

# A STUDY ON SERVICE QUALITY OF PUBLIC SECTOR BANKS

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## Abstract

India's banking system is highly developed, even though it is still far from meeting world standards in terms of scale, goods, and services. To compete with other players in the industry, Indian banks have realized that in addition to organic growth, they must also expand inorganically. Banking has been the subject of concern for the banking industry in this scenario. Gronross, a service marketing specialist, suggested that to achieve simultaneous success, a service company must enhance its service efficiency. It must first decide how customers view service quality and then determine how service quality is affected. Customers have become more quality conscious all over the world, resulting in a rise in consumer demand for higher quality service. This latest wave of quality recognition and focus has an impact on service operations all over the world. As a result, service-based businesses such as banks are obligated to offer outstanding customer service to retain a competitive edge. This research identifies essential quality dimensions that banks can use to establish strategies for enhancing service quality. According to the results of the current report, public sector banks in Lucknow are losing market share to private and foreign banks. Both public sector banks are being forced to implement creative services and schemes to maintain existing customers and draw new ones in this competitive climate.

**Keywords:** Service Quality, Dimensions of Service Quality, Customer Satisfaction, and Banking Services.

## 1. Introduction

### Banking Services in India

The banking sector in India has emerged as one of the most important drivers of the country's economic development. Even during times when the rest of the world was undergoing a financial meltdown, the Indian banking industry has made considerable progress in recent years. Today, Indian banking is at a fork in the path of an unknown movement.

In recent years, there have been major innovations and investments in the field. Most banks provide a range of services to their customers, including mobile banking, SMS banking, online banking, and ATMs. Banking has been complete freedom to experience with all of these tools and systems. Accounting, fund transfer, and payment have all been performed using physical bank checks, which have now been modernized. However, waiting in line for hours in front of a cash register and having to withdraw your own money is unfounded. Indian banks are fighting for a piece of the banking service market, which has enormous potential relative to India's GDP. It also faces challenges such as customer retention, the implementation of tech-savvy facilities and investments in such facilities, security issues, Knows Your Customer (KYC) regulations, credit assessment regulations, and so on.

## Concept of Service Quality

According to Lewis and Booms (1983), service quality is calculated by contrasting what consumers expect from a service provider with the provider's actual performance. "Service quality is a measure of how well the standard of service offered meets consumer expectations," Delivering quality service entails consistently meeting customers' expectations."

## Dimensions of Service Quality

According to A. Parasuraman, V.A. Zeithaml, and L.L. Berry, the quality of services is measured during service delivery, and each customer interaction means a chance to please or dissatisfy the customer, a "moment of fact." Furthermore, Parasuraman, Zeithaml, and Berry (PZB's1988) introduced five dimensions that led to the creation of SETVQUAL.

- **Tangibles:** These considerations include the appearance of staff, the physical facilities provided, and the equipment used in the service experience.
- **Reliability:** How the service is given, i.e., the capacity to provide the promised service precisely and consistently.
- **Responsiveness:** Willingness to assist customers, respond to their inquiries, and provide timely service.
- **Assurance:** Staff courtesy and understanding, as well as their ability to inspire faith and confidence.
- **Empathy:** Helpful, conscientious about the needs of consumers, and caring in delivering individualized attention to customers.

## Managing Service Quality

A service marketing specialist suggested that to achieve simultaneous success, a service company must enhance its service efficiency. Determine the most significant factors that impact service quality (customer experience and customer expectations)

Understanding the needs and desires of your customers can help you handle consumer expectations. It effectively measures the quality of service to enhance it in the future, detect issues, and fix them to maximize customer satisfaction. The control and maintenance of an organization's various services provided to consumers are referred to as service quality management.

## 2.Review of Literature

The study of service quality of banking services and satisfaction level of bank customer has got to start with a review of earlier works conducted and theories developed during this area to offer a formal design to this task. The reviews on the banking sector and therefore the services involved with are elaborated alongside the literature studies of service quality and customer satisfaction dimensions as follows:

According to Peter Drucker "Quality in a product or service is not determined by the supplier. It is the most important aspect that distinguishes one service from another. It's what the customer wants out of the transaction and is ready to pay for. Customers only pay for what is useful to them and adds value to their lives. Nothing else qualifies as quality."

According to Feigebaum(1983) “Quality is the overall compound product and service distinctiveness of marketing, engineering, production, and maintenance that allows the merchandise service in use to fulfil the customer's expectation.”

R. Krishnaveni et al. (2005) examined the current Indian banking situation in light of the country's liberalisation and globalisation reforms. They also looked at how corporate customers felt about the level of service provided by their bankers. When comparing the strategies used by Indian banks to those used by international banks, the study discovered a significant difference. In terms of consumer expectations of service quality, the situation is similar.

Choudhary (2008) investigated the dimensions of customer perceived service quality in the context of the Indian retail banking industry in his research "Customer Perceived Service Quality." Customers' perceptions of service quality, as well as bank marketing and literature, were used to develop a set of service quality criteria. Using factor analysis, these criteria were used in the sense of four of India's largest banks to define the underlying dimensions of service quality. In the case of the Retail Banking industry in India, the study indicates that customers discern four dimensions of service quality: attitude, competence, tangibles, and convenience.

Krishna Chithanya, V. (2005) researched the context, essence, and scope of financial activities in India, as well as their characteristics, in order to develop a marketing strategy to improve service quality and propose effective distribution channels. According to this research, service quality refers to the gap between customers' perceptions of real service quality and expectations, as well as customer courtesy, reputation, and protection. It proposed a two-way platform for delivering financial services, including remote - T.V., phone, PC, and so on - as well as face-to-face travel, visiting offices, and so on.

