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**A STUDY OF QUALITY OF SERVICES BETWEEN PSU AND PRIVATE  
BANKS**

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**ABSTRACT**

*Service quality gap analysis has been focused in this paper for which hypothesis were drawn and tested to arrive at conclusion. This paper is based on primary data collected through questionnaire of NCR respondents. The gap analysis will be beneficial to banking sectors both PSU and Private .*

**INTRODUCTION**

For an organization which provides services as its product, the most important things are customer relations, service quality and satisfaction. To keep a check on their quality and delivery of service is of utmost importance. There are five service quality gaps as described below.

**1.GAP I** (Consumer expectation and management perception gap): Gap 1 is the result of difference between the perception of management and customer's expectation. This gap is the result of customer's assessment of service quality being different from expected.

The management of an organization may not have accurate perception of what are the expectations of customers, and they may not know the important service aspects which customers are looking for. The reasons of this gap are improper market focus, improper customer focus, management's unwillingness to tackle customer's problem and also the communication gap between the management levels. Marketing department in many organizations does not ensure market focus and in such cases processes developed by market analysis and attitude analysis is needed.

**2. GAP II** (Service quality specification gap): The difference of management's perception of customer expectation and service quality specification of the organizations. This gap affects the service quality from the customer's point of view. To be more precise, management is not able to meet the customer's expectation of service quality specifications, i.e. this gap is a result of improper service design.

**3.GAP III** (Service delivery gap): The difference between service quality specifications and actual service delivery is the reason for service quality gap. It influences the service quality from the customer's point of view. The insufficient support for front line staff (who are responsible for service delivery), and process problems are the reason for this gap. To reduce this gap, employees should be properly trained in order to meet or exceed service specifications.

**4.GAP IV** (External communication gap): The difference between actual service delivery and external communications about the service is the reason for external communication gap. This gap influences the service quality. To reduce this gap they should fashion consumer expectations via their external communications. Organizations should ensure that their marketing and promotion activities are describing the service offered and delivered. For improving the external communication gap organizations should distinguish between marketing and operations function. The factors such as advertising and promotion may lead to an increase in the customer's expectation of service. So the most important factor is that organizations should promise only that they can deliver.

**5.GAP V**(difference of Expected service and perceived service gap): This gap is the result of the difference between service quality expected by the customers and the quality

of service perceived by the customers. The nature of this gap is associated with marketing, service and design of the service. From the past experiences, word-of-mouth etc. customers have formed certain expectations. Once these expectations are not met, they lead to service quality gap

### **RESEARCH OBJECTIVE**

- To study service quality gaps (difference between perceptions and expectations of services by customers) in the Indian banking sector.
- To study the quality of services provided by banking institutions and different dimensions of quality.
- How is the value delivered by banks in India (local and foreign banks) perceived by their customer and does it meet the expectations of their customer?
- To identify the areas that needs to be improved to deliver a superior quality of service.
- To identify if there are any relationship in customer demographic characteristics banking sector used by them.
- Generate a model/framework, based on the findings of the study, outlining the critical dimensions and recommendations for enhancing service quality and customer satisfaction.

### **RESEARCH METHODOLOGY**

Primary data is collected through survey. Information is also collected from secondary sources also.. A SERVQUAL questionnaire will be used and it uses close ended questions measured on Likert scale of 1 to 5, ranging from strongly disagree to strongly Response of around 200 customers is collected. SPSS (version16.0)Methodology used for analysis

### **HYPOTHESIS**

H0, 1: There is no significant service quality gap in Indian public sector banks and foreign banks in India.

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H0, 2: There is no significant service quality gap with respect to tangibility dimension in Indian public sector banks and foreign banks in India.

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H0, 3: There is no significant service quality gap with respect to reliability dimension in Indian public sector banks and foreign banks in India.

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H0, 4: There is no significant service quality gap with respect to responsiveness dimension in Indian public sector banks and foreign banks in India.

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H0, 5: There is no significant service quality gap with respect to assurance dimension in Indian public sector banks and foreign banks in India.

HA, 5: There is significant service quality gap with respect to assurance dimension in Indian public sector banks and foreign banks in India.

H0, 6: There is no significant service quality gap with respect to empathy dimension in Indian public sector banks and foreign banks in India.

HA, 6: There is significant service quality gap with respect to empathy dimension in Indian public sector banks and foreign banks in India.

