

Research Article

Received on: 13/01/2016

Published on:10/03/2016

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Conflict of Interest: None Declared !

## An empirical study on factors responsible for service quality gaps in banking services

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### Abstract:

Banking sector is one of the part the service sector which plays an important role in the working or growth of the economy. This study is to examine the customers' perceived services and its role in customer satisfaction from the services delivered by different banks. In this study we just want to find out the main attribute responsible for the customer satisfaction and with this we are trying to identify the areas that need to improve by Indian banks. This study also helps us to find out the main factors responsible that create a Gap in customer satisfaction and services offered by the banks. This study included total 10 banks i.e Five Public and Five Private Banks were included from the Malwa region of Punjab. Banks were selected on the basis of annual report issued by RBI i.e. the deposits they held in year 2011-2012. Study was conducted upon 100 customers of different banks. On the basis of empirical investigation, we found out that no doubt both the banks provide same type of services and in many aspects like responsiveness and reliability, the response of customers is same but there are many factors like Tangibility, Assurance and empathy where public banks are lacking significantly.

### INTRODUCTION

Banking plays an important role in the working of Indian people because every person is linked directly or indirectly with the functioning of bank.. Now in today's world every person is engaged with the bank, because many works are done with the help of bank Like Saving of Money for future uncertainty, investing of money, making transactions, paying bills or school fees of children, getting pensions etc. In our study we have included both two public and private Banks. No doubt both types of banks provide same type of services but it has been observed that a significant difference exists between qualities of services provided by the private and public sector banks. This is because some banks give more emphasis on customer relationship and some banks give less emphasis.

Due to competition the customer have different options to choose any bank. If we take facility from any institution so definitely we build some expectations in our mind about that thing then we compare our expectations with our perceptions, which we perceive during the work If customers are satisfied then definitely they will give a positive wave about the business firm in the market and that will lure more customers for this business because now the competition in banking sector is also increasing.

If some gap is held between our expectations and perceptions then definitely we switch to the other service providers. So it became very necessary for the banks to provide good and quality services to their customers so that the customers retain with them. This research also has a main focus upon the customer satisfaction. Our main objective is to find out the factor responsible for creating gap in the mind of customer and to identify the main attributes of service quality that satisfies the banking customers and further identifying the areas that needs to improve by Indian banks to deliver superior quality of service, because every institution's work is solely depend upon the customers. For measuring the Gap in the mind of customer we take help of a questionnaire and use servqual model in this study and try to find out the gap with the help of different dimensions of this model.

### Literature review

Consumer perception of service quality is a complex process. Therefore, multiple dimensions of service quality have been suggested (Brady & Cronin, 2001). One of the most popular model SERVQUAL is used in service marketing [Parasuraman et. al (1985, 1988)]. Parasuraman, Zeithaml and Berry (1991) described ten determinants which may influence the appearance of

service quality gaps i.e. Competence, Courtesy, Credibility, Security, Access, Knowing the customer, Communication, Tangibles, Reliability, Responsiveness. Later, the determinants were reduced to five: tangibles, reliability, responsiveness, service assurance and empathy. Parasuraman, Zeithaml and Berry (1985) explained service quality model or the 'GAP model' which identified five 'gaps' that cause unsuccessful delivery.

Izah Mohd and Nor Mazlina (2007) investigate the level of service quality of commercial banks in Malaysia from the perspective of bank customers and assessing the satisfactions towards the services provided by the commercial banks. This study examined the service quality gap by comparing customer's expectations and their actual perceptions. In addition, this study focused on their satisfactions towards the service provided by commercial banks. The results of the study indicated that the overall service quality provided by the commercial banks was below customer's expectations. Abraheem and Yaseen (2011) conducted a research on Service Quality Perspectives and Customer Satisfaction in Commercial Banks working in Jordan.

Service quality measure is based on modified version of SERVQUAL as proposed by Parasuraman et al. (1988), which involve five dimensions of Service quality, namely Reliability, Responsiveness, Empathy, Assurance, and Tangibles. Multiple regression analysis was employed to test the impact of service quality on customer satisfaction. The results of this study indicated that service quality is an important antecedent of customer satisfaction. It is apparent from the study that managers and decision makers in Jordanian commercial banks to seek and improve the elements of service quality that make the most significant contributions on customer satisfaction. In their empirical study, Dhade and Mittal(2008) have observed that the customers of private banks are highly satisfied compared to the customers of the SBI. Ravichandran *et. al.* (2010) conducted a research on influence of service quality on customer satisfaction. With the Application of Servqual Model, They examined the influence of perceived service quality on customer satisfaction. Their findings conclude that increase in service quality of the banks can satisfy and develop customer satisfaction which ultimately retains valued customers.

