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## **CUSTOMERS' PERCEPTIONS OF SERVICE QUALITY IN BANKING SECTOR OF INDIA**

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### **ABSTRACT**

Banks have to offer a wide range of financial services like merchant banking, selling of mutual funds and insurance etc. In the wake of recent development in information technology majority of the banking operations have been computerized. Banks have to provide innovative IT based services such as internet banking, ATM banking, mobile banking, RTGS, M PAISA, etc. There is lot of pressure on the various banking companies to upgrade their quality, reduce costs and offer better quality of services as per the need and expectations of the customers. Perception of the customers regarding service quality depends upon various dimensions. This paper is an attempt to identify the significant dimensions with the help of Exploratory Factor Analysis (EFA) technique.

### **INTRODUCTION**

India is one of the fastest growing economies in the world. The Indian banking system has played a significant role in the overall growth and development of the economy. The functioning of the banks is not limited to the traditional functions of accepting deposits and giving loans, nowadays banks have to offer a wide range of financial services under one roof like merchant banking, selling of mutual funds and insurance etc. In the wake of recent development in information technology majority of the banking operations have been computerized. Banks have to provide innovative IT based services such as internet banking, ATM banking, mobile banking, RTGS, M PAISA, etc. The emergence of new generation private sector banks as well as the entry of new foreign banks after 1991, has thrown competition among the Indian Banks. As a result, cost consciousness, credit management, and quality of service is considered to be the management's top most priorities. Increased competition in the market has given free choice to the customers across borderless world.

### **SERVICE QUALITY**

The dictionary meaning of quality is "Customer satisfaction and loyalty" "fitness for use" is an alternative definition. The service sector remained the main engine of the growth, contributing 57 per cent to the GDP. Service quality has received considerable attention in the literature and its measurement is important because of its perceptible relationship with customer satisfaction and behavioral intentions. The studies have shown that the benefits of quality service is contributing to improve market share, return on investment, and profitability, which ultimately lead to long term survival of the organization. Delivery of higher level of quality service is considered as the key to the successful positioning of them in the market place. The customer employs different tangible cues to judge the quality.

Service quality has been widely used to evaluate the performance of banking services. The customers are well exposed to the various kinds of banking services available in the market, so they expect that their bank should provide those services. The banks also know that customers will be loyal to them only if they receive greater value than that from their competitors.

## **LITERATURE REVIEW**

**Parsuraman et al. (1985)** the researchers had originally identified ten determinants of service quality. Their SERVQUAL model was used for studying the dimensions of service quality, in various service industries including banking. On the basis of service quality dimensions suggested by the researchers we can clearly distinguish two or more firms on the basis of service quality.

**Kandampully (1998)** in his article revealed that at the time of providing the service, customer interact with the service provider and got the knowledge regarding the quality of service provided by that organization and critically evaluate it. The study concluded that customers like those organizations which provide better quality of service not only in the present but for the very long period of time, so the quality of service add value to the organization and fetch the loyalty of the customers.

**Malhotra and Arora (1999)** in their study evaluated the level of customer satisfaction in public sector banks and private sector banks in three cities, Amritsar, Ludhiana and Chandigarh. They considered twenty attributes for measuring the level of satisfaction or dissatisfaction. The study found that there was significant difference between the satisfaction level of public and private sector bank customers.

**Fulbag and Kaur (2011)** in their paper entitled customer perception of banking services- a comparative study of rural and urban branches identified the six service quality factors which influence customer satisfaction regarding banking services and it is revealed that satisfaction level of rural customers is higher as compared to urban customers

**Gunasekare, U.L.T.P(2016)** To gain and sustain competitive advantages in the fast changing banking industry in Sri Lanka, it is crucial for bankers to understand the perception of customers regarding key dimensions of service quality. The service quality depend upon the various variables i.e. commitment, courtesy, and competence of the bank staff which plays play important role in providing high quality service and make the customers satisfied and delighted. Because all these factors are human related, he proposed that service quality is not only the matter of marketing but HRM also.

## **OBJECTIVE OF THE STUDY**

- 1) To study the perceptions of the bank customers regarding service quality.
- 2) To suggest the measure to improve service quality.

