A STUDY ON THE SERVICE QUALITY OF BANKS WITH REGARD TO DEMOGRAPHICAL VARIABLES OF THEIR CUSTOMERS

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ABSTRACT

It is increasingly being recognized that the competition in Indian banking industry is going to be intense day by day. To beat one another, service providers viz. public sector, private sector and foreign sector banks launches new kind of technological application into banking services every day. In this situation, expectations rise and customers become more inclined towards the quality of service aspects. Thus, it is now clear that it is the service quality that differentiates the best banking, in the days to come, out of the average one. This research adopted a survey questionnaire based on the amended Banking Service Quality Scale. It included five service quality dimensions, broken down into 28 statements, for capturing the wide range of services offered by the three banks namely public sector, private sector and foreign sector banks. The research findings show that there are significant differences among the Indian private, public and foreign banking sectors in terms of customer perceptions of service quality and the degree of importance attached to various dimensions of service quality.

Keywords: Service quality, private banking sector, public banking sector, foreign banking sector, Banking Service Quality.

Introduction:

The entry of information technology into the banking industry has created a revolution in this sector. Now, many banks have introduced new customer friendly measures like 24x7 banking, anywhere banking, internet banking, extended business hours, ATM network, etc to increase their market share. Service providers are in the rat race to hook-up the customers and launch some new kind of technological application into banking services each day. And, thus customers have to make a choice among various service providers by making a trade-off between relationships and economies, trust and products, or service and efficiency, in today's competition.

Review of Literature:

Extensive research work has been done on customer satisfaction in the banking industry. Biswa N Bhattacharyay (1990), in his study *"Is Customer Service Deteriorating in the Indian Banking Industry?"* tried to establish empirically, that customer orientation of the banking industry has not deteriorated in the post nationalization era. Kangis, Peter, & Voukelatos, Vassilis (1997),in their study on *"Private and public banks: a comparison of customer expectations and perception with reference to Greece"* found that the quality expectation and evaluation of services received from the private banks were marginally higher in comparison to public sector banks, in most of the dimensions measured. Gani and Bhatt (2003), in his study on *"Comparative Study of commercial banks"* studied service quality of commercial banks with a view to make it better. The result concludes that the service quality of foreign banks is much better than that of Indian banks therefore Indian banks needs heavy investment in tangibility dimension to improve the quality of service. R K Mohanty (2008) in his

study on *"Hunting Customer Satisfaction in Banks"* revealed the fact that there are wide gaps exist between the expectations and perceptions of customers and services delivery by banks. Along with it, there are number of socio-cultural aspects exist which is quite specific and relevant from the viewpoint of customers as well as banks. Many of these issues are not properly addressed yet.

In this way, analytical results of various research studies conducted on this issue world-wide, reveal the fact that the survival and growth of commercial banks not only depend upon its ability to provide qualitative services to their customers on regular basis, but to build a long term mutually beneficial and trust worthy relationship with their customers. Hence, it is desirable for banks to develop a customer-centric approach for future survival and growth.

Objectives of the Study:
The broad objectives of the study are as follows:

1. To compare the perceptions of the people in terms of their sex about the quality dimensions of bank's services provided by the selected branches of the three major Indian banking segments i.e., private, public and foreign banks.
2. To compare the perceptions of the people in terms of their age about the quality dimensions of bank's services provided by the selected branches of the three major Indian banking segments i.e., private, public and foreign banks.
3. To compare the perceptions of the people in terms of their education about the quality dimensions of bank's services provided by the selected branches of the three major Indian banking segments i.e., private, public and foreign banks.
4. To make recommendations to enhance customer satisfaction in the banking industry in general.

Hypotheses:

Hypothesis1: There is a no significant difference between the perceptions of Men and Women regarding the quality dimension of bank's service.

Hypothesis2: There are no significant differences in the perceptions of age groups regarding the quality dimension of bank's service.

Hypothesis3: There are no significant differences in the perceptions of the educational groups regarding the quality dimension of bank service.

Methodology:

This study has been conducted in New Delhi, as it being the national capital and Mumbai, as being the business centre of the country. Both of these cities witness the latest changes in the banking services and have almost all the present day consumer banking service dimensions which satisfy the customers. Moreover, both the place is also representative of people belonging to various demographic profile of urban life relevant to modern consumer banking services.

A convenience sampling of roughly 520 dispersed banking customers within the six selected banks branches from public, private and foreign banking sectors of India from the two cities were considered for the study purpose. Two branches were selected from each bank, with care to include variation in geographic location and size. The unit of observation and analysis of this study is the individual banking customer, either in private or public or foreign banks. The definition of banking customer is "an individual who has had (during the study period) bank account in anyone of the above three banking sectors.

