

**AN EMPIRICAL STUDY OF CUSTOMER SATISFACTION WITH THE  
SERVICE QUALITY OF PRIVATE BANKS USING SERVQUAL MODEL**

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**ABSTRACT**

*Customer satisfaction is the major concern of all business organizations as satisfied customers are the most important asset for them. They are the ambassador of good will as well as help in business expansion. Many models are being used to understand what makes a customer more satisfied. SERVQUAL model has two parts –one to understand expectations of customers and the second to know their perception that is what they perceive. The gap between perception and expectation decides the satisfaction of customers. The present study focuses on customers' satisfaction from the services provided by private sector banks using SERVQUAL model. Survey method has been used to collect the primary data on expectations and perception of customers on five dimensions (Tangibility, Assurance, Empathy, Reliability and Responsiveness) of service quality and gap is identified. The result suggests that perception of customers on Tangibility, Responsiveness, Reliability and Assurance are more than expectation while it is less in case of Empathy.*

**Key words:** Customer Satisfaction, Banks, Services, Expectation, Perception

**Introduction:**

Banking industry plays an important role in the economic development of a nation. Customers are the king of the business organizations as all the activities of business revolve around them whether it is new product development or adding new features or pricing policies etc. The success of a business depends on how its customers perceive it. The more satisfied the customers,

the more the loyalty and more are the business. Satisfied customers are the ambassador of the business as their satisfaction echoes outside which help in expansion of the business.

In the era of liberalization, privatization and globalization the business organizations are under tremendous pressure to attract new customers and retain its existing ones due to very competitive environment, availability of alternatives as well as many tactics to attract customers. Therefore service organizations have begun focusing on the customer perceptions of service quality because it helps in developing strategies that lead to customer satisfaction (Saravanan & Rao), [1]. Gummesson [2] also emphasized that there is a shift from the focus on goods without much emphasis on services to a focus on services though paying attention on the goods.

A product is generally tangibles offered by the marketer at a price as these are tangible in nature determining what makes customers satisfied is easier. But in case of services which are essentially intangible in nature, and may or may not be associated with physical products, it becomes difficult to understand customers' satisfaction.

Customer Satisfaction is a popular and most researched topic in marketing. Most discussions on customer satisfaction are focused on what customers expects and what they actually receive and whether their expectations are fulfilled, exceed or unmet.

Kolter and Armstrong [3] defined the customer satisfaction as the customer's perception that compares their pre-purchase expectations with post purchase perception. Oliver [4] defines satisfaction as "the consumer's fulfillment response", a post consumption judgment by the consumer that a service provides a pleasing level of consumption-related fulfillment, including under or over-fulfillment. But Zeithaml & Bitner [5] believe that customer satisfaction is the customers' evaluation of services after purchase as opposed to their expectation.

According to Wicks & Roethlein [6], organization that consistently satisfy their customers enjoy higher retention levels and greater profitability due to increased customer's loyalty.

And therefore it is essential to keep consumers satisfied and this can be done in different ways and one way is by trying to know their expectations and perceptions of services offered by service providers

### **SERVQUAL Model of Service Quality:**

The SERVQUAL service quality model was developed by Parasuraman, Valarie Zeithaml and Len Berry, [7] in 1985. According to this model the main components of high quality service are reliability, assurance, tangibles, empathy and responsiveness - that create the acronym RATER.

1. **RELIABILITY** involves consistency of performance and dependability.
2. **RESPONSIVENESS** is concerned with the willingness or readiness of employees to provide service
3. **ASSURANCE** is to inspire trust and confidence in customers. It is concerned with the knowledge and courtesy of staff; their ability to inspire trust and confidence.
4. **Empathy** involves access, communication, understanding the stakeholder etc.
5. **TANGIBLES** includes the physical evidence of the service like physical facilities, appearance of personnel and tools or equipment used to provide the service

SERVQUAL Model measures both the customer expectations of service quality in terms of these five dimensions, and their perceptions of the service they receive. When customer expectations are greater than their perceptions of received delivery, service quality is deemed low.

Thus this model represents service quality as the discrepancy between a customer's expectations for a service offering and the customer's perceptions of the service received.

Expectation in case of banks may be what people expect from an ideal bank which depends on customer's need, their past experience and the way they get information about the bank, through relatives or friends etc and also how bank itself communicate and treat a customer. Customers' perception of performance is what they experienced. The result of this comparison is perceived service quality (Gronroos, [8], Takeuchi and Quelch, [9]; Parasuraman et al [10]).