## **RESEARCH METHODOLOGY**

### **DATA COLLECTION**

The primary data has been collected from bank customers of the selected banks (5 from public sector and 5 from new private sector banks) from Punjab and Chandigarh on the basis of share of branches of these banks in respective area, through a well-structured and pre-tested questionnaire. For determining the dimensions affecting the service quality of the banks the original Model of Parasuraman et. al. (1991) has been modified, the modified model included 30 items; seven items corresponded to the reliability dimension; nine items to tangible dimension; five items to responsiveness dimension; four items to the assurance dimension and five items to empathy dimension. The items in the questionnaire were measured on a five-point scale ranging from 'strongly disagree to 'strongly agree'. The individual item wise scores were summed and averaged into the five dimensions, which represented the perception of the bank customers on service quality. The second part of the questionnaire deals with demographics dimensions.

Exploratory factor Analysis (EFA) technique has been applied with the help of SPSS Version 16.

**LIMITATION OF THE STUDY**

Data has been collected from the customers of the 10 selected banks from the banking industry, and data has been collected from the state of Punjab and Chandigarh, consequently, results may not be generalized to all the banks in country; however the findings of the study will be beneficial to the banking industry.

**ANALYSIS OF DATA**

**Table 1: Profile of the Respondents**

Gender	No of Respondents	Percentage	Age profile			Education		
			Year	No. of Respondents	Percentage	Qualification	Education	Percentage
Male	295	72.7	<25 year	207	51	UG	94	23.2
Female	111	27.3	26-40	127	31.3	Graduate	153	37.7
			41-55	52	12.8	PG	134	33
			>55	20	4.9	Professional	25	6.2
Totals	406	100	Total	406	100	Total	406	100

The table 1 shows that majority 72.7 percent of the respondents are male and only 27.3 percent of respondents are females, with 51percent of the respondents from the age group of up to 25 years, 31.3 percent from 26-40 years, 12.8 percent from the age group of 41-55 years and only4.9 percent were from the age group of above 55years of age.

The sample comprises respondents 23.2% of undergraduates, master’s degree, 37.7% graduates, 33 % are post graduates and only 6.2 have professional degree. Thus, the sample is widely distributed and representative in terms of gender, age, education and profession.

**Exploratory Factor Analysis:** The adequacy and suitability of data for factor analysis has been checked by applying the Kaiser-Meyer-Olkin (KMO) and Bartlett’s test.

**Table 2 KMO and Bartlett’s Test: Customers’ Perceptions**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.890
Bartlett’s Test of Sphericity Approx. Chi-Square	4.342E3
Df	435
Sig.	.000

Table 2 shows the results of Kaiser-Meyer-Olkin (KMO) measure of sampling Adequacy for individual variable the KMO value (0.890) shows that the sample is fit for factor analysis and it is significantly high for all statements. The value of  $\chi^2 = 4342.00$  which is highly significant ( $P < 0.001$ ), which shows that the correlation is not an identity mark hence data is fit for factor analysis.

