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**Parmila Devi**  
Assistant Professor of  
Commerce, Kanya  
Mahavidyalaya, Kharkhoda,  
India.

## Comparison of performances and expectations of Banks customers about various dimensions of Service Quality Model

**Parmila Devi**

### Abstract

This paper examines the customers' expectations and their perceptions related to various services offered by banking industry. Customer satisfaction being the top priority across all industries, we find the determinants of service quality and performance in banks. Being service industry there may be a big difference between expected and perceived service quality. Expectation of the customers with regards the service can vary based on a range of factors such as prior experience, personal needs etc. the quality of service is determined on five dimensions which are: Reliability, Responsiveness, Assurance, Empathy and Tangibles. SERVQUAL modal is used to find the gap between expected and perceived service quality. Customers of two leading private sector banks HDFC & ICICI target population for the research, while sampling frame includes customers of these two banks in Sonapat district of Haryana state.

**Keywords:** Service Quality, Expectation, Perception, Satisfaction

### Introduction

The business of banking is as old as the civilization itself. Banking institutions during pre-independence period primarily consisted of Indigenous banks, Sahukars nidhis, and loan offices etc. in 1850, the passing of joint stock company act greatly helped in establishment of many commercial banks. Later on in 1921, the Imperial Bank of India and in 1935 RBI was also established. Banking business has since evolved many folds to recent techno savvy form. Banks these days provide a variety of services ranging from opening a savings account to internet banking etc. The banks have to satisfy all the customers belonging to different social groups. The banking has therefore become more complex and requires specialized skills. As services can make or break a customer, much emphasis is laid upon service delivery by most of the banks. The link between service quality and customer satisfaction has been subjected to intense scrutiny by a few service quality. As survival of the fittest has become the order of today, every bank is trying woe the best customer who is common for all. Retaining the existing customers and attracting new ones has become all the more difficult especially for public sector banks (Bhatt, 1990).

### Literature Review

Several studies were carried out by the various researchers in India to find out the dimensions and factors, which influence the banking services. Elango and Gudep (2006) used 21 statements to measure the service quality in Punjab, Private and Foreign Banks. S.Kumar and R.Gulati (2010) analyze the efficiency, effectiveness and performance of 27 public sector banks operating in India by using a two-stage performance evaluation model. They founds that high efficiency does not stand for high effectiveness in Indian Public sector banks industry. A positive and strong correlation between effectiveness and performance measures has been noted. Hallowell Roger (1996) <sup>[2]</sup> studied customer satisfaction in banks and found banks should target and serve only those customers whose needs it can meet better than its competitors in a profitable manner. By adopting this strategy customers will be retained for longer periods, consume multiple products; recommend the bank to their friends and relatives who may be the source of superior returns to the bank's shareholders. Dutta *et al.*, 2009 <sup>[1]</sup> conducted a study to investigate perception of expectations of customers across all the banks in India. It was found that foreign banks were the most preferred banks followed by private banks and public banks. Sandip Gosh Harsha and B L Srivatsava (2009) in their study indicated that the bank should pay attention to dimensions of responsiveness and empathy to increase the loyalty to company willingness to pay, customer commitment and customer trust.

### Correspondence

**Parmila**  
Assistant Professor of  
Commerce, Kanya  
Mahavidyalaya, Kharkhoda,  
India.

### Need of the Study

The basic requirement for conducting this study was to examine the customer feedback and their knowledge about various services provided by the ICICI and HDFC Banks in Sonapat Distt. of Haryana state. The study was conducted to find out the level of satisfaction about the services provided by both the banks among its customers. It will help the bank to finalize its marketing strategy by suggesting few marketing steps that would help of the bank in obtaining larger market share.

### Research Methodology

#### Selection of Banks

ICICI and HDFC banks were selected among Private Sector Banks. HDFC bank was chosen because it was the first 'in principal' private sector bank in India which also introduced intelligent banking in India. ICICI Bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. ICICI Bank is India's second-largest bank with total assets of Rs. 4,736.47 billion (US\$ 93 billion) at March 31, 2012 and profit after tax Rs. 64.65 billion (US\$ 1,271 million) for the year ended March 31, 2012. The Bank has a network of 2,791 branches and 10,021 ATMs in India, and has a presence in 19 countries, including India.