### **STATISTICAL ANALYSIS**

#### **HYPOTHESIS TESTING**

The paired sample T test was used to explore the differences in the mean value of different dimensions of service quality namely tangibles, responsiveness, reliability, assurance and empathy. The level of confidence is .005.

**H0, 1: There is no significant service quality gap in Indian public sector banks and foreign banks in India.**

**Paired Samples Test**

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 PSB_Tangibles_E - PSB_Tangibles_P	2.08582	.32504	.16252	1.56862	2.60303	12.834	3	.001
Pair 2 PSB_Reliability_E - PSB_Reliability_P	2.39800	.22939	.10259	2.11317	2.68283	23.375	4	.000
Pair 3 PSB_Responsiveness_E - PSB_Responsiveness_P	2.40750	.38785	.19392	1.79035	3.02465	12.415	3	.001
Pair 4 PSB_Assurance_E - PSB_Assurance_P	1.84000	.43704	.21852	1.14458	2.53542	8.420	3	.004
Pair 5 PSB_Empathy_E - PSB_Empathy_P	2.44400	.19578	.08756	2.20091	2.68709	27.914	4	.000

**Paired Samples Test**

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 FB_Tangibles _E - FB_Tangibles _P	-.30250	.35056	.17528	-.86032	.25532	-1.726	3	.183
Pair 2 FB_Reliability _E - FB_Reliability _P	-.16000	.15297	.06841	-.34994	.02994	-2.339	4	.079
Pair 3 FB_Responsiv eness_E - FB_Responsiv eness_P	-.28000	.07616	.03808	-.40118	.15882	-7.353	3	.005
Pair 4 FB_Assurance _E - FB_Assurance _P	.11000	.30714	.15357	-.37872	.59872	.716	3	.526
Pair 5 FB_Empathy_ E - FB_Empathy_ P	.04000	.10559	.04722	-.09111	.17111	.847	4	.445

From the table for PSB(public sector bank), level of significance (p-value) is less than .05 for all the five dimensions. So for all the five dimensions test is significant. So the alternate hypothesis is accepted, i.e. for public sector banks there is significant service quality gap (difference of perception and expectation).

From the table for FBs(foreign banks), expect responsiveness p-value for all the four dimensions is above .05. So, the null hypothesis is accepted, i.e. there is no significant

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difference of expectation and perception(service quality gap) in foreign sector banks for the four dimensions except responsiveness. On the other hand, for responsiveness service quality gap is significant. For responsiveness expected quality is less than perceived quality.

From the Test analysis shown above in the table can be seen that service quality gap(difference of expectation and perception) for public sector banks is positive and varies between 2.39800 and 1.84000 for the five dimensions. From the second table given above the same service quality gap is negative for dimensionstangibility, reliability and responsiveness. And for assurance and empathy gap is positive but it is very less as compared to Public sector banks.

**H0, 2: There is no significant service quality gap with respect to tangibility dimension in Indian public sector banks and foreign banks in India**

**Paired Samples Test**

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 PSB_Tangibles_E - PSB_Tangibles_P	2.08582	.32504	.16252	1.56862	2.60303	12.834	3	.001
Pair 2 FB_Tangibles_E - FB_Tangibles_P	-.30250	.35056	.17528	-.86032	.25532	-1.726	3	.183

For PSB, significance level is below .05 so the alternate hypothesis is accepted, i.e. there is significant service quality gap in PSBs with respect to tangibility dimension.

For FBs, p-value is .183 and greater than .05. So the null hypothesis is accepted. So there is no significant service quality gap in FBs with respect to tangibility dimension.

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From the T-test analysis shown in the table above, it can be understood that service quality gap with respect to tangibility dimension for Private sector banks(2.08582) is much more than gap for Foreign banks(-.30250) operating in India which is negative for Foreign banks, i.e. foreign banks perform excellent on tangibility dimension.

**H0, 3: There is no significant service quality gap with respect to reliability dimension in Indian public sector banks and foreign banks in India.**

### Paired Samples Test

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 PSB_Reliability_E - PSB_Reliability_P	2.39800	.22939	.10259	2.11317	2.68283	23.375	4	.000
Pair 2 FB_Reliability_E - FB_Reliability_P	-.16000	.15297	.06841	-.34994	.02994	2.339	4	.079

For PSB, significance level is below .05. So alternate hypothesis is accepted, i.e. there is significant service quality gap in PSBs with respect to reliability dimension.