**Table 3: Total Variance Explained**

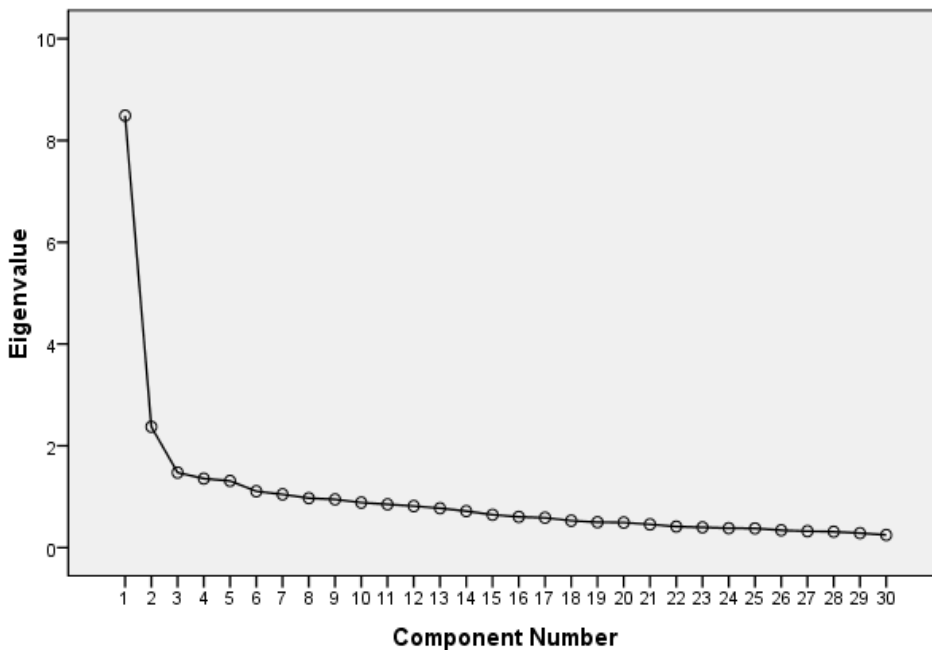
Component	Initial Eigen Values		
	Total	% of Variance	Cumulative %
1	8.416	28.053	28.053
2	2.388	7.958	36.011
3	1.487	4.955	40.967
4	1.361	4.538	45.505
5	1.318	4.392	49.897
6	1.109	3.697	53.593
7	1.052	3.506	57.099

Extraction Method: Principal Component Analysis.

Table 3 shows that out of 30 statements from the five dimensions of SERVQUAL. Seven factors have been extracted. The value of first component (8.416) with high variance value(28.05%) shows that this factor is loaded heavily and these seven factors together explains 57.09 % of the variance

Table 4 Determination of number of Factors of various Dimensions of service quality

**Scree Plot**



As shown in Table 4, scree is displaying the downward slope curve. Factor analysis was conducted on 30 statements of service quality dimensions. This scree plot shows that 7 out of 30 factors explain most of the variations, the line starts to straighten after factor 7. The remaining factors explain very low variations and are not much important.

**Table 5 Rotated Component Matrix**

	Component						
	1	2	3	4	5	6	7
S1	.091	-.042	.168	.195	.796	.087	-.129
S2	-.071	.012	.397	.265	.324	.489	-.146
S3	.161	.417	.632	.045	.031	-.020	-.136
S4	.094	.207	.551	.065	.224	.117	.124
S5	.282	-.056	.696	.183	.039	.075	.132
S6	.176	.386	.305	.212	.196	.071	.249
S7	-.024	.110	.650	.252	-.007	.119	-.224
S8	.110	.211	.359	.475	.242	.045	.030
S9	.033	-.098	.129	.713	.138	.110	.066
S10	-.100	.147	.240	.533	.168	.036	-.229
S11	.203	.086	.198	.056	.104	-.036	-.482
S12	.411	.195	.375	.040	.343	-.111	-.055
S13	.193	.365	-.037	.379	.314	-.254	-.270
S14	.179	.140	.032	.729	-.024	-.030	.038
S15	.208	.330	.053	.199	.529	-.225	.290
S16	.243	.292	.230	.050	.094	-.042	.620
S17	.344	.617	.317	.091	.165	-.039	.048
S18	.059	.729	.114	.113	.013	.154	-.003
S19	.114	.784	.172	.168	.018	.123	.001
S20	.485	.534	.128	-.096	-.198	-.057	.212
S21	.163	.223	.091	.096	-.094	.732	.018
S22	.516	.291	.178	-.127	.342	.358	.167
S23	.423	.359	.466	-.034	.066	.110	.037
S24	.352	.497	.113	-.077	.229	.348	.111
S25	.533	.309	.441	-.029	.066	-.001	.075
S26	.717	.077	.355	.102	-.142	.051	.042
S27	.475	.159	.006	.497	-.060	.346	.002
S28	.699	-.007	.103	.277	.166	.050	-.166
S29	.511	.450	.042	.099	.178	.209	-.234
S30	.539	.224	-.020	.079	.165	.030	.054

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 9 iterations.

**REGROUPING OF THE FACTORS**

Table 5 shows the factor loading of the statements. Rotation method is used to find out the more easily interpretable factors after extraction to maximize the high correlation and minimize the low ones.