These sample banks have a strong retail presence and offer a comprehensive range of services for their customers. These banks have also taken initiatives to satisfy their customers and provide value added services.

The research design adopted for the study is descriptive in nature.

#### Sampling

A sample of 150 customers has been selected using convenient sampling method. The information related to the customer perception towards services provided by both the banks viz. ICICI and HDFC bank in Sonapat is collected for the study through size of the study is 150 consisting 75 from ICICI and 75 from HDFC bank.

#### Design of Questionnaire

The study helps the informal discussion and interviews were conducted on a small group of bank employees. This literature study and interviews helps the researcher to formulate a conceptual framework in the form of pre-questionnaire. After that final questionnaire were prepared in a well-structured manner for the final data collection. The customers fill the questionnaire according to their expectation and perception 22 questions are in questionnaire which is based on bank services. This questionnaire fewer than five dimensions of service quality is described below: Tangibility, Reliability, Responsiveness, Assurance and Empathy.

### Data Collection

The study is based on primary data.

### Period of the Study

The study lasted for six months.

### Objectives of the Study

1. To examine the expectations and level of satisfaction of the customers towards the services rendered by banks.
2. To identify the weak areas according to respondents about Service Quality Model Dimensions' components of the Banks.

### Use of Statistical Technique

**Paired T-test** has been applied in this study. The paired T-test has been applied to test the significance of difference of opinion of the bank customers before availing the service and after availing the service i.e. the difference between expectations and experiences of the customers about the financial services provided by the banks. Respondents were asked to respond to the statements in the SERVQUAL model questionnaire consisted of 22 statements related to the five dimensions (i.e. tangibles, reliability, responsiveness, assurance and empathy) of service quality in which the customers of banks responded against their expectations and perceptions. Question was designed on 7 point numerical scale, where, 1 represents strongly disagree, 2 for disagree, 3 for somewhat disagree, 4 neutral to the statement, 5 for somewhat agree and 6 for agree and 7 represents strongly agree with the statements.

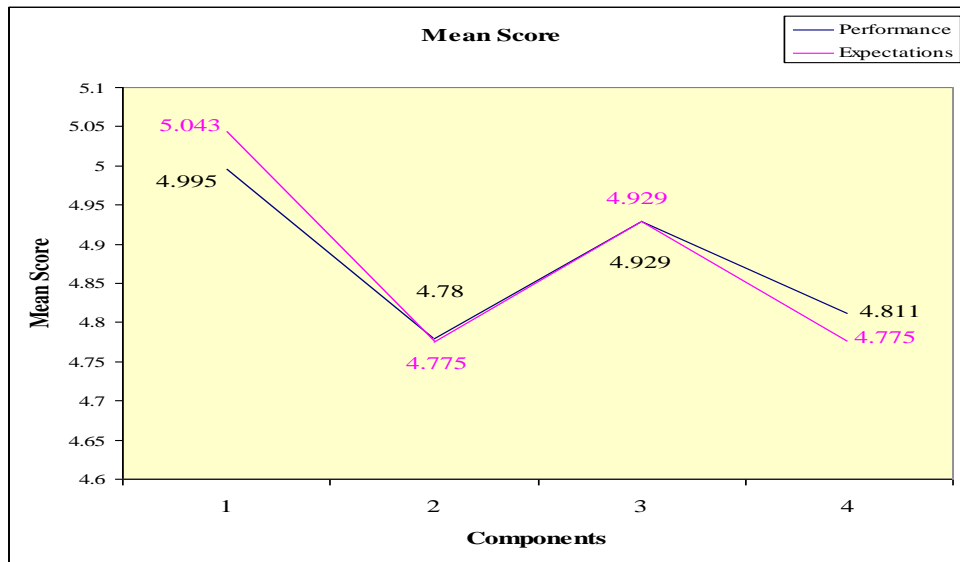
### Comparison of Performances and Expectations of Banks Customers about Various Dimensions of Service Quality Model

In availing a particular type of services, the customer's searches for this past experience- what he/she got for what he/she had searched? This gives a unique situation called customer experiences. This has been explained by two behavioural constructs- expectation and perception. In line with the objective of the study, the main areas of questioning and analysis concerned expectations and perceptions of service quality and its dimensions: tangibility, reliability, responsiveness, assurance and empathy. As already stated, expectations and perceptions were measured on a seven point strongly disagree to strongly agree scale. Mean differences between expectations and perceptions of service quality of banks and their respective customers' were calculated separately for the banks followed by t-test to determine the level of significance. The results obtained from this computation are presented in Table 1.1 to 1. 39.

