

# SERVICE GAP: A COMPARISON BETWEEN PRIVATE AND PUBLIC BANKS

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## ABSTRACT

In the service sector banking sector is undergoing changes day by day. The banking services are fast changing and developing in many spheres. Privatization and globalization brought competition among banks. Technological advancements used by private and foreign banks made public banks too to adopt such changes to cope with them. This study aims at comparing the service dimensions between private and public banks in Cuddalore district.

**KEY WORDS:** Private banks, Public banks, expectation of service quality, perception of service quality and Service quality dimensions.

## INTRODUCTION

Today commercial banks are expanding its product line like insurance, foreign exchange, share trading etc. Customers' preference is towards banks that has one stop solution and with high service quality. Customers' behavioural outcome depends on their belief of the quality of service provided by banks. Bahia and Nantel (2000) stated that one bank can distinguish from other banks with its high quality service alone. Sustainable growth of a bank also depends on its customers' satisfaction Sharma and Sharma (2006). Today, uncertain economic situation and shift to global trading make the banking services more challenging. Banks need to provide more than the expected services to meet the competition. Service quality is the competitive advantage for banks. Akan (2005) stated that service quality is the strategy to be adopted by banks to compete in the industry.

## REVIEW OF LITERATURE

**Srinivas and Hanumantha (2018) discriminated as satisfied and dissatisfied customers on banking services in public sector banks. The paper tested the relationship between customer satisfaction and service dimensions.** Responsiveness and empathy were lacking behind the public sector banks and there is a wide gap between their expectations and perceptions of service dimensions. Subhashini and Gopaldasamy (2017) reviewed research articles relating to customer satisfaction and service quality in banks at Karur. The results were varying and said that there is difference in the banking scenario in India and foreign countries. It was also suggested to compare the service quality of service among various categories of banks and also between inland and abroad. Samuel et al., (2018) stated that service quality dimension reliability is contributing towards customers' satisfaction; assurance and responsiveness are not significantly determining the customers' satisfaction. Also, organisational culture is positively related with service quality in banking sector. Mei et al (2013) studied the relationship between service quality with that of customers' satisfaction and their loyalty in Hong Kong Banks. The highly related service quality dimensions with customers' satisfaction were also listed. Tangibility, responsibility, reliability and assurance were highly correlated with satisfaction. Empathy was the least related factor. It was also suggested that SERVQUAL tool is suitable for banking sector. Abhinav (2016) found that reliability and responsiveness are the most significantly contributing to the overall service quality of banks in India. Muhammad and Syed (2017) used SEM and SERVQUAL model is found to be the best fit with customer satisfaction in Islamic bank of Pakistan. Emari and Bakhshayesh (2011) studied the European model of service quality and found that improving service quality of Iran banks to improve their satisfaction. Ramu and Anbalagan (2017) identified that public banks need to improve the quality of service to retain their customers and also to attract new customers.

**RESEARCH GAP**

Reviewing the related articles, it is identified that there is need to improve service quality of public banks in India and there is a challenge to compete with private and foreign banks to sustain in the market. Bank customers mainly expect quality of service in banking sector. It was also stated that customers shift to public bank to private bank. There are studies on service quality in public banks. There is need to know the service quality comparison among various categories of banks. Hence, there is need to compare the service quality of public and private banks to identify the gaps as perceived by customers.

**NEED FOR THE STUDY**

Indian banking sector needs lot of improvement in service quality to compete with global banks. Customers expect better quality of service to continue as customers. Success of any bank depends on the quality of service. It is necessary to decide how the customers' perceive the quality of service of a bank and which aspect of service quality is most prepared. Customer centric approach of service sector alone can take to better ranking in the competitive position.

**OBJECTIVES**

The paper aims at studying the following objectives:

- i) To identify the customers' perception and experience of service quality of both nationalized and private banks;
- ii) To find the research gap in both nationalized and private banks.