Rashid and *et. al.* (2011) in their study of Banking Service Quality Provided by Commercial Banks and Customer Satisfaction finds that the order of importance of the dimensions of service quality tested here is: Assurance; Reliability; tangibles; Empathy; and Responsiveness. Nazia Nabi (2012) examines Customer

Expectations of Service Quality: A Study on Private Banks of Bangladesh This study is based on questionnaire methods. A sample of 100 customers has been selected by using the convenient sampling method. The quantitative research is conducted for this study. This study concluded that among the several dimensions, customers give emphasize on tangibles, responsiveness and assurance while evaluating service quality. The study highlights implications for marketers in banking industry for more focus on what customers expect and improvement in delivery of service quality. V. G. Murugan (2012) in this paper compares customer's perceptions of service quality of public and private banks of Tirupati region. The service quality of both the banks has been measured using SERVQUAL (service quality) scale.

### **Methodology and Objectives of the study**

Proposed study aims to identify the main attributes of service quality that can satisfy customers in banking sector. Thus, the study has been initiated with broad objective is to examine the level of service quality in banking industry from the perspective of bank customers. The specific objectives are as follows:

1. To identify and establish linkage between factors responsible for creating gap in customer's expectations and actual services offered by banks.
2. To identify the main attributes of service quality that satisfies the banking customers and further to extend this towards identifying the areas that needs to improved by Indian banks to deliver superior quality of service

For the purpose of this study ten banks (from both public and private banks) were selected which represent the overall services offered by commercial banks in Malwa region of Punjab. These banks were selected on the basis of annual report issued by RBI i.e. the deposits they held in year 2011-2012. Five Public Bank selected for sample included State bank of India (SBI), Bank of Baroda (BOB), Punjab National Bank (PNB), Canara Bank, and Bank of India. Five Private Banks selected for study included ICICI Bank, HDFC Bank, Axis Bank, Yes Bank, Indusland bank. In this study 100 customers of these ten different banks were selected. Total 100 -banking customers from these ten banks (both public and private sector) would be selected i.e. 10 customers having account of each bank will be taken to maintain uniformity in this study. Convenient sampling method was adopted for collecting sample responses. For collection of data Primary source of data collection i.e Questionnaire method was adopted which contain different types of questions like Part-A is related to Demographical detail. Part-B is related with the general

questions related with services offered by these banks and Part-C include SERVQUAL model.

**Data Analysis and Interpretation**

This Analysis is based upon total 100 customers, 50 customers are from Public bank and 50 customers are from Private bank. Data presented in Table 1 shows that data is collected from total 100 customers 82% of which are Male and 18 % are Female. Age wise distribution of sample reveals that out of 100 customers 52% are in the age group of 18-30 years and as the people in old age has

less banking needs only 4 % customers are of more than 50 years of age. Occupation wise distribution show that total 56% customers are from Service /Job (Pvt. /Govt.), 20% customers are businessman, 12 % customers are professionals and student and 90 % customers are having saving account in these bank, 6% customers having current account and 2 % customers having fixed deposit or recurring account since 5 years, 46 % customers are have account in these banks and 6% customers have account from less than 1 year.

Table 1: Demographic detail			
Total customers	Public	Pvt.	Total
Gender	% (N)	% (N)	(%)
Male	72 (36)	92 (46)	82
Female	28 (14)	8 (4)	18
Age	Public	Pvt.	Total
18-30	56 (28)	48 (24)	52
30-50	36 (18)	52 (26)	44
>50	8 (4)	0 (0)	4
Occupation	Public	Pvt.	Total (%)
Business man	12 (6)	14 (28)	20
Service /Job (Pvt./Govt.)	52 (26)	60 (30)	56
Professional	12 (6)	12 (6)	12
Student	24 (12)	0 (0)	12
Type of Account	Public	Pvt.	Total (%)
Saving A/C	88 (44)	92 (46)	90
Current A/C	4 (2)	8 (4)	6
Fixed deposit	4 (2)	0 (0)	2
Recurring A/C	4 (2)	0 (0)	2
Time period of having account in this bank	Public	Pvt.	Total (%)
< 1 year	12 (6)	0 (0)	6
1- 3 year	28 (14)	8 (4)	18
3-5 years	36 (18)	24 (12)	30
> 5 years	24 (12)	68 (34)	46

