IMPACT OF E - BANKING ON SERVICE QUALITY OF PUBLIC AND PRIVATE SECTOR BANKS

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ABSTRACT

In the present scenario banking sector of India is running in a dynamic challenge concerning both customer base and performance. Service quality is an indispensable competitive strategy to retain customer base. Service quality plays a major role in getting customer satisfaction. Banks are trying hard to win customer satisfaction by providing better quality services. This study compares customers' perceptions of service quality of both public and private banks of India. The service quality of both the banks has been measured using SERVQUAL (service quality) scale.

Data was collected from total 410 customers of Lucknow of public and private sector banks using Questionnaire. The results show that dimensions of service quality such as Tangibility, Reliability, Responsiveness, Empathy and Assurance significantly predict customer trust and commitment. Private bank customers are more committed and satisfied as they receive better quality of service. The study implies that public sector banks should also come forward and try their best to provide better quality service to win back their customers.

Index Terms- Customer Satisfaction, Service Quality, Public Sector Banks, Private Sector Banks.

INTRODUCTION

At the time of independence, Indian banking system was not sound. The strengthening of the banking system took place after the establishment of the Reserve Bank of India in 1935 as it was empowered to regulate banking by issue of directive, inspection, mergers, amalgamation etc. In 1949 two major actions were taken which were very important from the point of view of structural reforms in banking sector. First, the Banking Regulation Act was passed. It gave extensive regulatory powers to Reserve Bank of India (RBI) over the commercial banks. On 19th July, 1969, Fourteen major Indian commercial bank were nationalized and on 15th April. 1980, Six more were added on to constitute the public sector banks. After nationalization these banks started rendering various types of functions by assuming social responsibilities. Through these banks, the government tried to implement various welfare schemes. These banks occupy a pivotal place in the Indian Banking system.

Before 1991 there was little competition in the banking sector. The public sector banks dominating the banking industry in terms of size of assets .The government has now recognized the need to make banking industry more competitive .It has thus made certain policy changes such as

deregulation of interest rates and dilution of consortium lending requirement .Moreover, banking has been opened up to the private sector .As a result, new private sector Banks have been set up, old private sector Banks have expanded their operations and more foreign sector banks have entered the Indian banking industry. This has promoted competition and has helped in increasing efficiency. The paper endeavors to determine customer satisfaction. In the era of cut throat competition the survival of any banks depends upon the satisfied customers .Customer satisfaction is the state of mind that consumers have about a bank when their expectations have been met or exceeded over the life time of the service different people may have different expectations based on their prior experience, personal needs and what other people told them. As perceptions are always considered relative to expectations and expectations are dynamic, perceptions may also shift over time from person to person. What is considered quality service or the things that satisfy customer today may be different tomorrow, same is in banking industry. Understanding of the customer's expectations and their perceptions about a particular bank can be the game changer.

In the initial stages, quality management of products and theindustrial production processes took precedence over that of systemic processes. Systembasedquality assurance envisages standardisation of procedures that oversee the interactionbetween products, processes and people. Obviously, this shifted focus to customers and customer relationship management, with the overwhelming realisation that the customer is the king. Unlike in the case of manufacturing companies, where the goods are manufactured and then sold to customers, in the services sector the customer is a part and parcel of the process that provides the service. This is especially true of banking services, both retail and corporate. So, it becomes all the more important for a banker to concentrate on the various dimensions of service quality from the customers' perspective.In the context of the comparative efforts at positioning of private and public sector banks in the market, this study attempts to assess the level of service quality perceptions of banking sub-sector customers and map out the differences between the service quality perceptions and expectations of customers of private and public sector banks along with the factorsresponsible for these differences.

LITERATURE REVIEW

According to K. Rama Mohana Rao Quality means the degree of excellence in service performance .Consumers perceive the quality of a service by experiencing the consumption process and comparing the experience with their expectations. The best service quality firms cannot blame for poor quality .The service firm need to formulate strategies for quality performance. Service quality management is the most critical task of service companies Quality may be perceived in many dimensions. It may relate to cost, profitability, customer satisfaction, customer relations or positive word of mouth, customer asses service quality with their own criteria. Buzell and Gale's empirical research shows the positive relationship between service quality and organizational performance. According to Parasuraman, Zeithmal and Berry Service quality is the degree and direction of discrepancy between consumer's perceptions and expectations in terms of different but relatively important dimensions of the service quality, which can affect their future purchasing behaviour. Douglas et al define service quality as an attitude formed by long term, overall evaluation of performance. In 1990 Professor Evert Gummesson said that service quality must be, viewed in conjunction with service productivity and profitability,

According to him service quality had been widely researched but not service productivity. According to Philip Kotler et al 2010 services firm can differentiate it by delivering consistently higher quality than its competitors provide. Now a day's most of service industries have joined the

