0.672
			The trading time is convenient for you	0.648
F3	3.253	14.788	Bank is always concerned about problem solving when we raise the services' problems	0.758
			The bank always delivers the IT-enabled services as committed	0.714
			The bank always tries to prevent the services' possible errors	0.702
			Bank always delivers the services within notified time	0.672
			Bank conducts the services exactly right for the first time	0.660

Contd. Table 4

F4	2.568	11.673	Service staff is always willing to help the customers	0.772
			The service staff does not appear too busy to refuse your requests	0.764
			The service staff notifies you the exact time of service delivery if you must contact them	0.724
			The service staff always conducts the services quickly	0.686
Extraction Method : Principal Component Analysis				
a. 4 Components Extracted.				

Source: Field Investigation Survey

EXPLANATION OF THE RESULTING FACTORS

(1) Service staff understands the customer very well and are experienced in their field' found most important factor with factor loading of 0.855. Here, assurance and tangibles are contributing 23.344 of the variance and 5.136 eigen value.

(2) Empathy dimension of SERVQUAL scale is the most important factor with eigen value of 3.410 and 15.499 % of variance explained by the factor. Here, the bank assures customers' interest when providing the services is highly contributing with factor loading of 0.726.

(3) The third factor is a combination of V2, V3, V4, V5, V6 and contributing 14.788% of variance explained with 3.253 eigen value. These variables will cover the Reliability dimension of SERVQUAL scale. Here 'banks' concern about quickly solve the problems' found as the most important factor with factor loading of 0.758.

(4) The willingness of the service staff to help the customers found the most important factor with highest factor loading 0.772 among others.V7-V10 factors come under the responsiveness dimension of service quality with 11.673% of variance explained by the four factors and with eigen value of 2.568.

Objective 2 : To evaluate the scale used to measure the construct under this study.

SERVQUAL scale with 22 items {Parasuraman *et al.* (1988)} was selected for assessing the service quality of banking customers. In this study, the

reliability of standard scale was shown in the Table 5 given below. The 2nd objective of this study was to evaluate the scale used to measure the construct. It implied that if same scale were used to collect the responses on other sample (with different preferences of customers). Will it be able to produce the same reliable result? Is the Cronbach's Alpha value will produce reliable and acceptable results as per standard criteria? After the reliability analysis of each construct of RATER model, it was found satisfactory result and the values are shown in the following Table 5.

Table 5
Comparison of Cronbach's Alpha Values Standard Scale

Construct	Dimensions	Cronbach's Alpha Values	
		In Previous Study {Parasuraman *et al.* (1988)}	In Current Study
Service Quality	Reliability (5Qs)	0.83	0.852
	Assurance (4Qs)	0.81	0.852
	Tangibility (4Qs)	0.72	0.802
	Empathy (5Qs)	0.86	0.866
	Responsiveness (4Qs)	0.82	0.825

Source : Field Investigation Survey and Parasuraman *et al.* (1988)

It can be analyzed that the internal consistency or the Cronbach's Alpha values are almost similar with the standard scale.

Objective 3 : To ascertain the Demographic Variations across the preference towards Public/Private Banks.

Chi-Square test was used to predict the significant differences between the expected frequencies and the observed frequencies in one or more categories. The formula used for Chi-Square calculations is mentioned below :-

$$X^2 = \Sigma(fo - fe)^2 / fe$$

where, fo = observed frequency, fe = expected frequency and

fe = (frequency for the column) * (frequency for the row)/n

Following hypotheses were framed to ascertain the demographic variations across the preference towards selection of public/private sector banks and their calculations are shown in the following Tables.

Hypothesis 1

H_1 : Preference towards public/private sector bank and age group is dependent on each other.

Table 6
Observed Frequency (Age Group in Years)

Preferences Towards Banks	**18-25**	**26-35**	**36-45**	**46-55**	**56-65**	**Frequency for Row**
Public Bank	8	15	8	8	11	50
Private Bank	9	12	8	8	13	50
Frequency for Column	**17**	**27**	**16**	**16**	**24**	**100**

Source : Manual Calculations from Data

Table 7
Expected Frequency (Age Group in Years)

Preferences Towards Banks	**18-25**	**26-35**	**36-45**	**46-55**	**56-65**	**Frequency for Row**
Public Bank	8.5	13.5	8	8	12	50
Private Bank	8.5	13.5	8	8	12	50
Frequency for Column	**17**	**27**	**16**	**16**	**24**	**100**

Source : Manual Calculations from Data

Table 8
Chi-Square Calculations for Age

f_0	f_e	$f_0 - f_e$	$(f_0 - f_e)^2$	$(f_0 - fe)^2/f_e$
8	8.5	-0.5	0.25	0.029412
15	14	1.5	2.25	0.166667
8	8	0	0	0
8	8	0	0	0
11	12	-1	1	0.083333
9	8.5	0.5	0.25	0.029412
12	14	-1.5	2.25	0.166667
8	8	0	0	0
8	8	0	0	0
13	12	1	1	0.083333
X^2Cal value =				**0.558824**

Source : Manual Calculations from Data

Degree of Freedom = (row – 1) * (column – 1)
= (2 – 1) * (5 – 1)
= 4

Confidence Level = 95%

Therefore, $X^2tab = 9.488$

In this case $X^2cal < X^2tab$, hence null hypothesis is accepted and alternative hypothesis is rejected.