A well-structured questionnaire was prepared for this study. The questionnaire was divided into three sections. Section A was designed to obtain demographic information about customers, Section B of the questionnaire included all the services being offered to the customers by the modern day banks. In section B, the questions were on the basis of Likert's five point scale.

Result & Discussion:

The result (as per Table 1, given in the appendix) shows that most of the respondents were male which constitutes 82.7 % and others are females i.e. 17.3 % of the total. It means that male customers are visiting the Bank branch more often than female customers. And that is why, all the banks woo women customers to make them their potential customers, now a days.

ANOVA Test results (Table 4) also support that there is a significant variance even in the perception between the two genders about the quality dimension of three types of bank namely Private sector Bank, Public Sector Bank and Foreign Sector Bank at 5% level of significance. It shows that the service Quality is different among the above said banks for their customers in terms of the variables like: Credit Card, Introducing New Services, Attends Need, and Replacement of the Products, Equal treatment, Understandable Staffs, Attending telephonic Query, Knowledgeable Staff, Convenient Time and Parking Facility. Apart from these variables, in terms of other variables all these three banks perform neck to neck.

The various age groups of respondents (Table 2) show that 61.5 % of the respondents were less than 35 years which are mostly seen as young customers. The other age groups i.e. 35 to 60 year and 65 and above constitutes 30.8 % as well as 7.7 % of the respondents respectively, which are mostly the people with jobs and retired people with families. The results show that respondents up to 35 are more enthusiastic in taking banking service. It means that

bank should target the youth by providing better services and service quality which would help to raise the number of young visitors to the bank.

It was also found (Table 5) that there is a significant variance in the perception of the different age groups of the customer about the quality dimension of the three types of bank namely Private sector Bank, Public Sector Bank and Foreign Sector. As the youth are more tecnno-savy thus they prefer the high tech services of private as well as foreign sector bank more often than public sector bank. It shows that the service Quality is different among the above said banks to their customers for the selected variables except the approachable distance.

The different educational background of the customers (Table 3) reflects that all respondents were educated with majority of them (38.5%) having Graduate, 36.5% had Post Graduate, 19.2% had Intermediate education while only 5.8% were high School passed. It reflects that the customers having higher qualifications do more business with the new generation banks.

In addition to that (Table 6) the results of the statistical test suggest that there is a significant variance in the perception of the different customers having different educational background about the quality dimension of the three types of bank namely Private sector Bank, Public Sector Bank and Foreign Sector Bank. It shows that the services offered by the foreign sector as well as private sector banks is as per the need of current educated generation people in compare to public sector bank.

Therefore, on the basis of this study, it can be stated that within the creative management of the construct of service quality, managers of the respective banks may contribute to the achievement of both external marketing goals and internal bank goals, as improving the level of service quality provided to the customers may help to benefit the banks, in terms of customer satisfaction, customer loyalty and then profitability.

Thus, it is recommended that Indian banking sector should work on improving their marketing strategies and policies to enhance the levels of service quality.

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APPENDIX

Table 1: Classification of Gender of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	430	82.7	82.7	82.7
	Female	90	17.3	17.3	100.0
	Total	520	100.0	100.0	

Table 2: Classification of age group of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	upto 35 years	320	61.5	61.5	61.5
	Above 35 and upto 60 years	160	30.8	30.8	92.3
	Above 60 years	40	7.7	7.7	100.0
	Total	**520**	**100.0**	**100.0**	

Table 3: Distribution of Educational Background of the Respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High School	30	5.8	5.8	5.8
	Intermediate	100	19.2	19.2	25.0
	Graduate	200	38.5	38.5	63.5
	Post Graduate	190	36.5	36.5	100.0
	Total	**520**	**100.0**	**100.0**	

