

# To Identify Service Quality Gaps in Banking Sector: A Study of Private Banks

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## Abstract-

*Service quality is defined as a global judgement, or attitude, relating to the superiority of the service. In today's increasing competitive atmosphere providing service quality is important for any service industry. This study deals with service quality gaps in banks as after nationalisation of several commercial banks competition was restricted but with the entry of new generation tech-savvy private banks the banking sector has become too competitive. For comparative purposes, five service quality dimensions are used i.e. tangibility, reliability, assurance, responsiveness and empathy. The 22 items SERVQUAL scale based on gap model proposed by Parasuraman, Zeithaml and Berry was used. A sample size of 100 was taken using quota sampling. Gap analysis was applied to find the gaps between expected and performed service in private banks of NCR using SPSS version 20 to find difference between male and female perception and expectation. The study provided an insight into which attributes of service quality in private bank were most important in providing satisfaction to customers and areas where significant gaps existed. From the present study it can be concluded that the highest gap was found in the dimension of reliability and empathy and few suggestions have been provided to improve on these factors.*

*Keywords- Service Quality, Service quality gaps, Service Quality in private banks, Expectation and Perception.*

## I. Introduction

Service quality is a comparison of expectations with performance. From the viewpoint of business administration, service quality is an achievement in customer service. It reflects at each service encounter. A customer's expectation of a particular service is determined by factors such as recommendations by peers, personal needs and past experiences. The expected service and the perceived service sometimes may not be equal, thus leaving a gap. The service quality model or the 'GAP model' developed by the authors- Parasuraman, Zeithaml and Berry at Texas and North Carolina in 1985, highlights the main requirements for delivering high service quality. It identifies 'gaps' that cause unsuccessful delivery of service. Customers generally have a tendency to compare the service they 'experience' with the service they 'expect'. If the experience does not match the expectation, there arises a gap.

The private-sector banks in India represent part of the Indian banking sector that is made up of both private and public sector banks. The "private-sector banks" are banks where greater parts of stake or equity are held by the private shareholders and not by government. The onset of competition from the private players and initiation of banking reforms since early 1990s have led to an increased emphasis on efficient customer service. Various strategies are formulated to retain the customer and the key of it is to increase the service quality level. Private Banks have grown faster and bigger over the two decades since liberalisation using the latest technology, providing contemporary innovations and monetary tools and techniques. Typically, customers perceive very little difference in the banking products offered by private banks dealing in services as any new offering is quickly matched by competitors. Thus the quality of services offered will determine customer satisfaction and attitudinal loyalty. Moreover, the tough competitive arena in which these banks operate today, maintaining the quality of service is a pre-requisite for survival.

## II. Review of Literature

**Jain, V, Gupta, S and Jain, S (2012)** in their study "Customer Perception on Service Quality in Banking Sector: With Special Reference to Indian Private Banks in Moradabad Region" try to learn and understand the customer perception regarding service quality and to learn and understand the different dimension of service quality in banks. The Sample size used is 100 and the sample universe is Moradabad. The service quality model developed by Zeithamal, Parsuraman and Berry (1988) has been used in the present study. The analysis reveals that among the private sector banks all the dimensions of service quality are equally important.

**Singh, SP and Khurana, S (2011)** in their research "Analysis of Service Quality Gap and Customers' Satisfaction in Private Banks" tried to examine Gender wise customers' expectations and perceptions of service quality provided by the Private Banks in Hissar District. Secondly, to identify whether there is difference in expectation & perception of service quality of male & female customers. Lastly, to identify the main attributes of service quality in which male & female (separately) are more satisfied or dissatisfied. The Sample Size is 300 with Sample Universe including Private Banks in Hissar. The Sampling Technique used was Quota Sampling. A questionnaire consisting of 22 items based on

SERVQUAL model was administered on the sample. The results indicated that the quality of services private banks provide was below customers ‘expectations.

**Ananth, A, Ramesh, R and B, Prabakaran (2010)** in their paper “A Service Gap Analysis in Private Sector Banks- an Empirical Study of Customers’ Expectations vs. Perceptions” evaluate the Quality of Service in selected private sector banks (ICICI & CUB). They also tried to identify the gap between customer expectations and their perceptions. The Sample Universe is CUB and ICICI. The study followed SERVQUAL as a framework and one dimension (accessibility) was added to the previous dimensions to fit into the study. The gap analysis shows that empathy shows a bigger gap between customer expectation and perception of service quality. The multi - regression analysis shows that the dimension Empathy Reliability-Assurance positively influences the banking service quality.