Table No. 2 shows In Public Bank 60 % ( N=30) customers became customer of these banks due to good services and 4 % ( 2) customers due to Core banking. In Private sector banks 44% (22) Customers like services of these bank so they became customer of this bank and 0 % ( 0) customer like Product range of the bank. Overall 52% customers due to services,22% due to Wide branch network,8% due to computerise banking and 6% due to core banking, Product range or security became a customer of these banks.

Table 2 Reasons to became a customer of this bank			
Due to what reasons you became a customer of this bank	Public % (N)	Pvt. % (N)	Total (%)
Security	4 (2)	8 (4)	6
Services	60 (30)	44 (22)	52
Product range	12 (6)	0 (0)	6
Wide branch network	8 (4)	36 (18)	22
Core banking	8 (4)	4 (2)	6
Computerised banking	8 (4)	8 (4)	8

Table 3 shows In Public Bank 56 % ( 28) customers face the problem of customer relationship, 20 % ( 10) customers says Poor infrastructure and 12 % ( 6) face the

problem of Complex formalities or poor ICT services. In Private sector banks 32 % ( 16) customers face the problem of customer relationship, 28 % ( 14) customers says bank has Complex formalities and 20 % ( 10) face the problem of Poor Infrastructure or poor ICT services.

Overall 44% customers face the problem of customer relationship and only 16% customer's face problem of Poor ICT services.

Problem you are facing regarding the bank	Public % (N)	Pvt. % (N)	Total (%)
Complex formalities	12 (6)	28 (14)	20
Less focus on customer relationship	56 (28)	32 (16)	44
Poor Infrastructure	20 (10)	20 (10)	20
Poor ICT services	12 (6)	20 (10)	16

Table No.4(a) shows that 88%(44) customers of Public bank and 80%(40) customers of private banks are agree that Bank fulfil all their banking needs.60%(30) customers of both banks are agree that bank charge unnecessary for not maintaining minimum balance in your account although 56%(27) customers of private banks are also disagree with that statment.68%(34)

customers of public bank are disagree and 64%(32) customers are agree with the statement of Bank provides detail information about extra services offered by them.56%(28) customers of Public Bank are agree and 54%(27) customers of Private banks are disagree with the statement of Bank extract service charges for the different services offered.64%(32) customers of Public bank and 68%(34) customers of private banks are agree that they have good opportunities to investment in their banks. 56 % ( 28) customers of Public bank and 52 % ( 26) customers of private banks are agree that Bank offers competitive interest rate on investments. . 68 % ( 34) customers of Public bank and 60 % ( 30) customers of private banks are agree that they have to wait for extra long hours to open your account although 40 % ( 20) customers of private bank are disagree with this statement. 68 % ( 34) customers of Public bank and 72 % ( 36) customers of private banks are agree that they would recommend this bank to others.

Particulars	Strongly agree		Agree		Neutral		Disagree		Strongly disagree	
	Public % (N)	Pvt. % (N)	Public % (N)	Pvt. % (N)	Public % (N)	Pvt. % (N)	Public % (N)	Pvt. % (N)	Public % (N)	Pvt. % (N)
Bank fulfil all your banking needs	4 (2)	12 (6)	88 (44)	80 (40)	4 (2)	0 (0)	4 (2)	8 (4)	0 (0)	0 (0)
Bank charge unnecessarily for not maintaining minimum balance in your account	8 (4)	4 (2)	60 (30)	60 (30)	12 (6)	4 (2)	20 (10)	56 (28)	4 (2)	0 (0)
Bank provides you detail information about extra services offered by them	0 (0)	4 (2)	24(12)	64 (32)	0 (0)	0 (0)	68 (34)	36 (18)	8 (4)	0 (0)
Bank extract service charges for the different services offered	12 (6)	0(0)	56 (28)	20 (10)	8 (4)	4 (2)	24 (12)	54 (27)	0 (0)	20 (10)
You have good opportunities to investment in your bank	8 (4)	4 (2)	64 (32)	68 (34)	8 (4)	12 (6)	20 (10)	16 (8)	0 (0)	4(2)
Bank offers competitive interest rate on investments	12 (6)	0 (0)	56 (28)	52 (26)	20 (10)	28 (14)	12 (6)	36 (18)	0 (0)	12 (6)
You have to wait for extra-long hours to open your account	4 (2)	4 (2)	68 (34)	60 (30)	0 (0)	4 (2)	28 (14)	40 (20)	0 (0)	0 (0)
Would you recommend this bank to others	8 (4)	24 (12)	68 (34)	72 (36)	24 (12)	0 (0)	0 (0)	4 (2)	0 (0)	0 (0)