### **Objectives of the study**

The main objective of the study is to measure customer satisfaction with the service quality of private banking sectors of Indore through SERVQUAL model. The major objectives of the present study are

- To study the difference between perceptions and expectations of Private Sector Bank's customers on Tangibility.
- To study the difference between perceptions and expectations of Private Sector Bank's customers on Reliability.
- To study the difference between perceptions and expectations of Private Sector Bank's customers on Responsiveness.
- To study the difference between perceptions and expectations of Private Sector Bank's customers on Assurance.
- To study the difference between perceptions and expectations of Private Sector Bank's customers on Empathy.

**Literature review:** Many studies have been conducted to examine the satisfaction and intention of banking customers (Wirtz, [11]; Laforet and Li, [12]; Bamdad and Rafiei, [13]; Udo et al., [14]; Gilaninia and Mosavian, [15]; Kazemi and Mohajer, [16]; Samadi and eskandari, [17]; Grigoroudis et al., [18].

SERVQUAL model has also been used by researchers to study the customer satisfaction. The brief review is as follows:

Heryanto [19] studied the effect of service quality on customer satisfaction of Indonesian banks. Various dimensions of service quality like responsiveness, reliability, assurance tangibility and empathy were defined and customer satisfaction factor like speed, Accuracy, Safe, Sauv  and Comfort and concluded significant relationship between service quality and customer satisfaction. The study also revealed that service quality is very important and consists of action like staff availability, right service at right time, commitment, quick response, competency, complaint solution, and capability of the staff at bank.

Similarly Navaratnaseelan and Elangkumaran [20] examined the relationship between service quality and customer satisfaction through SERVQUAL model. In their study the service quality dimensions such as Reliability, Assurance, tangibility, Empathy, Responsiveness were considered as independent variable and customer satisfaction as the dependent variable. Pearson

correlation analysis revealed that there is significant positive correlation between service quality and customer satisfaction.

Pooja Rani [21] of conducted a research on customer satisfaction of public sector banks with SERVQUAL scale and reported that all dimensions of service quality were positively related with the customer satisfaction.

Another research study titled “Measuring Service Quality in Retail Banking in Context of Gujrat” was conducted by Parmita Mehta [22] with the objective of measuring the service quality in the banking sector. The study was conducted on 1 public sector bank, 3 private banks and 2 co-operative banks. Customers were segmented on the basis of their perception in high and low service quality factors and to understand the relationship between two segments, chi-square test was performed. The study also defined various dimensions of service quality.

This model was also used by A Albarq [23] to evaluate the impact of service quality on customer loyalty, with customer satisfaction mediating these variables. The study was conducted with the customers of five local banks of Riyadh, Saudi Arabia. The study recommended that improving service quality can improve the loyalty of the customers. Empathy, assurance and reliability dimension were found to play significant role in satisfying customers.

## **RESEARCH DESIGN**

In this study descriptive cross sectional design has been used to carry out the research.

### **Population**

The population for study is the people of Indore who are having bank account in any of the public sector banks.

### **Data Collection Instruments - Questionnaire**

Research is based on primary information collected through self administered questionnaire developed by by Parasuraman, Valarie Zeithaml and Len Berry. Five dimensions -Tangibles, Reliability, Responsiveness, Assurance, and Empathy of the SERVQUAL model have been divided into 22 statements to measure service quality in the private and public sector banks.

In the SERVQUAL model, the statements are divided into two parts, the first part is meant to measure the expectations of customers and the second part to measure their perceptions. Demographic information about customers like gender, age, occupation, qualification, and frequency of visits to bank has also been collected.

Consumers perceived service quality in banks is assessed by the difference between the expectation and perception of services experienced by customers in banks. This will help to identify what items of the SERVQUAL dimensions customers are satisfied.

**Scale for measurement:** The study it has been carried out on five point scale (5-Strongly agree, 4 –Agree, 3-Neutral, 2- Disagree and 1- Strongly Disagree) to measure both the expectation and perception of the customers.

Perceptions are based on the actual service they receive in banks and expectations are based on what they actually find in the banks. Service quality scores are the difference between the perception and expectation scores (P-E) with a possible range of values from -5 to +5 (-5 stands for very dissatisfied and +5 means very satisfied). The quality score measures the service gap or the degree to which expectations exceed perceptions.

The more positive the P-E scores, the higher the level of service quality leading to a higher level of customer satisfaction.

## **DATA ANALYSIS**

**Demographic analysis of sample:** The bank customers who were surveyed for the studies are the respondents for the study. The profile of them has been shown in Table No 1. Table shows that out of 80 respondents 19 were female and 61 are male. The percent wise distribution of gender is 76.3 percent male and 23.8 percent are female. On examining the table it has been found that out of 80 respondents, 50 are married while 30 are unmarried. Thus 62.5 percent respondents are married and only 37.5 percent are unmarried.