**Table 1.1:** Comparison of Performance and Expectations of ICICI Bank Customers about Tangibility Dimension of Service Quality Model

S. No.	Components	Performance	Expectations	Gap	T values
1.	The bank will have modern looking equipment	4.995	5.043	-0.048	<b>-2.370</b>
2.	The physical facilities at the bank will be visually appealing	4.780	4.775	0.005	0.470
3.	Employees at the bank will be neat in appearance	4.929	4.929	0	<b>0</b>
4.	Materials associated with the service will be visually appealing in an the bank	4.811	4.775	0.036	1.575
	Tangibility	19.515	19.522	-0.007	

Source: Primary Data



**Fig 1.1:** Line Chart showing Comparison of Performance and Expectations of ICICI Bank Customers about Tangibility Dimension of Service Quality Model

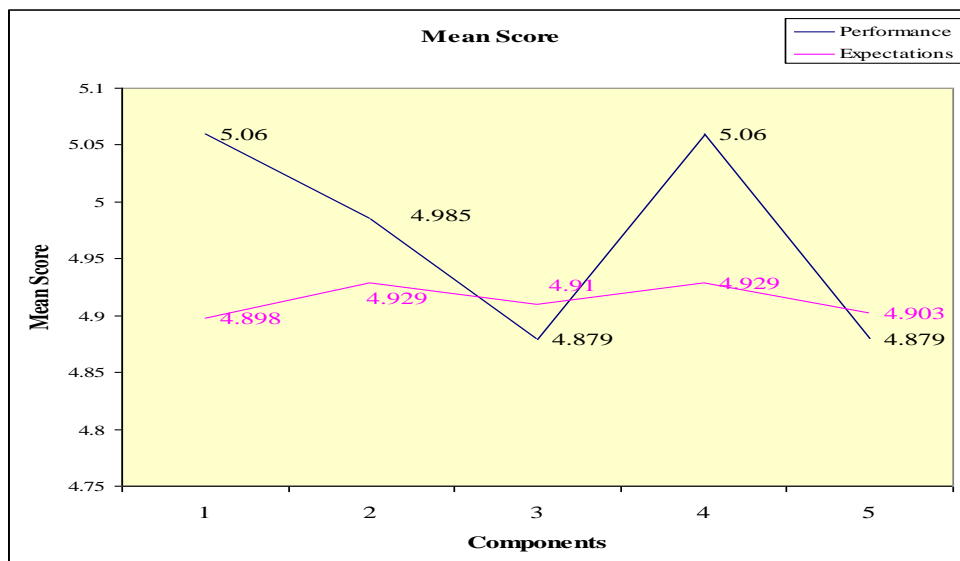
Table 1.1 and fig. 1.1 shows the gap between the performance and expectations about tangibility dimension of service quality of the ICICI Bank which indicates dissatisfaction of customers in case of modern looking equipments only. It is

very surprising to note that the mean value of the opinion of respondents for performance and expectations for neat appearance of employees was same (no gap appear). So the bank should have met modern looking equipments.

**Table 1.2:** Comparison of Performance and Expectations of ICICI Bank Customers about Reliability Dimension of Service Quality Model

S. No.	Components	Performance	Expectations	Gap	T values
1.	When the bank promise to do something by a certain time, it will do so	5.060	4.898	0.162	2.412
2.	The bank will perform the service right the first time	4.985	4.929	0.056	1.840
3.	The bank will provide it services at the time they promise to do so	4.879	4.910	-0.031	-1.989
4.	The bank will insist on error-free records	5.060	4.929	0.131	4.419
5.	Employees of the bank will tell customers exactly when service will be performed	4.879	4.903	-0.024	-1.584
	Reliability	24.863	24.569	0.294	

Source: Primary Data



**Fig 1.2:** Line Chart showing Comparison of Performance and Expectations of ICICI Bank Customers about Reliability Dimension of Service Quality Model

It is clear from the table 1.2 and fig. 1.2 that the overall gap (P-E) was positive for reliability dimension indicating satisfaction of the customers. Among the various components of reliability keeping promises has scored highest positive mean difference indicated highest satisfaction of the

customers which were also statistically significant as indicated from the t-value. Table 1.2 also indicates dissatisfaction of customers in case of keeping promises and providing services as promised only. So the bank should have met their promises.