Bhat, Mushtaq A. (2005) he compared Indian banks' views of service quality to those of international banks. The SERVQUAL instrument, invented by Parasuraman et al. in 1988, was used to collect primary data. It has five dimensions: reliability, responsiveness, empathy, assurance, and tangibility. The study found that Indian banks fell well short of their customers' expectations on all dimensions of service quality. Customers' expectations of tangibility and efficiency of service quality are being exceeded by foreign banks.

### **3. Need for Service Quality in Bank**

Enhanced Competition, highly educated consumers and an increase in the standard of living force many businesses to review their customer service strategy. Many business firms are making more efforts to retain existing customers rather than to acquire new ones, as the cost of acquiring new customers is higher than the cost of retaining existing customers. Customer satisfaction and service quality are two concepts that are intertwined.

Furthermore, customer loyalty is dependent on service quality, and marketers are increasingly using service quality as a tool to place themselves more effectively in the market. In comparison to conventional banking systems, the quality of service has greatly improved since the introduction of e-banking. Internet banking, mobile banking, automated

teller machines, and electronic fund transfers have completely transformed how banks provide services.

#### **4.Scope of the Study**

Customers have become more quality conscious all over the world, resulting in a rise in consumer demand for higher quality service. This latest wave of quality recognition and focus has an effect on service operations all over the world. As a result, service-based businesses, such as banks, are obligated to provide excellent customer service in order to maintain a competitive edge, particularly given the current trend. In the banking industry, customer loyalty and retention has become a major concern, and service quality has been described as a key factor. However, there are differences in what banks consider to be quality service and what consumers demand from banks.

#### **5.Importance of the Study**

This research identifies important quality dimensions that banks can use to establish strategies for enhancing service quality. This will strengthen the Bank's competitive position in the banking industry and ensure the bank's survival, especially in this era of fierce competition. Financial institutions should create customer-centric service approaches to deal with customers by monitoring customer satisfaction levels in order to prevent current customers moving to a rival bank. By determining what consumers want and how they feel about the quality. Banks can customise their service operations by revising, redesigning, or repackaging them to meet customer needs.

#### **6.Statement of the Problem**

The problem statement enumerates the feature of the current situation about which the research is being conducted. It emphasises the importance of testing a hypothesis or addressing issues and challenges in policy and decision-making in practise. Indian public sector banking is facing strong competition from Indian private sector and foreign banks following liberalisation, privatisation, and globalisation. In order to draw customers from public sector banks, private banks and foreign banks have been providing a variety of creative services.

#### **7.Objectives of the study**

The following are the objectives of this research:

- 1.To assess the quality of the banks' services by analysing the service quality dimensions.
- 2.To determine the degree of consumer expectation for banking services.
- 3.To look at the demographics of the customers who use bank services.
- 4.Make appropriate recommendations to improve the quality of financial services offered by banks.
- 5.To determine the extent to which consumers are satisfied with banking services.

## 8. Dimensions of the Study

The following dimensions are used to analyse the study:

- Service quality of technical and functional services offered by banks
- Retention of customers.
- Customer demographics when it comes to banking services.
- Customers' satisfaction
- Client expectations
- The dimensions were further subdivided into different subdimensions.

## 9. Findings

- The respondents for this analysis are the bank's account holders, and their satisfaction with the bank's various transactional services varies. The variation may be due to a difference in quality or a cultural difference between service providers and consumers.
- There are disparities in service quality in all dimensions, including tangibles like responsiveness, efficiency, empathy, communication, assurance, and accountability. Customers' views on variables assessing service tangibility resulted in a range of average ratings. Customers are particularly concerned about the reliability and efficacy of the equipment used to provide services.

## 10. Suggestions

- **Technological advancement**-With the advent of technology, the operations performing currently in the banking sectors of India are also dependent on the technology. Phone banking, E banking, Internet banking are some of the few names associated to it. People generally wish to consider banking as 24\*7 service providing sector now a days and wants to enjoy banking facilities whenever they wish to avail according to their needs. Some internet issues, link failures are also addressed in many bank branches located in urban area also. This kind of hindrances leads to banking service interrupted. In order to solve such scenario, technological advancement is need to its best possible way.
- **KYC implementation**- Recently Govt. of India has taken the initiative to keep track of all the details of the valuable customers belong to any bank across the country (rural and urban). This process is termed as KYC It has been reported that banking facilities also get hampered or interrupted due to unavailability of customer details in many cases (both in rural area and urban also). Considering this, it is expected that banking services and the facilities in India will be improved in the coming days.

- **Working as a team**-The bankers must be willing to work as a team rather than working as an individual. It also helps to solve the demands of the customers in comparatively responsive manner efficiently. As it has already been revealed that, customer satisfaction is the ultimate ‘value’ that matters the most, this is the reason why the entire bankers team needs to be involved (as per requirement or according to mitigate the issues if occurred) in order to provide best banking service.
- **Self service facilities**- Self service facilities must be provided in order to achieve great customer satisfaction in case of providing banking service also. It has been reported that most of the inquiries from customer side usually generated from weekends while the offline facilities of banking systems are generally closed. This is the reason why it can be said that ‘self-reliant’ approach is undoubtedly be considered as ‘dynamic’ in case of availing banking services.

## 11. Conclusion

According to the findings of the current study, public sector banks in Lucknow are losing market share to private and foreign banks. Both public sector banks are being forced to implement creative services and schemes in order to maintain existing customers and draw new ones in this competitive environment. At this point, it's critical to understand the services provided by public sector banking in the Indian banking industry, as well as the factors that influence customer satisfaction with public sector service quality.

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