Table 4 ANOVA Table: Gender versus Quality Dimensions

		Sum of Squares	df	Mean Square	F	P value
Modern Equipments	Between Groups	.018	1	.018	.013	.910
	Within Groups	717.674	518	1.385		
	Total	**717.692**	**519**			
Counting Machines	Between Groups	.161	1	.161	.155	.694
	Within Groups	539.070	518	1.041		
	Total	**539.231**	**519**			
Credit Card	Between Groups	14.193	1	14.193	8.323	.004*
	Within Groups	883.307	518	1.705		
	Total	**897.500**	**519**			
Internet Banking	Between Groups	1.449	1	1.449	.881	.348
	Within Groups	851.628	518	1.644		
	Total	**853.077**	**519**			
Updating Passbooks	Between Groups	1.449	1	1.449	1.227	.268
	Within Groups	611.628	518	1.181		
	Total	**613.077**	**519**			
Clarity in stat./bill	Between Groups	.008	1	.008	.007	.934
	Within Groups	592.300	518	1.143		
	Total	**592.308**	**519**			
Error free Service	Between Groups	.390	1	.390	.372	.542
	Within Groups	542.687	518	1.048		
	Total	**543.077**	**519**			
Safe Transaction	Between Groups	.311	1	.311	.317	.574
	Within Groups	507.959	518	.981		
	Total	**508.269**	**519**			
Introducing New Services	Between Groups	48.683	1	48.683	42.058	.000*
	Within Groups	599.587	518	1.158		
	Total	**648.269**	**519**			
Attends Needs	Between Groups	49.307	1	49.307	37.280	.000*
	Within Groups	685.116	518	1.323		
	Total	**734.423**	**519**			

Grievance Redressal	Between Groups	3.180	1	3.180	1.753	.186
	Within Groups	939.897	518	1.814		
	Total	**943.077**	**519**			
Replacement of Products	Between Groups	5.069	1	5.069	7.516	.006*
	Within Groups	349.354	518	.674		
	Total	**354.423**	**519**			
Equal Treatment	Between Groups	12.563	1	12.563	6.765	.010*
	Within Groups	961.860	518	1.857		
	Total	**974.423**	**519**			
Understandable Staffs	Between Groups	15.218	1	15.218	14.333	.000*
	Within Groups	549.974	518	1.062		
	Total	**565.192**	**519**			
Fulfill Promises	Between Groups	.032	1	.032	.025	.873
	Within Groups	649.199	518	1.253		
	Total	**649.231**	**519**			
Attend Telephonic Queries	Between Groups	6.233	1	6.233	4.728	.030*
	Within Groups	682.997	518	1.319		
	Total	**689.231**	**519**			
Knowledgeable Staffs	Between Groups	12.249	1	12.249	7.775	.005*
	Within Groups	816.021	518	1.575		
	Total	**828.269**	**519**			
Cordial Customer Relation	Between Groups	1.193	1	1.193	1.364	.243
	Within Groups	453.230	518	.875		
	Total	**454.423**	**519**			
Prompt Service	Between Groups	.336	1	.336	.285	.593
	Within Groups	609.664	518	1.177		
	Total	**610.000**	**519**			
Competitive Charges	Between Groups	3.101	1	3.101	3.778	.052
	Within Groups	425.168	518	.821		
	Total	**428.269**	**519**			
Cheaper Interest Rates	Between Groups	.004	1	.004	.005	.943
	Within Groups	454.419	518	.877		
	Total	**454.423**	**519**			
Convenient Time	Between Groups	7.275	1	7.275	6.699	.010*
	Within Groups	562.532	518	1.086		
	Total	**569.808**	**519**			
Pleasant Facilities	Between Groups	3.848	1	3.848	2.452	.118
	Within Groups	813.075	518	1.570		
	Total	**816.923**	**519**			
Comfortable Waiting Area	Between Groups	.362	1	.362	.126	.723
	Within Groups	1487.907	518	2.872		
	Total	**1488.269**	**519**			
Parking Facilities	Between Groups	13.041	1	13.041	6.345	.012*
	Within Groups	1064.651	518	2.055		
	Total	**1077.692**	**519**			
Approachable Distance	Between Groups	2.795	1	2.795	3.206	.074
	Within Groups	451.628	518	.872		

	Total	454.423	519			
Overall Satisfaction	Between Groups	2.870	1	2.870	2.972	.085
	Within Groups	500.207	518	.966		
	Total	503.077	519			
Overall Service Quality	Between Groups	1.558	1	1.558	1.715	.191
	Within Groups	470.749	518	.909		
	Total	472.308	519			