**RESEARCH METHODOLOGY**

The research design and it is cross sectional study. Pre test – I was used with 60 bank customers of public bank where Parasuraman old and revised tools were used with 30 customers each to test the reliability. In the revised version the Cronbach Alpha value was 0.88 and the old tool found to have the reliability of 0.98 and hence old version was finalised for this study. Second pre test was used to finalize one private bank and one public bank to collect data. 50 public were asked to write their most used public bank and another 50 were asked to mention the private bank. It was found among the public bank, State bank was mainly used of the customers and ICICI was the bank in the private bank. Mei et al also suggested the most suitable tool to measure banking service quality is the SERVQUAL tool of Parasuraman et al. Hence, SERVQUAL tool of Parasuraman et al (1985) has been adopted for this study. 150 customers from each bank were selected conveniently who were willing to participate in the study. Willingness of customers helped to minimize the error.

**FINDINGS**

Analyses were focused on service quality dimensions such as competence, courtesy, assurance, security, assess, communication, knowing customers, tangibles, reliability and responsiveness. First, comparison of customers' expectation between both public and private sector banks are calculated by finding their mean ranking of these ten dimensions and also Z-test used to check whether there are any differences in these mean scores of these dimensions. Tangibility is the only service quality dimension that is found to differ between these two categories of banks at one per cent level of significance. Tangibility was highly expected from public sector banks with mean rank of 334 when compared to the private bank having mean rank 279.51. Similarly, the dimensions such as responsiveness and communication also differed at five per cent level of significance. The mean rank scores for private and public banks relating to responsiveness are 281.26 and 315.82. In the case of communication the values are 284.73 and 313.06 for private and public banks. It is interesting to note that the expectations are more from public banks and not from private banks.

Next to that the comparison of service quality perception between these two banks were also carried out. The competence was the only dimension that differed significantly at one per cent level. The mean scores for private and public banks are 276.34 and 319.79. There are four more dimensions that vary significantly are reliability, communication, courtesy and security at five cent level. The mean scores of private and public banks with reference to reliability are 280.83 and 316.17; for communication the values are 281.86 and 315.34; for courtesy the mean scores are 280.61 and 316.34 and for security the values are 283.87 and 313.74. Comparing the mean values in all these aspects customers perceived public bank services as better than that of private banks.

Finally, the gaps of two banks are compared and Z-test result indicating significance difference at five per cent level in the aspects such as competence and courtesy. In both the cases the gaps are lower in the case of private bank compared to public bank. The Z- test values were -2.102 and -1.806. This negative sign indicated that the values were lower for private than the public. All other aspects did not differ significantly.

### **SUGGESTIONS**

Expectations are from public sector banks. This might be due to the feel of association because of the nature of the nature of bank. Public sector banks must understand their customers and their expectations to serve them better. Especially the service quality dimensions such as tangibility, responsiveness and communication are of high expectations from the customers. So, these factors are to be focused by public banks to attract and retain their customers. Private banks must take caution from customers expectation. Customers expect more from public banks and this may indicate the association between public banks and customers. This bondness is to be created by private banks too.

The dimensions such as tangibility, communication courtesy and security were highly perceived service factors by customers of public sector bank. Apart from these factors public banks must also focus on the remaining factors as well to compete in the market. Private banks must take steps to increase their perception about service quality to compete.

The service dimensional gap between expectations and perception of public sector banks are to be reduced to retain and attract more customers. Competence and courtesy of public sector banks are to be improved where there is significance gap between. Public sector banks should organize training to increase the competency based on the various levels of employees. Behavioural training is also necessary to improve the customers' satisfaction.

### **LIMITATIONS**

There is some error possible because of the use of convenient sampling technique. But, steps were taken to minimize the error by approaching them and explaining the importance of the study. Those who are willing alone participated and hence, the error will be minimized. The study is focused in one district alone.

### **MANAGERIAL IMPLICATIONS**

The study has indicated the gaps in the perception and expectation of both banks and the areas that are to be focused by private and public banks to retain and attract customers by providing better service.

### **FOR SCOPE FURTHER RESEARCH**

The service quality dimensions expectations, perception and gap can be compared among public, private and foreign banks. These differences based on various segments of customers will also guide banks to perform better to satisfy their customers.

Comparing the study based on geographical areas such as metros, cities and towns could also be possible. Groomroos model can also used and compare the results with that of SERVQUAL one.

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