**Brahmbhatt, M and Panelia, D (2008)** in their study “An Assessment of Service Quality in Banks” Foremost aim of this research is to comparatively examine and measure of service quality and customer satisfaction among private sector, public sector and foreign bank and to offer suggestion based on results of the study. The Sample size was 246 and the Sample universe included Ahmedabad and Gandhinagar. The Sampling Technique used was stratified random. The five dimensions of SERVQUAL as proposed by Parasuraman et al. (1988), Othman and Owen (2001, 2002) and Jabnoun and Al-Tamimi (2003) were adapted and modified in this study. They conclude from the study that Foreign Banks is better than public sector banks and private sector banks.

**Hinson, R, Mohammed, A and Mensah, R (2006)** through their work on “Determinants of Ghanaian Bank Service Quality in a Universal Banking Dispensation” tried to compare service quality across these three banks and to determine the most important factors contributing to service quality. The sample size is 250 and Sample Universe was Ghana. An adaptation of the SERVQUAL model was used for this study. The study revealed that all the service quality dimensions contributed significantly to the prediction of service quality in Ghana. Among all the service quality dimensions, human element of service quality was found to be highly predictive of perceived service quality.

From the above literature review we found that almost all the authors have used the SERQUAL model developed by Zeithamal, Parsuraman and Berry (1988) to find the service quality gaps in banking industry. In the study by Jain, Gupta and Jain the analysis revealed that among the private sector banks all the dimensions of service quality are equally important. Also Ananth, Ramesh and Prabakaran show by gap analysis that empathy shows a bigger gap between customer expectation and perception of service quality. The multi - regression analysis shows that the dimension Empathy-Reliability-Assurance positively influences the banking service quality. On the other hand looking at the study of public sector banks by Santhiyavalli we find that the overall customer satisfaction towards the service rendered by the State Bank of India regarding the four factors namely reliability, responsiveness, empathy and tangibility stood at 90.105 per cent. Brahmbhatt and Panelia in their study on Foreign, Public and Private Banks concluded that Foreign Banks is better than public sector banks and private sector banks. Singh and Khurana in their study also indicated that the quality of services private banks provide was below customers ‘expectations. Lastly, Hinson, Mohammed and Mensah revealed through their study that all the service quality dimensions contributed significantly to the prediction of service quality in Ghana. Among all the service quality dimensions, human element of service quality was found to be highly predictive of perceived service quality.

### III. Objectives

- To identify the gap between customer expectation and their perception of service quality provided by private banks.
- To identify the main attributes of service quality in which customers are more satisfied or dissatisfied in private banks.

### IV. Research Methodology

Descriptive research design has been used in this research. Primary data has been collected mainly through structured questionnaire. Perception and expectation of private bank’s customers has been obtained on a 5-point Likert’s scale, ranging from ‘highly disagree’ to ‘highly agree’. The data has been collected from NCR region using convenience sampling and sample size of 100. The banks covered under the study were ICICI, IDBI, Yes Bank, HDFC, Axis and Dena Bank. Secondary data related to previous studies has been obtained from authentic sources like books, and online magazines and journals.

### V. Findings

Table 1: Service Quality Gaps Score for Private Banks

Private Banks				
Perception		Expectation		Gap Score
Tangibility	P	Tangibility	E	P-E
Does the bank have modern looking equipment	3.6 5	Excellent banking companies will have modern looking equipment	4.8 2	-1.17
Are the Bank’s physical	3.5	The physical facilities at excellent	4.5	-1.05