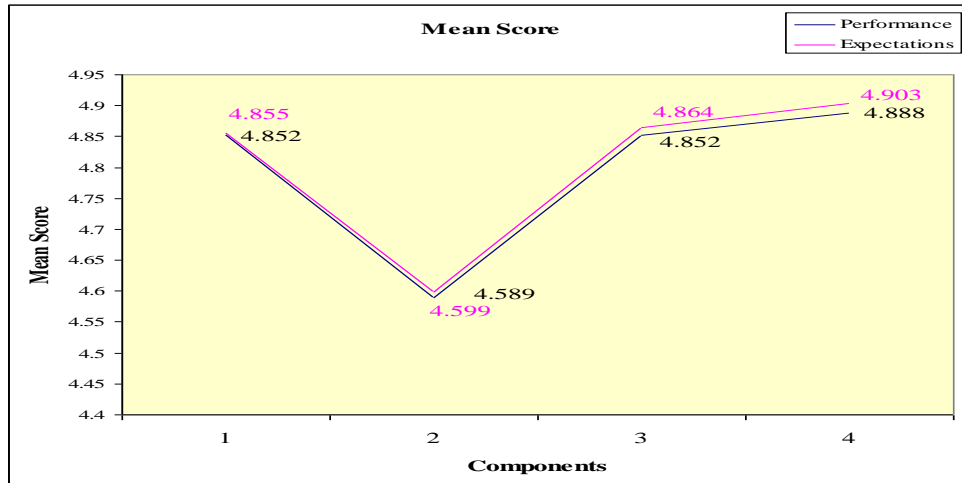
**Table 1.3:** Comparison of Performance and Expectations of ICICI Bank customers about Responsiveness Dimension of Service Quality Model

S. No.	Components	Performance	Expectations	Gap	T values
1.	Employees of the banks will give prompt service to customers	4.852	4.855	-0.003	-0.179
2.	Employees of the bank will always be willing to help customers	4.589	4.599	-0.01	-1
3.	Employees of the bank will never be too busy to respond to customer's requests.	4.852	4.864	-0.012	-0.897
4.	The behaviour of employees of the bank will instill confidence in customers	4.888	4.903	-0.015	-0.904
	Responsiveness	19.181	19.221	-0.04	

Source: Primary Data

Table 1.3 and fig. 1.3 shows that the mean gap was negative for responsiveness dimension indicating dissatisfaction of the customers. All components for measuring responsiveness had

negative values indicating dissatisfaction of customers. This is bad sign for the bank. The bank needs improvement in all the four components of responsiveness.



**Fig 1.3:** Line Chart showing Comparison of Performance and Expectations of ICICI Bank Customers about responsiveness Dimension of Service Quality Model

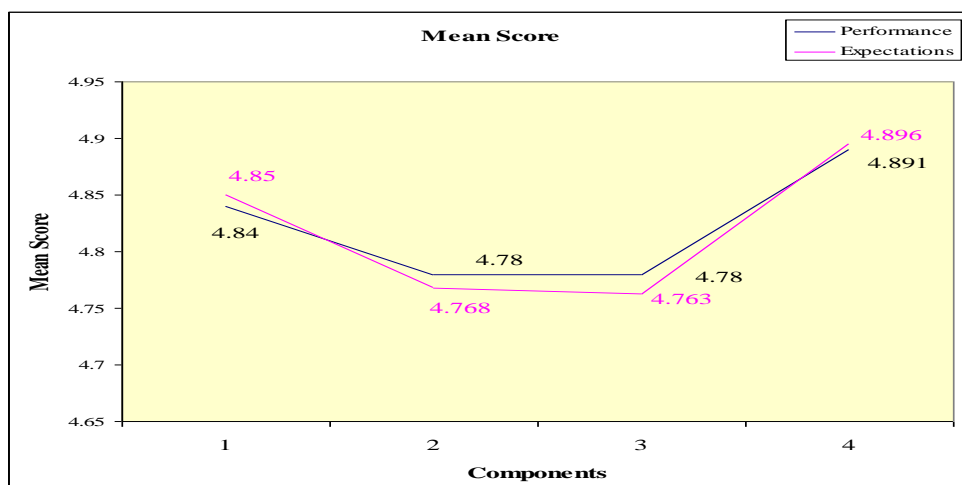
**Table 1.4:** Comparison of Performance and Expectations of ICICI Bank customers about Assurance Dimension of Service Quality Model