Table No.4(b) shows that the mean and variance of Public as well as private bank is 2.495 and 2.415 and .696 and .7469 that shows most of the customers are agree with most of the statements of Main attributes of service quality that satisfies the banking Customer.

Particulars	Mean (%)		Var (%)	
	Public	Pvt.	Public	Pvt.
Bank fulfil all your banking needs	2.08	2.04	0.2336	0.4384
Bank charge unnecessarily for not maintaining minimum balance in your account	2.44	2.64	0.8064	0.9504
Bank provides you detail information about extra services offered by them	3.6	2.48	0.88	0.9696
Bank extract service charges for the different services offered	2.44	2.44	0.9664	0.8064
You have good opportunities to investment in your bank	2.4	2.76	0.8	0.987
Bank offers competitive interest rate on investments	2.32	2.6	0.6976	0.48
You have to wait for extra long hours to open your account	2.52	2.52	0.8896	0.9696
Would you recommend this bank to others	2.16	1.84	0.2944	0.3744
Total	2.495	2.415	0.696	0.746975

Table 5(a) shows that 68%(34) customers of Public bank and 76%(38) customers of private banks are agree that Bank officers

time.64%(32) customers of Public bank and 76%(38)

Particulars	Strongly agree		Agree		Neutral		Disagree		Strongly disagree	
	Public % (N)	Pvt. % (N)	Public % (N)	Pvt. % (N)	Public % (N)	Pvt. % (N)	Public % (N)	Pvt. % (N)	Public % (N)	Pvt. % (N)
	% (N)	% (N)	% (N)	% (N)	% (N)	% (N)	% (N)	% (N)	% (N)	% (N)
The Bank officers have professional attitude	8 (4)	16 (8)	68 (34)	76 (38)	20 (10)	4 (2)	4 (2)	4 (2)	0 (0)	0 (0)
Helps or contribute in my business by their advisory services	8 (4)	8 (4)	72 (36)	80 (40)	16 (8)	0 (0)	0 (0)	8 (4)	4 (2)	4 (2)
Banker understands his responsibility	8 (4)	12 (6)	68 (34)	76 (38)	24 (12)	4 (2)	0 (0)	8 (4)	0 (0)	0 (0)
Ready to provide help at any time	4 (2)	20 (10)	76 (38)	64 (32)	12 (6)	8 (4)	8 (4)	8 (4)	0 (0)	0 (0)
The Bank officers have full knowledge about their work.	12 (6)	8 (4)	64 (32)	76 (38)	16 (8)	8 (4)	8 (4)	8 (4)	0 (0)	0 (0)
Overall, I am satisfied with the behaviour of bank officers	8 (4)	16 (8)	72 (36)	72 (36)	20 (10)	4 (2)	4 (2)	8 (4)	0 (0)	0 (0)

and 76%(38) customers of private banks are agree that Bank officers have professional attitude.72%(36) customers of Public bank and 80%(40) customers of private banks are agree that officers helps in their business by their advisory services.68%(34) customers of public bank and 76%(38) customers are agree with the statement of Banker understands his responsibility.76%(38) customers of Public Bank and 64%(32) customers of Private banks are agree with the statement of bankers Ready to provide help at any

have full knowledge about their work. 72 % ( 36) customers of both banks are overall satisfied with the behaviour of bank officers. Table 5(b) shows that the mean and variance of Public as well as private bank is 2.1867 and 2.08 and .4170 and .521 that shows most of the customers are agree with most of the statements of Customers opinions regarding the behaviour of your Bank officers

