

# International Journal of Advance Research in Computer Science and Management Studies

Research Article / Survey Paper / Case Study

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## *Widening Service Quality Gap and Customer Satisfaction: A case of Public Sector Banks*

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*Abstract: Since liberalization of the Indian Economy in the early nineties, the market environment has turned turbulent and dynamic. The going has got a lot tougher and after coming through a global recession, the service element in banking sector has turned even more important. In such a back drop it becomes interesting to study the perceived quality of the services rendered by Public sector banks and to ponder over as to whether their operations in those difficult times has anything to do with their present market status. Service quality is defined as the degree of alignment between customers' expectations and their perceptions of the service received. In this paper, SERVQUAL is used as a technique to measure service quality in Public sector banks. The aim is to explore the most important strengths and weaknesses of Public sector banks. The analysis of this study showed that there are service quality gaps between customers' expectations and their perceptions in five dimensions. Hence, a need arises for public sector banks to take corrective actions in these dimensions.*

*Keywords: Service Quality, SERVQUAL, Public sector banks, customers' expectations*

### I. INTRODUCTION

Any organization which aspires to enjoy sustained preference from its target group of customers would do well to put a significant effort in knowing the key elements which determine loyalty and preference of the prospective/present customer.

In this environment, only those companies can survive which offer the best services and products to the customers. Due to so many options available to the customers in the same place, attracting customers has become a tough job for the companies. This stands true for the Banking sector too. Also the dynamic and flexible nature of the communication channel as well as its ubiquitous reach has helped in leveraging a variety of banking activities. Naturally, the banks have become more customer oriented and offer customized services to meet individual needs. There is an increased focus on the high net-worth customers as they contribute more to the business.

The issue of quality management within banking services has drawn considerable attention over the past few years. The move to managed service has increased demands for outcome-based accountability, cost containment, and attention to customer-focused quality in order to remain competitive in a rapidly changing environment. This dual focus on driving down costs while increasing quality has intensified pressures to understand, measure, and manage quality from a customer perspective.

The SERVQUAL study aims to measure the service quality of Public sector banks by understanding customers' perception and expectation. For this purpose, questionnaires have been developed by taking into consideration the five dimensions of the SERVQUAL model. A quantitative research has been carried out with a sample of 150 customers from

Public sector banks .After collecting the primary data through survey, an in-depth analysis has been done by analyzing the service quality of selected banks.

## II. REVIEW OF LITERATURE

Outlining and assessing quality in services might be demanding due to the elusive nature of the service offering. The researches on service quality have always complied with the service quality SERVQUAL instrument devised by Parasuraman et. al.(1985, 1988, and 1991). Since then, many scholars have used a similar scale to measure service quality in different segments of the service industry as per Gounaris et.al. (2003) and Arasli et. al. (2005).

The service quality model was derived from the degree and directions of five gaps as follows:

Gap 1 (Understanding): the difference between customer expectations and management perceptions of customer expectations

Gap 2 (Service Standards): the difference between service quality specifications and management perceptions of consumer expectations.

Gap 3 (Service Performance): the difference between service quality specifications and the service actually delivered.

Gap 4 (Communications): the difference between service delivery and what is communicated about the service to customers.

Gap 5 (Service Quality): The difference between customer expectation of service quality and customer perception of the organization's performance.

Gaps 1 to 4 affect the way service is delivered and these four gaps lead to Gap 5. Therefore, the extent of Gap 5 depends on the size and direction of these four gaps (Gap 1, Gap 2, Gap 3 and Gap 4).

Further, "Satisfaction is a person's state of pleasure or distress resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations". (Kotler, 2000).