The calculations for Hypothesis 1 were shown in the above Tables 6, 7 and 8. It implied that the preference towards public/private sector bank and age group is independent of each other.

Hypothesis 2

H_2 : Preference towards public/private sector bank and occupation is dependent of each other.

Table 9
Observed Frequency (Occupation Level)

Preference Towards Banks	Business-man	Service-man	Student	House-wife	Frequency for Row
Public Bank	16	6	13	15	50
Private Bank	15	12	9	14	50
Frequency for Column	**31**	**18**	**22**	**29**	**100**

Source : Manual Calculations from Data

Table 10
Expected Frequency (Occupation Level)

Preference Towards Banks	Business-man	Service-man	Student	House-wife	Frequency for Row
Public Bank	15.5	9	11	14.5	50
Private Bank	15.5	9	11	14.5	50
Frequency for Column	**31**	**18**	**22**	**29**	**100**

Source : Manual Calculations from Data

Table 11
Chi-Square Calculations for Occupation

f_0	f_e	f_0-f_e	$(f_0-f_e)^2$	$(f_0-fe)^2/f_e$
16	15.5	0.5	0.25	0.016129
6	9	-3	9	1
13	11	2	4	0.363636
15	14.5	0.5	0.25	0.017241
15	15.5	-0.5	0.25	0.016129
12	9	3	9	1
9	11	-2	4	0.363636
14	14.5	-0.5	0.25	0.017241
X^2Cal value =				**2.794014**

Source : Manual Calculations from Data

Degree of Freedom = (row – 1) * (column – 1)
= (2 – 1) * (4 – 1)
= 3

Confidence Level = 95%

Therefore, X^2tab = 7.815

In this case X^2cal < X^2tab, hence null hypothesis is accepted and alternative Hypothesis is rejected. The calculations for Hypothesis 1 were shown in the above Tables 9, 10 and 11. It implied that the preference towards public/ private sector bank and occupation level is independent of each other.

Hypothesis 3

H_3 : Preference towards public/private sector bank and education is dependent on each other.

Table 12
Observed Frequency (Education Level)

Preference Towards Banks	Under-Graduate	Graduate	Post-Graduate	Frequency for Row
Public Bank	18	8	24	50
Private Bank	13	19	18	50
Frequency for Column	**31**	**27**	**42**	**100**

Source : Manual Calculations from Data

Table 13
Expected Frequency (Education Level)

Preference Towards Banks	Under-Graduate	Graduate	Post-Graduate	Frequency for Row
Public Bank	15.5	13.5	21	50
Private Bank	15.5	13.5	21	50
Frequency for Column	**31**	**27**	**42**	**100**

Source : Manual Calculations from Data

Table 14
Chi-Square Calculations for Education Level

f_0	f_e	f_0-f_e	$(f_0-f_e)^2$	$(f_0-fe)^2/f_e$
18	15.5	2.5	6.25	0.403226
8	13.5	-5.5	30.25	2.240741
24	21	3	9	0.428571
13	15.5	-2.5	6.25	0.403226
19	13.5	5.5	30.25	2.240741
18	21	-3	9	2.240741
X^2Cal value =				**6.145076**

Source : Manual Calculations from Data

Degree of Freedom = (row – 1) * (column – 1)
= (2 – 1) * (3 – 1)
= 2
Confidence level = 95%
Therefore, X^2tab = 5.991

In this case X^2cal > X^2tab hence null hypothesis is rejected and alternative hypothesis is accepted. The calculations for hypothesis 1 were shown in the above Tables 12, 13 and 14. It means that the preference towards public/private sector bank and education level is dependent of each other.

DEMOGRAPHIC PROFILE OF RESPONDENTS

The following Table 15 gives the details of Demographic Profile of Respondents

Here, majority of the respondents belong to female category. 27% of the respondents belong to 26-35 years of age range. Most of the respondents fall in the unmarried and post-graduate group.25% of the respondents have monthly income of 50000-75000 and 29% of the respondents are housewives.

Table 15
Demographic Profile of Respondents

Demographic Variable		Frequency	Percent
Gender	Male	45	45.0
	Female	55	55.0
	Total	100	100
Family Size	1-2	18	18.0
	3-4	43	43.0
	5+	39	39.0
	Total	100	100
Age	18-25	17	17.0
	26-35	27	27.0
	36-45	16	16.0
	46-55	16	16.0
	56-65	24	24.0
	Total	100	100
Marital Status	Married	46	46.0
	Unmarried	54	54.0
	Total	100	100
Education	Under-graduate	31	31.0
	Graduate	27	27.0
	Post-graduate	42	42.0
	Total	100	100
Monthly Income	Below 25000	15	15.0
	25000-50000	23	23.0
	50000-75000	25	25.0
	75000-100000	20	20.0
	Above 100000	17	17.0
	Total	100	100
Occupation	Businessman	31	31.0
	Serviceman	18	18.0
	Student	22	22.0
	Housewife	29	29.0
	Total	100	100

Source : Field Investigation Survey

CONCLUSION

In the present banking industry, as most of the banks are running to tap the pockets of customers, so the focus on service quality has become very critical and major issue. The present study highlights that significant factors of service quality affecting the banking services rendered to the customers. Tangibility and Assurance are the most important factors found in the study. The study also revealed that the preference towards public/private sector bank and education level is dependent of each other. It means educated persons critically evaluate the services from both the kinds of banks and then take further decisions whereas the preference towards public/private sector bank with respect to age and occupation found independent of each other.

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