Particulars	Mean (%)		Var (%)	
	Public	Pvt.	Public	Pvt.
The Bank officers have professional attitude	2.2	1.96	0.4	0.358
Helps or contribute in my business by their advisory services	2.2	2.2	0.56	0.72
Banker understands his responsibility	2.16	2.08	0.2944	0.474
Ready to provide help at any time	2.24	2.04	0.4224	0.5984
The Bank officers have full knowledge about their work.	2.2	2.16	0.56	0.4544
Overall, I am satisfied with the behaviour of bank officers	2.12	2.04	0.2656	0.5184
Total	2.1867	2.08	0.417067	0.521

Table 6(a) shows that 76%(N=38) customers of Public bank and 40%(N=20) customers of private banks are agree that service operator gave proper attention to their query, although 24%(N=12) customers of Private bank are strongly agree with that statment.60%(N=30) customers of Public bank and 56%(N=26) customers of private banks are agree that service provider respond the problem .56%(N=28) customers of public bank and 52%(N=28) customers are agree with the statement of service operator able to understand their problem.72%(N=36) customers of Public Bank and

48%(N=24) customers of Private banks are agree with the statement that service operator gave proper information as required.52%(26) customers of Public bank and 56%(N=28) customers of private banks are agree that service operator also provide guidance in proper manner to them . Table 6 (b) shows that the mean and variance of Public as well as private bank is 2.32 and 2.272 and .807 and 1.08 that shows most of the customers are agree with most of the statements of Customers opinions regarding the behavior of customer care center.

Particulars	Strongly agree		Agree		Neutral		Disagree		Strongly disagree	
	Public % (N)	Pvt. % (N)	Public % (N)	Pvt. % (N)	Public % (N)	Pvt. % (N)	Public % (N)	Pvt. % (N)	Public % (N)	Pvt. % (N)
He gave proper attention to my query	16 (8)	24 (12)	76 (38)	40 (20)	4 (2)	16 (8)	0 (0)	16 (8)	4 (2)	4 (2)
He was able to respond the problem	12 (6)	16 (8)	60 (30)	56 (28)	20 (10)	12 (6)	4 (2)	12 (6)	4 (2)	4 (2)
He was able to understand my problem	12 (6)	20 (10)	56 (28)	52 (26)	20 (10)	20 (10)	4 (2)	8 (4)	8 (4)	0 (0)
He gave me proper information as required	4 (2)	24 (12)	72 (36)	48 (24)	12 (6)	12 (6)	8 (4)	8 (4)	4 (2)	8 (4)
He guided me in proper manner	8 (4)	20 (10)	52 (26)	56 (28)	20 (10)	12 (6)	16 (8)	4 (2)	4 (2)	8 (4)

Particulars	Mean (%)		Var (%)	
	Public	Pvt.	Public	Pvt.
He gave proper attention to my query	2	2.36	0.56	1.27
He was able to respond the problem	2.28	2.32	0.7616	1.01
He was able to understand my problem	2.4	2.16	1.04	0.6944
He gave me proper information as required	2.36	2.28	0.7104	1.3216
He guided me in proper manner	2.56	2.24	0.9664	1.1424
Total	2.32	2.272	0.80768	1.0877

**Conclusion**

From the above analysis we find out that No doubt both the banks provide same type of services and in many aspects Like responsiveness and reliability the response of customers is same but there are many factors like Tangibility, Assurance and empathy here Public Banks are Lacking somewhat . Main Problem which we find in services is Poor customer relationship in Public banks as compare to private banks and in Private Bank's complex formalities is a main problem according to some respondents, otherwise overall Private Bank customers are more satisfy. So there is a need to improve customer relationship and officers must provide the personal

attention to their customers no doubt the other factors shows that bank officers are competent and provide services in time, they have full knowledge about their work but they are only lacking in maintaining good relationship with their customers and on the other hand private banks satisfy their customers but according to some respondents there are very complex formalities so that the customers move towards public banks, so there is bit need to improve the working of private banks.

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**Cite this article as:**

Nidhi Walia and Jaspreet Kaur. An empirical study on factors responsible for service quality gaps in banking services. Asian Journal of Management Sciences, 04(14), 2016, 14-20.

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