Customer satisfaction is a combined outcome of insight, assessment and emotional reactions to a product/service as per Yi (1990). Customer expectation is defined as customer's pretrial opinions about a product (McKinney, Yoon and Zahedi 2002). Expectations are viewed as predictions made by consumers about what is likely to happen during impending transaction or exchange (Zeithaml 1988). Perceived performance is defined as customer's perception of how product performance fulfills their needs, wants and desire (Cadotte et al.1987). Perceived quality is the customer's verdict about an article's overall distinction or dominance (Zeithaml1988). Parasuraman et al. defined service quality as observed by customers and items from evaluation of their expectations from the services they get with their observations of the performance of the service provider.

## III. RESEARCH PROBLEM

The studies which relate to the subject of the degree of customer satisfaction of the services that provided by banks in India are few. Also significance of customer satisfaction about the banks in India is different from other countries because of demographic, social, economic, political, and technological environment factors. Some factors that relate to customer satisfaction are important in some countries and less important in others, in issues that related to services that offered by Indian banks.

In short, there is shortage and lack of published study. This limitation hampers our understanding of the impact of diverse bank service options or strategies on outcomes such as loyalty, trust and word-of-mouth. In addition, the continued use of diverse, non-standardized instruments to measure what is essentially the same construct continues to place a question mark on the general of the empirical studies that have attempted to measure satisfaction with bank services.

#### IV. RESEARCH OBJECTIVES

The main objectives of this study were to examine the level of service quality in Public Sector banks from the perspective of bank customers. The specific objectives were as follows:

1. To identify the service quality dimensions which play important role on customer satisfaction
2. To measure the perception of users availing services in Public Sector Banks in Lucknow with a view to provide valuable information to the policy makers about the areas that need attention for improvement in quality of banking service.

#### V. RESEARCH HYPOTHESES

The following hypotheses were developed and tested:

- H1: There is no significant difference between customer expectations and their perceptions of reliability.
- H2: There is no significant difference between customer expectations and their perceptions of responsiveness.
- H3: There is no significant difference between customer expectations and their perceptions of assurance.
- H4: There is no significant difference between customer expectations and their perceptions of empathy.
- H5: There is no significant difference between customer expectations and their perceptions of tangibility.

#### VI. STUDY POPULATION AND SAMPLING PROCEDURE

A total of 150 respondents were selected in equal numbers from three different Public Sector banks. The method of stratified judgment sampling was employed to select the respondents in Lucknow and in each bank convenient sampling was employed for collecting the data. Structured questionnaire was used as a survey instrument. The questionnaires were personally hand-delivered in the bank and personal interview technique was used to collect the data. The response rate was 100% because the researcher clarified all the doubts at the moment. The questionnaire was developed with the help of modified SERVQUAL which was developed by Parasuraman et al. (1991). The questionnaire was divided in four parts, items related with expectation and perception, ranking of dimensions of service quality and demographic profile. Respondents were asked to rate the 21 pairs of statements relating to service quality. Responses to all the statements in the questionnaire were measured on five-point Likert scale, ranging from 1= strongly disagree to 5= strongly agree. Demographic information such as gender, age, education level and income was also collected. Collected data were processed in the statistical software package of SPSS-20.

## VII. DATA ANALYSIS AND INTERPRETATION

## 7.1 Demographic profile

DEMOGRAPHIC PROFILE			
CUSTOMER CHARACTERISTICS		FREQUENCY	PERCENT
<b>GENDER</b>		<b>Frequency</b>	<b>Percent</b>
	"males"	77	51.3
	"females"	73	48.7
	<b>Total</b>	<b>150</b>	<b>100.0</b>
<b>AGE</b>		<b>Frequency</b>	<b>Percent</b>
	Under 25	37	24.7
	25-40	47	31.3
	"40-60"	46	30.7
	"above 60"	20	13.3
	<b>Total</b>	<b>150</b>	<b>100.0</b>
<b>EDUCATION</b>		<b>Frequency</b>	<b>Percent</b>
	till class 12	20	13.3
	graduate	88	58.7
	masters	27	18.0
	uneducated	15	10.0
	<b>Total</b>	<b>150</b>	<b>100.0</b>
<b>INCOME</b>		<b>Frequency</b>	<b>Percent</b>
	<15000	40	26.7
	15000-25000	63	42.0
	25000-50000	43	28.7
	>50000	4	2.7
	<b>Total</b>	<b>150</b>	<b>100.0</b>
<b>OCCUPATION</b>		<b>Frequency</b>	<b>Percent</b>
	private	46	30.7
	public	46	30.7
	self employed	30	20.0
	student	10	6.7
	teacher	8	5.3
	retired	10	6.7
	<b>Total</b>	<b>150</b>	<b>100.0</b>