For FBs, p-value is .079 and greater than .05, the null hypothesis is accepted. So there is no significant service quality gap in FBs with respect to reliability dimension..

From the paired sample T-test, service quality gap with respect to reliability dimension in Public sector bank (2.39800)is much more as compared to Foreign banks in India(-.16000). Besides foreign banks are performing better than expected on reliability dimension.

**H0, 4: There is no significant service quality gap with respect to responsiveness dimension in Indian public sector banks and foreign banks in India**



Paired Samples Test

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 PSB_Responsiveness_E - PSB_Responsiveness_P	2.40750	.38785	.19392	1.79035	3.02465	12.415	3	.001
Pair 2 FB_Responsiveness_E - FB_Responsiveness_P	-.28000	.07616	.03808	-.40118	-.15882	-7.353	3	.005

For PSB, significance level is below .05 so the alternate hypothesis is accepted, i.e. there is significant service quality gap in PSBs with respect to responsiveness dimension.

For FBs, p-value is .005 and less than .05, the alternate hypothesis is accepted. So there is no significant service quality gap in FBs with respect to responsiveness dimension.

From the paired sample T-test, service quality gap with respect to reliability dimension in Public sector bank (2.40750) is much more as compared to Foreign banks in India (-.28000). Besides foreign banks are performing better than expected on reliability dimension.

**H0, 5: There is significant service quality gap with respect to assurance dimension in Indian public sector banks and foreign banks in India.**

**Paired Samples Test**

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 PSB_Assurance_E - PSB_Assurance_P	1.84000	.43704	.21852	1.14458	2.53542	8.420	3	.004
Pair 2 FB_Assurance_E - FB_Assurance_P	.11000	.30714	.15357	-.37872	.59872	.716	3	.526

For PSB, significance level is below .05 so the alternate hypothesis is accepted, i.e. there is significant service quality gap in PSBs with respect to assurance dimension.

For FBs, p-value is .526 and greater than .05, null hypothesis is accepted. So there is no significant service quality gap in FBs with respect to assurance dimension.

From the paired sample T-test, service quality gap with respect to reliability dimension in Public sector bank (1.84000) is much more as compared to Foreign banks in India (.11000).

**H0, 6: There is significant service quality gap with respect to empathy dimension in Indian public sector banks and foreign banks in India.**

**Paired Samples Test**

	Paired Differences					t	df	Sig. (2- ailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 PSB_Empathy_E - PSB_Empathy_P	2.44400	.19578	.08756	2.20091	2.68709	27.914	4	.000
Pair 2 FB_Empathy_E - FB_Empathy_P	.04000	.10559	.04722	-.09111	.17111	.847	4	.445

For PSB, significance level is below .05 so the alternate hypothesis is accepted, i.e. there is significant service quality gap in PSBs with respect to empathy dimension.

For FBs, p-value is .445 and greater than .05, null hypothesis is accepted. So there is no significant service quality gap in FBs with respect to empathy dimension.

From the paired sample T-test, service quality gap with respect to reliability dimension in Public sector bank (2.44400) is much more as compared to Foreign banks in India (.04000).

**CONCLUSION**

From the analysis of data for public sector banks and foreign banks in India followings are the few outcomes.

The main aim of the research project was to find if there are significant difference of service quality gaps in public sector banks and foreign sector banks.

With respect to the T-test and hypothesis tested, conclusion drawn is explained below

For public sector banks, service quality gap is significant, i.e. difference of service quality perceptions and expectation is not negligible. All the five dimensions namely tangibility, reliability, responsiveness, assurance and empathy, expectation of service quality is much higher as compared to perceived service quality. In all the five service quality dimensions gap of expectation and perception is lowest for assurance. Responsiveness and empathy have similar service quality gap.

Two dimensions for which public sector banks are performing better as compared to other three dimensions are assurance and tangibility.

For foreign banks operating in India, service quality gap with respect to all the five dimensions is insignificant, i.e. service quality gap is very less. For dimensions tangibility, reliability and responsiveness gap of expectation and perception is negative, i.e. foreign banks operating in India are performing very well. For the dimensions assurance and empathy service quality gap (expectation-perception) is positive but it is very less as compared to the public sector banks. So the service quality gap is very insignificant.

So the service quality gap in foreign banks operating in India is very less as compared to the service quality gap in Indian public sector banks. The dimensions on which foreign banks are performing excellent are tangibility, responsiveness and reliability. The other two dimensions assurance and empathy is needed to be improved for public sector banks.

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