SD-Standard Deviation   *significant Differences   P<0.05

Table 5: ANOVA Table: Age versus Quality Dimensions

		Sum of Squares	**df**	**Mean Square**	**F**	**P value**
Modern Equipments	Between Groups	61.130	2	30.565	24.068	.000*
	Within Groups	656.562	517	1.270		
	Total	**717.692**	**519**			
Counting Machines	Between Groups	24.231	2	12.115	12.162	.000*
	Within Groups	515.000	517	.996		
	Total	**539.231**	**519**			
Credit Card	Between Groups	23.438	2	11.719	6.932	.001*
	Within Groups	874.063	517	1.691		
	Total	**897.500**	**519**			
Internet Banking	Between Groups	46.514	2	23.257	14.908	.000*
	Within Groups	806.563	517	1.560		
	Total	**853.077**	**519**			
Updating Passbooks	Between Groups	7.452	2	3.726	3.181	.042*
	Within Groups	605.625	517	1.171		
	Total	**613.077**	**519**			
Clarity in stat./bill	Between Groups	35.745	2	17.873	16.602	.000*
	Within Groups	556.563	517	1.077		
	Total	**592.308**	**519**			
Error free service	Between Groups	18.389	2	9.195	9.060	.000*
	Within Groups	524.687	517	1.015		
	Total	**543.077**	**519**			
Safe Transaction	Between Groups	38.582	2	19.291	21.234	.000*
	Within Groups	469.688	517	.908		
	Total	**508.269**	**519**			
New Services	Between Groups	14.519	2	7.260	5.922	.003*
	Within Groups	633.750	517	1.226		
	Total	**648.269**	**519**			
Attends Needs	Between Groups	47.236	2	23.618	17.769	.000*
	Within Groups	687.188	517	1.329		
	Total	**734.423**	**519**			

Grievance Redressal	Between Groups	16.202	2	8.101	4.519	.011*
	Within Groups	926.875	517	1.793		
	Total	**943.077**	**519**			
Replacement of Products	Between Groups	16.298	2	8.149	12.460	.000*
	Within Groups	338.125	517	.654		
	Total	**354.423**	**519**			
Equal Treatment	Between Groups	61.298	2	30.649	17.353	.000*
	Within Groups	913.125	517	1.766		
	Total	**974.423**	**519**			
Understandable Staffs	Between Groups	20.192	2	10.096	9.577	.000*
	Within Groups	545.000	517	1.054		
	Total	**565.192**	**519**			
Fulfill Promises	Between Groups	29.543	2	14.772	12.324	.000*
	Within Groups	619.687	517	1.199		
	Total	**649.231**	**519**			
Telephonic Queries	Between Groups	10.168	2	5.084	3.871	.021*
	Within Groups	679.062	517	1.313		
	Total	**689.231**	**519**			
Knowledgeable Staffs	Between Groups	33.894	2	16.947	11.030	.000*
	Within Groups	794.375	517	1.537		
	Total	**828.269**	**519**			
Cordial customer Relation	Between Groups	32.236	2	16.118	19.737	.000*
	Within Groups	422.187	517	.817		
	Total	**454.423**	**519**			
Prompt Service	Between Groups	24.375	2	12.188	10.759	.000*
	Within Groups	585.625	517	1.133		
	Total	**610.000**	**519**			
Competitive Charges	Between Groups	22.019	2	11.010	14.011	.000*
	Within Groups	406.250	517	.786		
	Total	**428.269**	**519**			
Cheaper Interest Rates	Between Groups	28.173	2	14.087	17.086	.000*
	Within Groups	426.250	517	.824		
	Total	**454.423**	**519**			
Convenient Time	Between Groups	30.745	2	15.373	14.743	.000*
	Within Groups	539.062	517	1.043		
	Total	**569.808**	**519**			

Pleasant Facilities	Between Groups	59.736	2	29.868	20.393	.000*
	Within Groups	757.187	517	1.465		
	Total	**816.923**	**519**			
Comfortable Waiting Area	Between Groups	65.144	2	32.572	11.833	.000*
	Within Groups	1423.125	517	2.753		
	Total	**1488.269**	**519**			
Parking Facilities	Between Groups	36.130	2	18.065	8.967	.000*
	Within Groups	1041.562	517	2.015		
	Total	**1077.692**	**519**			
Approachable Distance	Between Groups	.361	2	.180	.205	.814
	Within Groups	454.062	517	.878		
	Total	**454.423**	**519**			
Overall Satisfaction	Between Groups	13.077	2	6.538	6.899	.001*
	Within Groups	490.000	517	.948		
	Total	**503.077**	**519**			
Overall Servqual	Between Groups	36.683	2	18.341	21.768	.000*
	Within Groups	435.625	517	.843		
	Total	**472.308**	**519**			