**Factor 1: Trustworthy Service**

Table 5 revealed that Trustworthy service is the most important factor with the highest Eigen value(8.416), In this factor total 6 statements have been loaded and are arranged in descending order according to their loading values. Two statements are part of assurance and four statements are of empathy dimensions of the SERVQUAL model. The customers want the employees of the banks to be trustworthy and competent. The Banks can provide the better quality of service by employing the right kind of employees.

**Table 5 Trustworthy service**

Codes	Statements retained in this factor	Factor Loadings
26	The employees of the bank are trustworthy.	.717
28	The working hours of the bank are sufficient and convenient.	.699
30	The employees give adequate information of new products and services.	.539
25	The staff of the bank is friendly, polite and courteous	.533
22	The staff of the Bank is competent and has perfect knowledge	.516
29	The employees of the bank provide prompt services to you.	.511

**Factor 2: Responsiveness**

Table 6 revealed that the second factor contained 4 statements with Eigen value 2.388, these are related to the responsiveness dimension of the service quality. Statements loaded on this factor have been arranged according to their loading value.

**Table 6 Responsiveness**

Codes	Statements retained in this factor	Factor Loadings
S19	The bank provides best facilities in your interest.	.784
S18	The bank timely inform the customers about their transactions through emails, sms etc.	.729
S17	The staff of the bank is always willing to serve and help you.	.617
S20	The staff gives you individual attention.	.534

**Table 7 Reliability**

Codes	Statements retained in this factor	Factor Loadings
S5	Bank employees are present for your service during banking hours.	.696
S7	I feel safe dealing with the bank.	.650
S3	Employees show sincere interest in solving the problem.	.632
S4	The bank Perform the service right at the first time.	.551

**Factor 3: Reliability**

Table 7 revealed that the third factor contained 4 statements with Eigen value 1.487, these are related to the reliability dimension of the service quality. It is safe to deal with the bank (S7), employees of the bank shows sincere interest to solve the problem (S3), and the bank perform the service at right time (S4).

**Table 8 Tangibility**

Codes	Statements retained in this factor	Factor Loadings
S14	The locations of branches of the banks are very convenient.	.729
S9	ATMs of the bank are conveniently located.	.713
S10	The ATMs of bank have collaboration with other banks	.533

**Factor 4: Tangibility**

Table 8 revealed that the fourth factor contained three statements with Eigen value1.361. These are related to the tangibles dimension of the service quality.

**Table 9 Dependability**

Codes	Statements retained in this factor	Factor Loadings
S1	The bank performs services as per the promised time.	.796
S15	The interior look of branches is appealing and attractive.	.529

**Factor 5: Dependability;** Table 9 revealed that the fifth factor which has emerged is Dependability contained two statements with Eigen value1.318.

**Table 10 Service charges**

Codes	Statements retained in this factor	Factor Loadings
S21	The bank charges low service fee for various transactions and services.	.732

**Factor 6: Service charges:** Service charges had only one item with Eigen value1.318, This dimension included item like the bank charges low service charges for various service(S21).

**Table 11 Convenience**

Codes	Statements retained in this factor	Factor Loadings	Original dimension
S16	There is ample parking space to avoid discomfort	.620	Tangibility

**Factor 7: Convenience**

Table 11 revealed that the seventh and the least important factor is convenience with Eigen value 1.052only one statement loaded on this factor as shown in the table 7, there is ample parking space to avoid discomfort (S16)

**CONCLUSIONS**

Thus, from the above discussions, it can be concluded that all the dimension of the SERVQUAL are necessary for improving the service quality. Factor analysis helped to identify the significant variables from the selected variables of service quality. The study proved that trustworthiness is the most important feature of the service quality followed by responsiveness, reliability and dependability. Banks are expanding their area of operations, and offering variety of digital services .As the number of vehicles have increased so more parking space will be required in future, secondly to increase their income banks have started charging for the digital services offered, so in future service charges and parking space which are at present are the least important factors may be considered by the customers to choose a particular bank. As the economic environment of the country is changing, various kind of customers will start using banking services to satisfy their banking needs. Banks have to provide better quality service to maintain their share in the market. Banks should employ right kind of employees and must focus on continuously improving their service quality.



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