S. No.	Components	Performance	Expectations	Gap	T values
1.	Customers of the bank will feel safe in their transactions	4.840	4.850	-0.01	-0.894
2.	Employees of the banks will be consistently courteous with customers	4.780	4.768	0.012	0.673
3.	Employees of the bank will have the knowledge to answer customers' questions	4.780	4.763	0.017	0.854
4.	Adequate support to employees	4.891	4.896	-0.005	-0.277
	Assurance	19.291	19.277	0.014	

Source: Primary Data

It is clear from the table 1.4 and fig.1.4 that the gap was positive for assurance dimension of service quality indicating satisfaction of customers. These are two components where the customers' satisfaction is statistically significant (i.e. courteous employees and employee's knowledge). Table 1.4

also indicates dissatisfaction of customers in case of safe feeling of customers in transaction and adequate support to employees. So the bank needs improvement in these components of assurance.



**Fig 1.4:** Line Chart showing Comparison of Performance and Expectations of ICICI Bank Customers about assurance Dimension of Service Quality Model

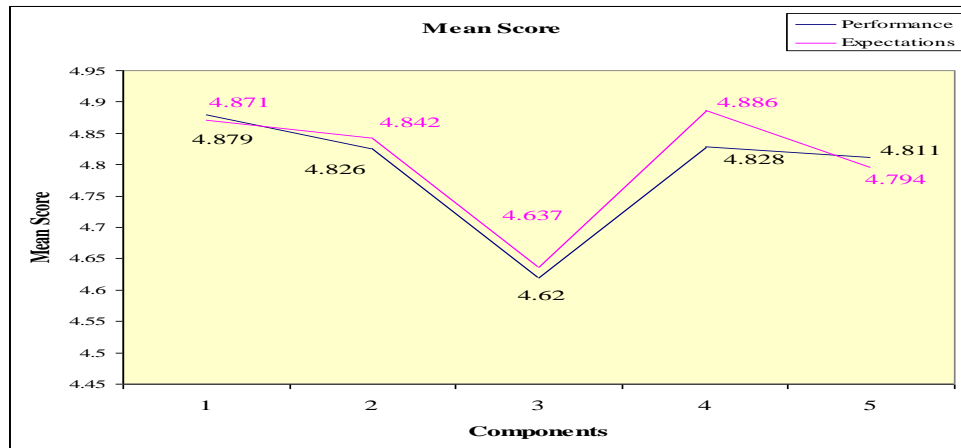
**Table 1.5:** Comparison of Performance and Expectations of ICICI Bank Customers about Empathy Dimension of Service Quality Model

S. No.	Components	Performance	Expectations	Gap	T values
1.	The bank will give customers individual attention	4.879	4.871	0.008	0.576
2.	The bank will have operating hours convenient to all their customers	4.826	4.842	-0.016	-0.663
3.	Customers' best interest at heart	4.620	4.637	-0.017	-1.608
4.	Understanding specific needs of the customers	4.828	4.886	-0.058	-1.506
5.	Personal attention by employees	4.811	4.794	0.017	0.717
	Empathy	23.964	24.03	-0.0676	

Source: Primary Data

A comparison between opinion of respondents for perception and expectations exhibits that out of the five components of measuring empathy two components (individual and personal attention) have positive mean difference indicating consumers' satisfaction and rest three components

(convenient operating hours, understanding specific needs of the customers and customers' best interest at heart) have negative gap indicating customer dissatisfaction. So the bank should need improvement in these components of empathy.