Respondent's age have been grouped in four groups- 21-30, 31-40, 41-50 and above 50 and the result shows that 20 respondents out of 80 belongs to 21-30 age group with the percentage of 25 %. 41 respondents with 51.3 percentage are of 41-50 age group . 13 people belong to 31-40 and 6

people were above 50 years with the percentage of 16.3 and 7.5 percent respectively. Respondents were classified in postgraduate, Graduate, below post graduate and above postgraduate.

<b>Parameters</b>	<b>Frequencies</b>	<b>Percentages</b>
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**Table No 1**

**Demographic Profile of Respondents**

<b>Gender</b>	Male	61	76.3
	Female	19	23.8
<b>Marital Status</b>	Married	50	62.5
	Unmarried	30	37.5
<b>Age</b>	21-30Years	20	25
	31-40 Years	13	16.3
	41-50 Years	41	51.3
	Above 50 Years	6	7.3
<b>Qualification</b>	Above Post Graduate	7	8.8
	Post Graduate	25	31.3
	Graduate	41	51.3
	Below Graduate	7	8.8
<b>Occupation</b>	Student	12	15
	Service	52	77.5
	Business	6	7.5

41 respondents are only Graduate whose percentage is 51.3 followed by post graduate whose number is 25 and percentage is 31.3. Below and above graduate respondents are equal number and that is 7 with percentage of 8.8. Occupation wise 15 percent respondents are students, 77.5 percent are belongs to service class and only 7.5 percent belongs to business class.

#### **Detailed Analysis of Dimensions of Service quality:**

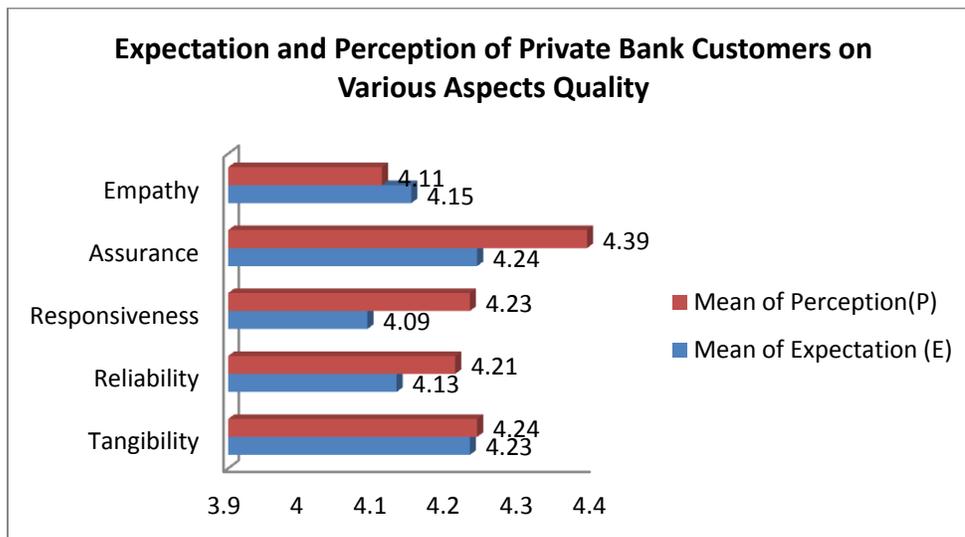
**Expectation and perception of customers on different dimensions of service quality:** Table No 2 presents the expectation and perceptions of private bank customers. The Table shows that perception of customers on Tangibility is 4.24 which is more than expectation which is 4.23 As the difference is 0.01 there is satisfaction on this dimension though nominal. Similarly Perception on reliability, responsiveness and assurance is 4.21, 4.23, and 4.39 respectively which is more than their expectations and the value of which are 4.13, 4.09 and 4.24 respectively. The Fig No 1 shows

the Perception and expectations of customers on dimensions of services. Fig No 2 represents the gap between perception and expectation.