Table: 1 Demographic profile

We find that out of the total of 150 respondents, the maximum were working as professionals in public and private sector. Almost an equal number of males and females were included in the survey. Apart from that, most belonged to the age group 25-40 followed by 40-60 years. The earnings of the respondents were usually between Rs 15000-25000 per month and the maximum respondents in the survey were graduates pointing out that the educated people had a fair say in the response sheet.

## 7.2 Analysis of Service Quality Gap

**SERVQUAL dimensions**

The next step of banking service evaluation is to collect the results of the modified SERVQUAL questionnaire, and adopt various statistical methods to analyze the data.

Paired t-test was used to compare the means of expectations and perceptions for the 5 service quality dimensions. In Table 2, a negative service quality gap indicates that respondents' expectations are greater than their perceptions. Positive service quality gap reflects perceptions of respondents exceed their expectations. Examining each of the 5 service quality dimensions, 5 negative service quality gaps were recorded.

**The p value in each of the dimensions was recorded to be less than 0.005 and hence the null hypotheses H1 – H5 were rejected in all the five cases. This depicted that the service quality rendered by the customers were lower than their expectations. The bank is performing below the customers' expectations.**

Table 2 also shows the mean perceptions and expectations of Public Sector Bank's customers for each dimension. In the reliability dimension, service gap is observed. The largest service gap in this dimension is in completing services right the first time. This means that there is some sort of misunderstanding as to what the customer wants and what the bank gives in the first case.

When we consider the responsiveness dimension as a whole, it is clear that customers require that responsiveness in services must be greater than its current level. Customers want to be informed when their services are done in a way better than the existing one. They also want employees to respond to their requests and enquiries. Finally, customers want Public Sector Bank's employees to serve them without any delay or hesitation. The service gap in this dimension has to be recognized by the top management and remedy actions are to be taken if services are to be at the expectations level of customers.

DIMENSIONS	MEAN PERCEPTION	MEAN EXPECTATION	MEAN (P - E)	t	Sig. (2-tailed)
<b>TANGIBILITY</b>	<b>3.3917</b>	<b>4.1016</b>	<b>-0.7099</b>	<b>-7.1050</b>	<b>0.000</b>
modern-looking equipment and fixtures.	3.2470	4.1000	-0.8533	-7.7820	0.000
physical facilities	3.1667	4.0333	-0.8667	-9.1770	0.000
ATM card, debit cards, catalogs, or statements	3.6200	4.1133	-0.4933	-5.4750	0.000
Neat appearance	3.5333	4.1600	-0.6267	-5.9840	0.000
<b>RELIABILITY</b>	<b>3.3044</b>	<b>4.4080</b>	<b>-1.1035</b>	<b>-10.8720</b>	<b>0.000</b>
keeping promise	3.2067	4.4200	-1.2133	-13.5510	0.000
Sincere interest	3.2000	4.3667	-1.1667	-13.1910	0.000
promises to do something by a certain time	3.0933	4.1200	-1.0267	-9.9100	0.000
error-free sales transactions and records	4.0120	4.6733	-0.6613	-6.0650	0.000
services right the first time	3.0102	4.4600	-1.4498	-11.6430	0.000
<b>RESPONSIVENESS</b>	<b>3.0133</b>	<b>4.5249</b>	<b>-1.5116</b>	<b>-17.2760</b>	<b>0.000</b>
prompt service	3.2333	4.4600	-1.2667	-13.1560	0.000
when services will be performed	3.0733	4.4333	-1.3600	-16.7950	0.000
staff willingness	2.9600	4.6333	-1.6733	-20.2250	0.000
Prompt response	2.7867	4.5733	-1.7867	-18.9260	0.000
DIMENSIONS	MEAN PERCEPTION	MEAN EXPECTATION	MEAN (P - E)	t	Sig. (2-tailed)
<b>ASSURANCE</b>	<b>3.1566</b>	<b>4.5833</b>	<b>-1.4266</b>	<b>-14.4750</b>	<b>0.000</b>
Behaviors of Bank staff	2.8867	4.7533	-1.8667	-19.6670	0.000
Customers feel safe	3.3133	4.4133	-1.1000	-10.9510	0.000
Friendliness and courtesy	3.1800	4.7200	-1.5400	-14.4670	0.000