SD-Standard Deviation　　*significant Differences　　　P<0.05

Table 6 ANOVA Table: Education versus Quality Dimensions

		Sum of Squares	df	Mean Square	F	P value
Modern Equipments	Between Groups	80.973	3	26.991	21.874	.000*
	Within Groups	636.719	516	1.234		
	Total	**717.692**	**519**			
Counting Machines	Between Groups	26.669	3	8.890	8.949	.000*
	Within Groups	512.561	516	.993		
	Total	**539.231**	**519**			
Credit Card	Between Groups	41.132	3	13.711	8.261	.000*
	Within Groups	856.368	516	1.660		
	Total	**897.500**	**519**			
Internet Banking	Between Groups	81.200	3	27.067	18.094	.000*
	Within Groups	771.877	516	1.496		
	Total	**853.077**	**519**			
Updating Passbooks	Between Groups	50.016	3	16.672	15.278	.000*
	Within Groups	563.061	516	1.091		
	Total	**613.077**	**519**			
Clarity in stat./bill	Between Groups	69.992	3	23.331	23.049	.000*
	Within Groups	522.316	516	1.012		
	Total	**592.308**	**519**			
Error free service	Between Groups	12.094	3	4.031	3.918	.009*

	Within Groups	530.982	516	1.029		
	Total	**543.077**	**519**			
Safe Transaction	Between Groups	47.024	3	15.675	17.535	.000*
	Within Groups	461.246	516	.894		
	Total	**508.269**	**519**			
New Services	Between Groups	51.550	3	17.183	14.859	.000*
	Within Groups	596.719	516	1.156		
	Total	**648.269**	**519**			
Attends Needs	Between Groups	48.493	3	16.164	12.160	.000*
	Within Groups	685.930	516	1.329		
	Total	**734.423**	**519**			
Grievance Redressal	Between Groups	73.410	3	24.470	14.519	.000*
	Within Groups	869.667	516	1.685		
	Total	**943.077**	**519**			
Replacement of Products	Between Groups	8.441	3	2.814	4.196	.006*
	Within Groups	345.982	516	.671		
	Total	**354.423**	**519**			
Equal Treatment	Between Groups	48.923	3	16.308	9.092	.000*
	Within Groups	925.500	516	1.794		
	Total	**974.423**	**519**			
Understandable Staffs	Between Groups	14.947	3	4.982	4.672	.003*
	Within Groups	550.246	516	1.066		
	Total	**565.192**	**519**			
Fulfill Promises	Between Groups	16.178	3	5.393	4.396	.005*
	Within Groups	633.053	516	1.227		
	Total	**649.231**	**519**			
Telephonic Queries	Between Groups	58.248	3	19.416	15.878	.000*
	Within Groups	630.982	516	1.223		
	Total	**689.231**	**519**			
Knowledgeable Staffs	Between Groups	98.208	3	32.736	23.137	.000*
	Within Groups	730.061	516	1.415		
	Total	**828.269**	**519**			
Cordial customer Relation	Between Groups	15.160	3	5.053	5.936	.001*
	Within Groups	439.263	516	.851		
	Total	**454.423**	**519**			
Prompt Service	Between Groups	26.789	3	8.930	7.901	.000*
	Within Groups	583.211	516	1.130		
	Total	**610.000**	**519**			
Competitive Charges	Between Groups	61.392	3	20.464	28.782	.000*
	Within Groups	366.877	516	.711		
	Total	**428.269**	**519**			
Cheaper Interest Rates	Between Groups	31.862	3	10.621	12.969	.000*
	Within Groups	422.561	516	.819		
	Total	**454.423**	**519**			
Convenient Time	Between Groups	125.878	3	41.959	48.771	.000*
	Within Groups	443.930	516	.860		

	Total	**569.808**	**519**			
Pleasant Facilities	Between Groups	44.941	3	14.980	10.013	.000*
	Within Groups	771.982	516	1.496		
	Total	**816.923**	**519**			
Comfortable waiting Area	Between Groups	195.392	3	65.131	25.994	.000*
	Within Groups	1292.877	516	2.506		
	Total	**1488.269**	**519**			
Parking facilities	Between Groups	122.552	3	40.851	22.069	.000*
	Within Groups	955.140	516	1.851		
	Total	**1077.692**	**519**			
Approachable Distance	Between Groups	1.844	3	.615	.701	.552
	Within Groups	452.579	516	.877		
	Total	**454.423**	**519**			
Overall Satisfaction	Between Groups	64.024	3	21.341	25.082	.000*
	Within Groups	439.053	516	.851		
	Total	**503.077**	**519**			
Overall Servqual	Between Groups	50.939	3	16.980	20.793	.000*
	Within Groups	421.368	516	.817		
	Total	**472.308**	**519**			

SD-Standard Deviation   ***significant Differences**   **P<0.05**

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