facilities visually appealing	0	banks will be visually appealing	5	
Are the Bank's reception desk employees neat appearing	3.5 4	Employees at excellent banks will be neat appearing	4.6 1	-1.07
Are the physical facilities associated with the service (such as pamphlets or statements) visually appealing	3.5 3	Physical facilities associated with the service (such as pamphlets or statements) will be visually appealing at an excellent bank	4.6 4	-1.11
Average				-1.10
<b>Reliability</b>	<b>P</b>	<b>Reliability</b>	<b>E</b>	<b>P-E</b>
When the bank promises to do something by a certain time, it does so	3.3 3	When excellent banks promise to do something by a certain time, they do	4.6 6	-1.33
When you have a problem, the bank is sympathetic and reassuring	3.3 6	When a customer has a problem, excellent banks will be sympathetic and reassuring	4.5 9	-1.23
Does the bank performs the service right the first time	3.2 6	Excellent banks will perform the service right the first time	4.6 6	-1.40
Does the bank provide its service at the time it promises to do so	3.4 9	Excellent banks will provide the service at the time they promise to do so	4.7 5	-1.26
Does the bank insist on error free records	3.5 4	Excellent banks will insist on error free records	4.8 5	-1.31
Average				-1.31
<b>Responsiveness</b>	<b>P</b>	<b>Responsiveness</b>	<b>E</b>	<b>P-E</b>
Do the Employees in the bank tell you exactly when services will be performed	3.5 0	Employees of excellent banks will tell customers exactly when services will be performed	4.5 9	-1.09
Do the Employees in the bank give you prompt service	3.5 9	Employees of excellent banks will give prompt service to customers	4.7 0	-1.11
Are employees in the bank always willing to help you	3.6 2	Employees of excellent banks will always be willing to help customers	4.6 1	-.99
Employees in the bank are never too busy to respond to your request	3.2 5	Employees of excellent banks will never be too busy to respond to customers' requests	4.6 7	-1.42
Average				-1.15
<b>Assurance</b>	<b>P</b>	<b>Assurance</b>	<b>E</b>	<b>P-E</b>
Does the behaviour of employees in the bank instil trust in you	3.5 5	The behaviour of employees in excellent banks will instil trust in customers	4.6 2	-1.07
Do you feel safe in your transactions with the bank	3.5 9	Customers of excellent banks will feel safe in transactions	4.6 9	-1.10
Are the employees in the bank area polite with you	3.5 1	Employees of excellent banks will be polite with customers	4.7 9	-1.28
Do the employees in the bank have the knowledge to answer your questions	3.6 3	Employees of excellent banks will have the knowledge to answer customers' questions	4.8 1	-1.18
Average				-1.16
<b>Empathy</b>	<b>P</b>	<b>Empathy</b>	<b>E</b>	<b>P-E</b>
Does the bank give you individual attention	3.3 2	Excellent banks will give customers individual attention	4.5 9	-1.27
Does the bank have employees who give you personal attention	3.2 6	Excellent banks will have employees who give customers personal attention	4.6 6	-1.40
Do the employees of the bank understand your specific needs	3.4 7	The employees of excellent banks will understand the specific needs of their customers	4.5 9	-1.12
Does the bank have your best interest at heart	3.3 7	Excellent banks will have their customer's best interests at heart	4.6 7	-1.30
Does the bank have operating hours convenient to all its customers	3.7 9	Excellent banks will have operating hours convenient to all their customers	4.6 5	-.86
Average				-1.19

Table 2: Un-weighted Score

Categories	Gap score
Average gap score for Tangibility	-1.10
Average gap score for Reliability	-1.31
Average gap score for Responsiveness	-1.15
Average gap score for Assurance	-1.16
Average gap score for Empathy	-1.19
Total	-5.91
Un-weighted Score (Average Total/5)	-1.18

The views of the sample respondents regarding the services offered by the private banks under study are presented in Table 1. Referring to the Table; the comparison of customer expectations and perceptions of private banks, it is observed that the sample customers have very similar opinion as indicated from the values of different dimensions.

The gap (P - E) as shown in the table, is negative for all the factors indicating dissatisfaction of the customers. Further, component- wise analysis indicates that the higher level of dissatisfactions are observed in factors like; i) promises to do something by a certain time; ii) performs the service right the first time, iii) Employees in the bank are too busy to respond to your request, iv) give customers individual attention, v) give customers personal attention. Also from table 2 it can be understood that highest gap exists for reliability factor i.e. -1.31 and next comes the empathy factor with a score of -1.19.