**Fig 1.5:** Line Chart showing Comparison of Performance and Expectations of ICICI Bank Customers about empathy Dimension of Service Quality Model

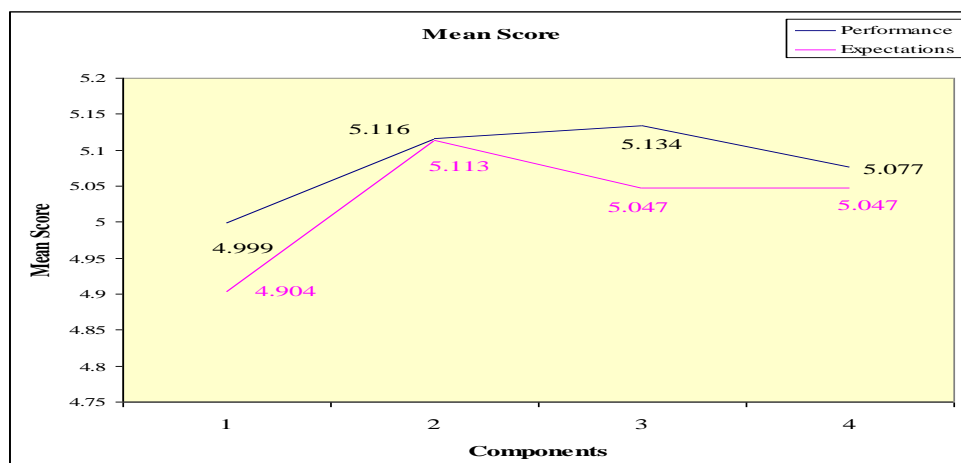
**Table 1.6:** Comparison of Performance and Expectations of HDFC Bank Customers about Tangibility Dimension of Service Quality Model

S. No.	Components	Performance	Expectations	Gap	T values
1.	The bank will have modern looking equipment	4.999	4.904	0.095	1.550
2.	The physical facilities at the bank will be visually appealing	5.116	5.113	0.003	0.097
3.	Employees at the bank will be neat in appearance	5.134	5.047	0.087	0.881
4.	Materials associated with the service will be visually appealing in an the bank	5.077	5.047	0.030	0.962
	Tangibility	20.326	20.111	0.215	

Source: Primary Data

It is clear from the table 1.6 and fig 1.6 that the overall gap (P-E) is positive for tangibility indicating satisfaction of the customers. Among the various components of tangibility “bank have modern looking equipment” has scored highest

mean difference indicated highest satisfaction of the customers which were also statistically significant as indicated from the t-value.



**Fig 1.6:** Line Chart showing Comparison of Performance and Expectations of HDFC Bank Customers about Tangibility Dimension of Service Quality Model

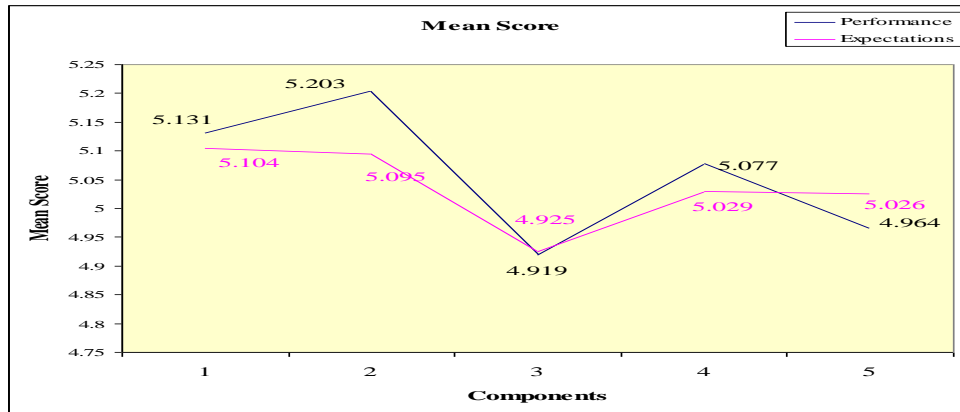
**Table 1.7:** Comparison of Performance and Expectations of HDFC Bank Customers about Reliability Dimension of Service Quality Model