customer-driven quality movement and like product marketers, service providers need to identify what target customers expect in regards to service quality. The top service companies set high service –quality standards. They watch service performance closely, both their own and that of competitors. They do not settle for merely good service; they aim for hundred percent defect-free service. Studies of Panda reveal that customer tests the quality of service of a firm at every encounter. Each of the customer encounter is called moment of truth. If the experience from service encounters are bad, it may not lead to customer satisfaction .Quality management involve deciding on quality standards and implementing a method of assurance on performance level of the staff and facilities. Quality has emerged as a major competitive element in service company strategies. Service providers are giving increasing emphasis on creating reputation for good quality of service as this provides a positive image for their organization. The service quality management process involves matching evolving customer expectations. Customers have their own service expectations. From a firm a customer is satisfied when his expectations match the perceived service. When the perceived service passes over the expected service, the customer is delighted if there is failure in meeting expectation the customer is dissatisfied. Lovelock et al (2006) opined that if a firm wants to retain customer they are required to provide better services to their customers by quality improvement programs and should continuously enhance benefits desired by customers. At the same time, productivity improvement efforts decrease the cost. The customers are satisfied with the organization if the services deliver by firm are better than their competitors. According to Zeithamal et al (2008) customer have two different types of service expectations: 1) Meaning and types of expected service 2) Current issues in customer service expectations. In a Perception of the service, service quality may be the most critical determinant of satisfaction. They mentioned the service encounters or "moments of truth" as the building blocks for both satisfaction and quality. Service encounter is an opportunity to build perceptions of quality and satisfaction.

OBJECTIVES OF THE STUDY

- To measure and analyze the quality of services provided by public sector and private sector Banks in Lucknow, India.
- To ascertain service quality variations across selected banks by demographic variations.
- To measure the customer satisfaction in selected public and private sector banks by analyzing the gap between expectations and their perceptions of banking services.

METHODOLOGY

This study is based on a survey conducted in Coimbatore. Primary as well as secondary data were collected. The theoretical foundation of the study is based on various secondary sources such as texts book on service quality, articles, quality magazines, and published papers. For the purpose of the study, a questionnaire was designed on 5 point Likert scale, where '1' represents SD (strongly disagree) and '5' represents SA (strongly agree), and the total 400 respondents were asked to respond to the statements in the SERVQUAL scale. Questionnaire consisted of 26 questions related to five dimensions of service quality in which the customers of various banks responded against their expectations and perceptions. Questionnaires were personally delivered by hand at workplaces and homes, which was used as a method for data collection. The respondents (142 of public sector banks and 78 of private sector banks) were required to record their perceptions and expectations of the service of the respective public sector Bank and private sector banks in Coimbatore. The SBI, and the HDFC were selected for the study. The study is based on the assumption that all banks belong to the same category. This categorization was based on the

responses of the customers.The parameters identified are Tangibility, Assurance, Reliability, Responsiveness and Empathy.

DATA ANALYSIS AND RESULT

The questionnaires were distributed amongst customers who had current accounts with two major banks in the retail banking industry, State Bank of India (SBI) and HDFC Bank - were selected. All these banks have a strong retail presence in the banking industry and are the largest and most profitable banks in India. The sample size was fixed at 400 customers. Convenience sampling technique (nonprobability technique) was used to get the questionnaire filled by the customers. Every alternate customer entering the bank was asked to complete the questionnaire. Out of 400 respondents, 300 respondents agreed to fill up the questionnaire. On further filtering, 220 responses were found to be properly and completely filled.

DEMOGRAPHIC PROFILE OF THE RESPONDENTS
Table 1: GENDER WISE DISTRIBUTION OF THE RESPONDENTS

Number & % of respondents				
	Public sector banks		Private sector banks	
Gender	No.	%	No.	%
Male	142	64.55	142	74.73
Female	78	35.45	48	25.27

Table 2: AGE WISE DISTRIBUTION OF THE RESPONDENTS

Number & % of respondents				
	Public sector banks		Private sector banks	
Age	No.	%	No.	%
<25 yrs	26	11.82	23	12.1
25-35	36	16.36	63	33.15
35-45	52	23.64	55	28.95
45-55	55	25	33	17.36
>55 yrs	51	23.18	16	8.4

Table3: EDUCATION WISE DISTRIBUTION OF THE RESPONDENTS

Education	Number & % of respondents			
	Public sector banks		Private sector banks	
	No.	%	No.	%
Graduate	85	38.74	42	22.1
Post grad.	72	32.73	68	35.79
Professional	33	15	61	32.1
Others	30	13.63	19	10

DATA INTERPRETATION

The major findings of the study are given below on the basis of analysis and interpretation.
- The result of the study reveals that the majority of the respondents of public sector banks and private sectors banks are male (69.2%) and belong to the age group of 35-45 years (26.10%).
- Majority of the respondents for this study are post graduate (34.15%), private employees (29.76%) and are having income in the range of Rs.25, 000- 40, 000 (30.98%)

- The overall customers' attitude towards bank services is that they are satisfied with the services provided by their banks. But still customers expect more and better services to be provided. attract the customers. The dimensions Reliability, Responsiveness and Assurance are found to be the most vital and strategic determinants of service quality and customer satisfaction for both public and private sector banks. If banks want to sustain customers on a long term basis, bankers should work towards 100% customer satisfaction that automatically foster customer delight.

Conclusion

In the modern marketing customer satisfactions is of paramount importance. The study on service quality in selected banks is measured in five dimensions by using SERVQUAL scale developed by Parasuraman et al (1988). The number of responses in the present research reveals that there exists a small perceptual difference regarding overall service quality with the respective banks. The respondents of both the banks mostly concentrate on the staffs of the banks for improving customer satisfaction while the bank have more concentration on the tangible factor like a computerization, physical facilities, etc. toattract the customers. The dimensions Reliability, Responsiveness and Assurance are found to be the most vital and strategic determinants of service quality and customer satisfaction for both public and private sector banks. If banks want to sustain customers on a long term basis, bankers should work towards 100% customer satisfaction that automatically foster customer delight.

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