Bank staff having knowledge	3.2467	4.4467	-1.2000	-12.8140	0.000
<b>EMPATHY</b>	<b>3.1667</b>	<b>4.2466</b>	<b>-1.0800</b>	<b>-12.1280</b>	<b>0.000</b>
Personal attention	3.2800	3.9467	-0.6667	-6.3370	0.000
Convenient operating hours	3.0067	4.3867	-1.3800	-16.0450	0.000
Bank staff giving customers best interest at heart	3.1733	4.6133	-1.4400	-16.8640	0.000
understanding needs of the customers	3.2067	4.0400	-0.8333	-9.2640	0.000

Table2. paired sample t test

From Table 2, it has been observed that the smallest service gap is in the tangibility dimension where two statements are closer to the perception of customers. It is a proof that Public Sector Bank's premises have become neat and a lot of upgradation has taken place with reference to physical facilities and use of modern equipments.. Hence, to improve customer perceptions, one should focus on the functional aspects captured in the assurance, responsiveness, and reliability dimensions rather than the technical aspects captured in the tangibility.

### VIII. FINDING AND RECOMMENDATION

The major findings of this research work are as follows:-

- » There was a negative service gap in all the dimensions.
- » Least gap was observed in tangibility dimension and largest gap was found in responsiveness and assurance.
- » It was found that there was a difference which existed in perceptions among males and females along all the dimensions.
- » Factor analysis extracted most important factors out of the 21 factors like error-free sales transactions and records, prompt service initially chosen as per the SERVQUAL model.
- » It was found that each of the dimension had an effect on the overall satisfaction of the customer. The most vital of all these was assurance and empathy.
- » It was also found that there was significant difference among various income levels regarding the satisfaction with the services along all dimensions provided by banks

On the basis of the findings of this research work it is recommended to the policy makers that to narrow the service quality gap existing in the public sector banks in Lucknow. Hence it is necessary to ensure that the services are tailored as per the needs of the customers. Also, it is necessary that the management improves its performance on the dimensions like empathy and assurance because this is where it lags far behind other banks. On a dimension like tangibility a public sector bank is satisfying to a large extent. It would be of immense benefit if the management focuses on important factors extracted in the research work.

### IX. CONCLUSION

Delivering quality service has become an important goal for most Banks. This study represents an important starting point in the development of valid and reliable measures of service quality in public sector banks. It contributes to the marketing and educational literature by introducing a new measure that provides both researchers and practitioners with more specific information concerning service quality's effect on consumers' satisfaction with banking services. In particular it suggests that Public Sector Bank's service quality can be measured with a four dimension scale where responsiveness and assurance are most important for patients. Although the results of this study provide valuable insights into relationship of customer satisfaction with banking services. One obvious limitation is its external validity. Since this study is based on public sector banks of Lucknow, the generalization of findings beyond these three bank setting must be viewed with some caution. The external validity of our measures cannot be claimed until a series of follow-up studies are conducted in different banks.

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