S. No.	Components	Performance	Expectations	Gap	T values
1.	When the bank promise to do something by a certain time, they will do so	5.131	5.104	0.027	1.099
2.	The bank will perform the right service the first time	5.203	5.095	0.108	4.066
3.	The banks will provide their services at the time they promise to do so	4.919	4.925	-0.006	-0.276
4.	The bank will insist on error-free records	5.077	5.029	0.048	1.501
5.	Employees of bank will tell customers exactly when service will be performed	4.964	5.026	-0.062	-2.292
	Reliability	25.294	25.179	0.115	

Source: Primary Data

Table 1.7 and fig.1.7 shows the positive gap between performance of the HDFC Bank and Expectations of the customers which indicated satisfaction of the customers. Among the all five components only two components shows negative gap (i.e. keeping promises and provides services as

promised). So the bank should have met their promises. Highest satisfaction indicated by highest mean value difference (0.108) scored by bank perform the right service the first time which were also statistically significant as indicated from the t-value.



**Fig 1.7:** Line Chart showing Comparison of Performance and Expectations of HDFC Bank Customers about Reliability Dimension of Service Quality Model

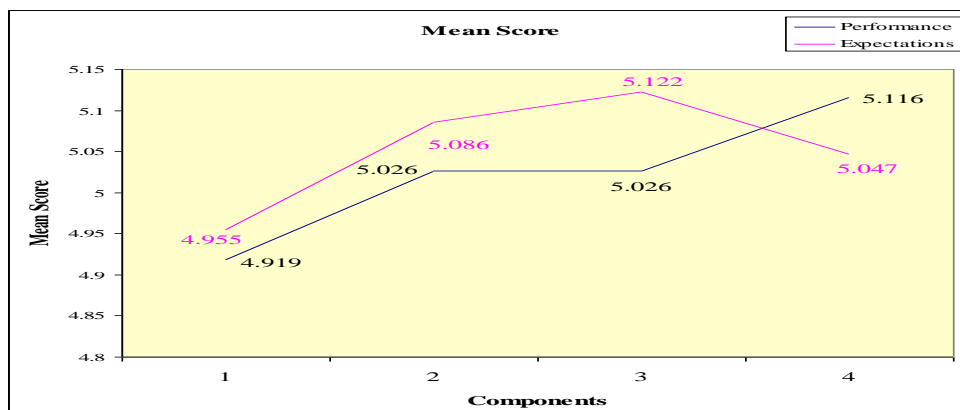
**Table 1.8:** Comparison of Performance and Expectations of HDFC Bank Customers about Responsiveness Dimension of Service Quality Model

S. No.	Components	Performance	Expectations	Gap	T values
1.	Employees of the banks will give prompt service to customers	4.919	4.955	-0.036	-1.527
2.	Employees of the bank will always be willing to help customers	5.026	5.086	-0.06	-1.132
3.	Employees of the bank will never be too busy to respond to customer's requests.	5.026	5.122	-0.096	-1.892
4.	The behaviour of employees of the bank will instill confidence in customers	5.116	5.047	0.069	1.904
	Responsiveness	20.087	20.21	-0.123	

Source: Primary Data

The information presented in the table 1.8 and fig. 1.8 indicates that only one component of responsiveness (customers' confidence on employees) had positive gap out of four components. Table also shows overall negative gap between expectations and performance of the bank of the customers which indicate dissatisfaction of the customers. Highest dissatisfaction indicated by negative gap scored by

employees' response to request (-0.096) which is also statistically significant as indicated by t-value. The bank should have needed improvement in all the three components (i.e. prompt service from employees, employees' willingness to help, employees' response to request) of responsiveness which has negative mean values.



**Fig 1.8:** Line Chart showing Comparison of Performance and Expectations of HDFC Bank Customers about Responsiveness Dimension of Service Quality Model