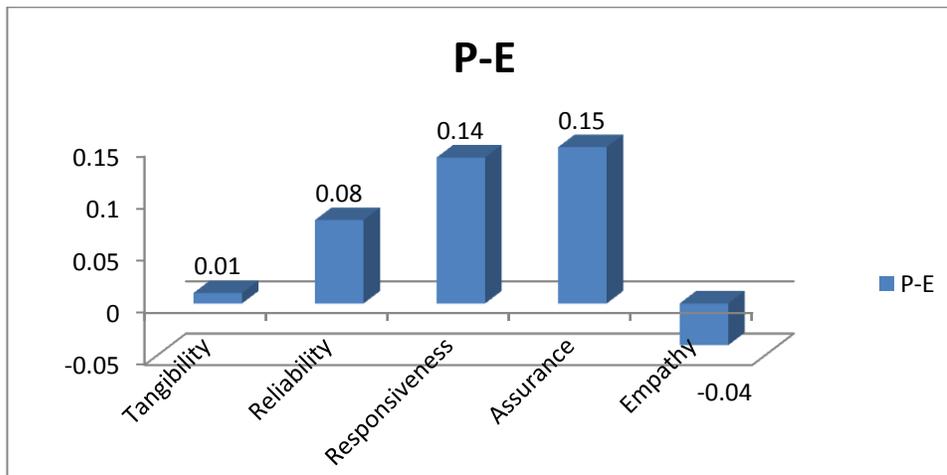
**Table No 2**

<b>Dimensions of Service Quality</b>	<b>Mean of Expectation (E)</b>	<b>Mean of Perception(P)</b>	<b>P-E</b>
Tangibility	4.23	4.24	0.01
Reliability	4.13	4.21	0.08
Responsiveness	4.09	4.23	0.14
Assurance	4.24	4.39	0.15
Empathy	4.15	4.11	-0.04

**Fig No 1**



**Fig No 2**



As the differences in these cases are 0.08, 0.14 and 0.15 and positive, the customers are found to be satisfied with the reliability, responsiveness and assurance dimensions of service quality. But in case of empathy P-E score is -0.04 as the perception is 4.11 and expectation is 4.15. It simply reveals that there is dissatisfaction on this aspect of service.

**Detailed Analysis of Dimensions of Service quality:**

**1. Tangibility:** Table No 3 deals with various aspects of tangibility in service provided by the private sector banks.

**Table No 3**  
**Expectation and Perception of Private Bank Customers on Various Aspects of tangibility**

Aspects of Tangibility	Mean of Expectation(E)	Mean of Perception(P)	P-E
Modern Equipments	4.27	4.35	0.08
Physical Facilities Appealing	4.18	4.21	0.03
Employees well dressed	4.15	4.33	0.18
Service Materials Appealing	4.26	4.24	0.02
<b>Mean</b>	4.24	4.23	

Perception is more in the cases of modern equipments, appealing physical facilities, and well dressed employees which are 4.35, 4.21 and 4.33 respectively. Whereas the expectations in

similar cases are 4.27, 4.18 and 4.15 leading to P-E score 0.08, 0.03 and 0.18 which suggests that customers are satisfied with these aspects. But the expectation in the case of appealing service materials is 4.26 and the perception in this case is less than the expectations which is 4.24 and the P-E score is -0.02 revealing little dissatisfaction.

**3. Reliability:** Table No 4 represents the detailed response of customers on reliability dimension of service quality.

On examining the table it is found that only on three aspects –sincere interest in solving customer problems, accurate record keeping and doing things at promised time, the perception is less than customers’ expectation. And therefore the P-E score is -0.03, -0.07 and -0.23 which means customers expect more than what they get on these aspects of service quality. But on other three aspects like clean physical environment, performance of service right first time and providing service at promised time customers expects less and are perceiving or getting more

**Table No 4**

**Expectation & Perception of Private Bank Customers on Various Aspects of Reliability**

<b>Aspects of Reliability</b>	<b>Mean of Expectation(E)</b>	<b>Mean of Perception(P)</b>	<b>P-E</b>
Clean Physical environment	4.06	4.21	0.16
Doing things at Promised Time	4.06	3.83	-0.23
Sincere interest in solving customer Problems	3.98	3.95	-0.03
Performance of Service Right the First Time	3.9	4.02	0.03
Providing Service at Promised Time	3.95	4.08	0.13
Accurate Record Keeping	4.29	4.22	-0.07
<b>Mean</b>	4.04	4.06	0.02

from the banks.

**3. Responsiveness:** Responsiveness means the response of the employees to the customers and plays vital role in customer satisfaction with any service.