Table 3: Descriptives for Perception

Statements	Mean	Std. Deviation
P1 Does the bank have modern looking equipment	3.68	.902
P2 Are the Bank's physical facilities visually appealing	3.55	.987
P3 Are the Bank's reception desk employees neat appearing	3.58	1.058
P4 Are the physical facilities associated with the service (such as pamphlets or statements) visually appealing	3.54	1.009
P5 When the bank promises to do something by a certain time, it does so	3.35	1.156
P6 When you have a problem, the bank is sympathetic and reassuring	3.34	1.097
P7 Does the bank performs the service right the first time	3.33	1.015
P8 Does the bank provide its service at the time it promises to do so	3.45	1.183
P9 Does the bank insist on error free records	3.55	1.070
P10 Do the Employees in the bank tell you exactly when services will be performed	3.53	1.119
P11 Do the Employees in the bank give you prompt service	3.61	1.065
P12 Are employees in the bank always willing to help you	3.62	1.023
P13 Employees in the bank are never too busy to respond to your request	3.21	1.030
P14 Does the behaviour of employees in the bank instil trust in you	3.59	.995
P15 Do you feel safe in your transactions with the bank	3.60	1.180
P16 Are the employees in the bank area polite with you	3.55	1.008
P17 Do the employees in the bank have the knowledge to answer your questions	3.60	1.152
P18 Does the bank give you individual attention	3.34	1.078
P19 Does the bank have employees who give you personal attention	3.28	1.127
P20 Do the employees of the bank understand your specific needs	3.48	.886
P21 Does the bank have your best interest at heart	3.37	1.121
P22 Does the bank have operating hours convenient to all its customers	3.84	1.075

From table 3 it can be seen that the value of mean for perception of various factors of service quality in private banks is above the score of 3 which shows that majority of the respondents are in agreement with all the statements.

Table 4: Descriptives for Expectation

Statements	Mean	Std. Deviation
E1 Excellent banking companies will have modern looking equipment	4.41	1.083
E2 The physical facilities at excellent banks will be visually appealing	4.39	.751
E3 Employees at excellent banks will be neat appearing	4.47	.747
E4 Physical facilities associated with the service (such as pamphlets or statements) will be visually appealing at an excellent bank	4.41	.866
E5 When excellent banks promise to do something by a certain time, they do	4.48	.825
E6 When a customer has a problem, excellent banks will be sympathetic and reassuring	4.37	1.041
E7 Excellent banks will perform the service right the first time	4.55	.672

Statements	Mean	Std. Deviation
E8 Excellent banks will provide the service at the time they promise to do so	4.65	.702
E9 Excellent banks will insist on error free records	4.74	.605
E10 Employees of excellent banks will tell customers exactly when services will be performed	4.36	.839
E11 Employees of excellent banks will give prompt service to customers	4.58	.606
E12 Employees of excellent banks will always be willing to help customers	4.42	.784
E13 Employees of excellent banks will never be too busy to respond to customers' requests	4.32	.898
E14 The behaviour of employees in excellent banks will instil trust in customers	4.43	.769
E15 Customers of excellent banks will feel safe in transactions	4.52	.689
E16 Employees of excellent banks will be polite with customers	4.57	.746
E17 Employees of excellent banks will have the knowledge to answer customers' questions	4.73	.529
E18 Excellent banks will give customers individual attention	4.45	.702
E19 Excellent banks will have employees who give customers personal attention	4.39	.818
E20 The employees of excellent banks will understand the specific needs of their customers	4.28	.937
E21 Excellent banks will have their customer's best interests at heart	4.33	.821
E22 Excellent banks will have operating hours convenient to all their customers	4.38	.838

After analysing the means for expectation it was found that the value of expectation was higher than perception with the values being above 4 showing the higher levels of expectations among the respondents.

### VI. Conclusion

From the present study it can be concluded that the highest gap was found in the dimension of reliability and empathy. The banks have to reduce this gap giving individual personal attention to understand customer specific needs. The customers trust the public sector banks. These banks have existed in the market for a longer period than the private sector banks. The reliability factor is a positive factor for these banks. Therefore private banks should position themselves in the market on the basis of this dimension and promote themselves aggressively. Last but not the least, the customer base of the public sector banks is very big as compared to the private sector banks, therefore it is important to retain them with the banks. It becomes imperative for the private sector banks to train their employees to treat the customers with empathy.

### VII. Suggestions

- Banks should have a strong customer relationship management system that would indicate the worth of the customer and the ability to understand his needs while interacting with him, so as to cross sell their products.
- Skill sets of employees need up gradation so as to make them more comfortable with the latest technology that will increase their comfort level, while educating customers to use the same in their day to day dealings.
- Banks may follow a feedback system to know the customers' expectations for improving the level of customer satisfaction to the maximum level. Responses on service reliability should be continuously obtained from customers.
- In order to improve the reliability factor the private banks should try not to appear as money mongers as should be clear and precise about their terms and conditions. They should not have hidden meanings and hidden terms in their documents.

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