

Chapter 7

Comparative Analysis of Service Quality Perception Between Public Sector and Private Sector Banks of India

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ABSTRACT

The chapter deals with the study of customers' expectations as well as their perceptions for service quality in banking sector. Again, the study focuses on the influence of major demographic variables such as age, income, education, and occupation on customers' expectations and perceptions for service quality. Moreover, this research work has been carried out with the help of primary data collected through a survey of 300 retail banking customers (i.e., 150 ICICI Bank customers and 150 SBI customers of Agra region). In India, retail banking is one of the fastest growing industries. The present study has endeavored to examine the service quality aspects of the two leading banks in Agra region and will also help the other private and public sector banks and financial institutions to have a better understanding of customer needs and the booming opportunities in retail banking in India.

INTRODUCTION

Concept of Service Quality

Recognition of service quality as a competitive weapon is relatively a recent phenomenon in the Indian Banking sector. Prior to the liberalization era the banking sector in India was operating in a protected environment and was dominated by nationalized banks. Banks at that time did not feel the need to pay attention to service quality issues and they assigned very low priority to identification and satisfaction

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of customer needs. After liberalization as a result of partial implementation of the Narasimham Committee Report the nationalized banks and old generation private banks started facing competition from the new private and foreign banks that had international banking standards. These new generation banks were characterized by the usage of modern information technology endorsed services like ATM, tele banking, online systems etc. Clients, for the first time in India were able to choose from a number of banks offering a wide range of services and delivering quality service.

Purohit, H.C. & Pathardikar, Avinash, D. (2007), studied the Measurement of service quality and Consumer Perception about the Services of Banking Institutions' specially in the Nationalized Banks of India. As per their study, the need of the hour in the Indian banking sector is to build up competitiveness through enhanced service quality, thus making the banks more market oriented and customer friendly.

Quality in services is an elusive concept because of the intangible nature of the service offering and the definition of quality may vary from person to person and from situation to situation. Even though a universally accepted definition of quality does not exist till now, most writers on service quality support a customer-centered definition with the reservation that customer expectations are not necessarily consistent and predictable.

The definition produced by Howcraft (1991) that service quality in banking implies consistently anticipating and satisfying the needs and expectations of the customer. Hence, service quality is the conformance of services to the customer specifications and expectations. The quality of service therefore depends on the ability of the server to meet the expectations of the customer.

Quality has been defined in many ways by quality gurus like Juran, Deming, Crosby and Taguchi, among others Joshep Juran has defined quality as fitness for use. Deming believes quality has to satisfy the needs of customers, both present and future. Crosby holds that conformance to requirements is quality. The essence of these definitions is the same. As applicable to banking, quality may be defined as the ability to satisfy the customer's requirements and needs to the fullest and to replicate this on an ongoing basis.

Delivering higher levels of service quality is the strategy that is increasingly being offered as a key to service provider's efforts to position themselves more effectively in the marketplace. Almost all banks perform same functions. Therefore, customer takes into account the relative efficiency while choosing a particular bank. Moreover, banks carry on business with public money and, therefore, customers expect better services from them. Under such circumstances, customer's decision to patronize one and not the other is based on quality service offered to him. Firms, therefore, prosper or decline, depending upon the quality of service they provide to their customers. Because of this widespread belief, service organizations have placed service quality at the top of the list of strategic constructs.

The service sector contributes a major portion of the Gross Domestic Product of developed countries. In developing countries too, the contribution of the service sector (which comprise services relating to transport, communications, trade, banking, insurance, other financial services, medical and hospital services, public administration and defense and miscellaneous services) has been growing rapidly. The service sector now contributes over 40% of India's GDP. In the service sector, the banking segment has been amongst the fastest growing segment as can be seen from the Table 1.

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