**Table No 5**  
**Expectation and Perception of Private Bank Customers on Various Aspects of Responsiveness**

Aspects of Responsiveness	Mean of Expectation(E)	Mean of Perception(P)	P-E
Information made easily Available by Employees	4.07	4.13	0.06
Prompt Services to Customers by Employees	4.15	4.31	0.16
employees willing to help customers	4.15	4.33	0.18
Employees never too busy to respond to customer request	4.01	4.15	0.14
<b>Mean</b>	4.09	4.23	0.14

The result of customer's expectation and perception on responsiveness has been presented in Table No 5. The Table reveals that Perception is more than their expectation on all the aspects of responsiveness. Expectations in the cases of Prompt services to customers by employees, Employees never too busy to respond to customers, Employees willing to help customers and Information made easily available to customers are 4.15, 4.01, 4.15 and 4.07 respectively. Whereas the perceptions in these cases are 4.31, 4.15, 4.33 and 4.13 respectively leading to P-E scores of 0.06, 0.16, 0.18 and 0.14. This simply states that customers perceive more than what they expect on all aspects of responsiveness.

**4. Assurance:** Assurance is another dimension of service quality and it instills confidence in customers and they are assured that they are availing quality services. The result of bank customer's response on this dimension has been depicted in Table No 6. Result indicates that on all the aspects of assurance customers perception is more than their expectation.

**Table No 6**  
**Expectation and Perception of Private Bank Customers on Various Aspects of Assurance**

Aspects of Assurance	Mean of Expectation(E)	Mean of Perception(P)	P-E
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Behavior of Employees Instill Confidence in Customer	4.18	4.3	0.12
Customers Feel Safe in Transaction	4.27	4.3	0.03
Employees Politeness	4.35	4.47	0.12
Sufficient Knowledge to Answer Customers Queries	4.22	4.36	0.14
Banks working Hour Convenient	4.24	4.5	0.26
<b>Mean</b>	4.24	4.39	0.15

Behavior of employees instilling confidence has perception value 4.3 and expectation value 4.18 with P-E score 0.12, Customers feeling of safe transaction perception value 4.3 and expectation value 4.27 with P-E value 0.03, and employee’s politeness perception is 4.47 and expectation is only 4.35 with P-E value of 0.12. Similarly employee’s knowledge base to solve bank related problems of customers has perception 4.36 whereas the expectations are 4.22 and P-E score 0.14. The convenient working hour aspects are having perception value of 4.5 exceeding the expectation value 4.24 with P-E score of 0.26 of customer.

5. **Empathy:** This dimension of service helps understanding the customers and good compassion with them. This helps to convert customers into loyal customers. Table No 7 deals with empathy dimension of service quality. The result indicates that getting individual attention to customers is the only aspect having expectation value more than perception which is 4.11 and 4.33 and positive P-E value of 0.22 respectively. On other aspects like personal service to customers, giving customers best interest at heart by the bank employees and understanding specific needs of customers, customers expectation is more than perception leading to negative scores of -0.10, -0.09 and -0.03.

**Table No 6**

**Expectation & Perception of Private Bank Customers on Various aspects of Empathy**

Aspects of Empathy	Mean of Expectation(E)	Mean of Perception(P)	P-E
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Individual Attention to customers	4.11	4.33	0.22
Personal Service to Customers by Employees	4.2	3.92	-0.10
Customer's best Interest at Heart	4.17	4.08	-0.09
Understanding Customer's Specific need	4.13	4.1	-0.03
<b>Mean</b>	4.15	4.11	-0.04

## **FINDINGS AND DISCUSSION**

1. The Result of the research shows that perception of Private Banks' customers on Tangibility, Responsiveness, Reliability and assurance is more than expectation.
2. But the Perception of customers on Empathy is less than Expectations. Thus the customers of these banks demand more only on empathy and this is the only facet which requires improvements for customer's satisfaction.
3. In going details of Tangibility dimension of Private Banks, it has been found that customers' perception is more on all fronts like modern equipments and service providing materials physical service appealing that is the ambience of banks and appearance of employees than what they expect.
4. The detailed response of customers on reliability dimension of service quality shows that only on three aspects –sincere interest in solving customer problems, accurate record keeping and doing things at promised time, the perception is less than customers expectation But on other three aspects like clean physical environment, performance of service right first time and providing service at promised time customers expects less and are perceiving or getting more from the banks.
5. Private Bank customer's Perception exceeds Expectation on all aspects of Responsiveness like information to be made easily available, prompt services to

customers, willingness of employees to help customers and employees never too busy to respond to customers.

6. In case of Assurance also, result indicates that on all the aspects, customers' perception is more than their expectation.
7. The Empathy dimension of service helps understanding the customers and good compassion with them. This helps to convert customers into loyal customers. The result indicates that getting individual attention to customers is the only aspect having Expectation value more than perception giving customers best interest at heart by the bank employees and understanding specific needs of customers, expectation is less than perception.

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