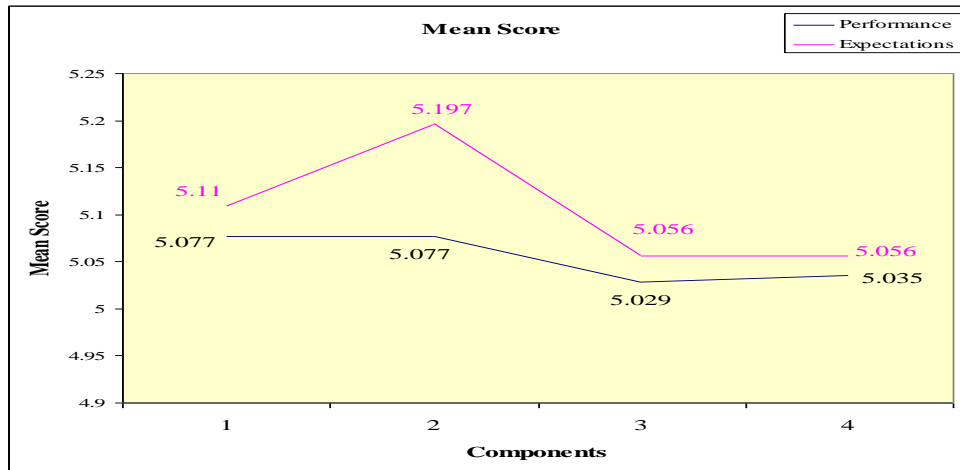
**Table 1.9:** Comparison of Performance and Expectations of HDFC Bank Customers about Assurance Dimension of Service Quality Model

S. No.	Components	Performance	Expectations	Gap	T values
1.	Customers of the bank will feel safe in their transactions	5.077	5.110	-0.033	-0.919
2.	Employees of the banks will be consistently courteous with customers	5.077	5.197	-0.120	-2.735
3.	Employees of the bank will have the knowledge to answer customers' questions	5.029	5.056	-0.027	-0.624
4.	Adequate support to employees	5.035	5.056	-0.021	-0.485
	Assurance	20.218	20.419	-0.201	

Source: Primary Data

Table 1.9 and fig.1.9 shows that all components for measuring assurance had negative values indicating dissatisfaction of customers. Which are statistically significant as indicated

from the mean values and t-values of the components. This is bad sign for the bank. The bank needs improvement in all the four components of assurance.



**Fig 1.9:** Line Chart showing Comparison of Performance and Expectations of HDFC Bank Customers about Assurance Dimension of Service Quality Model

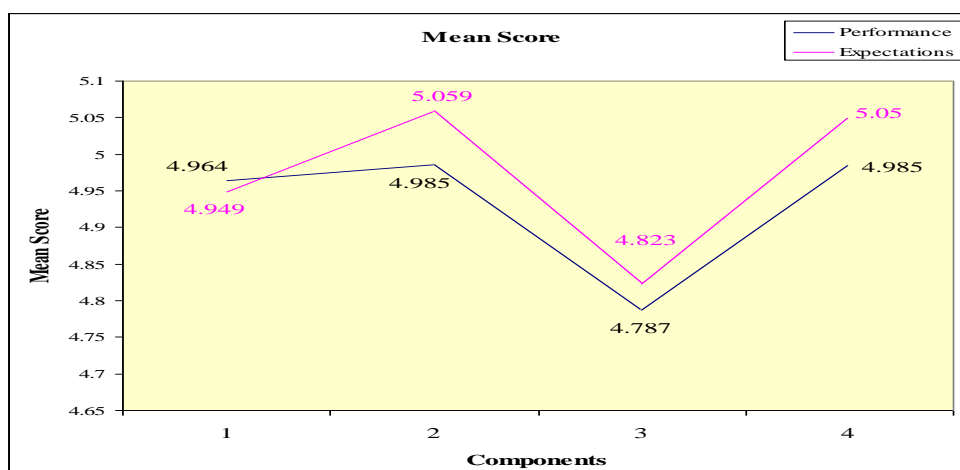
**Table 1.10:** Comparison of Performance and Expectations of HDFC Bank Customers about Empathy Dimension of Service Quality Model

S. No.	Components	Performance	Expectations	Gap	T values
1.	The bank will give customers individual attention	4.964	4.949	0.015	0.650
2.	The bank will have operating hours convenient to all their customers	4.985	5.059	-0.074	-2.434
3.	Customers' best interest at heart	4.787	4.823	-0.036	-1.295
4.	Understanding specific needs of the customers	4.985	5.050	-0.065	-2.990
5.	Personal attention by employees	5.077	5.056	0.021	0.534
	Empathy	24.798	24.937	-0.139	

Source: Primary Data

Table 1.10 shows that out of five components of measuring empathy two components individual attention by bank & personal attention by employees have positive mean gap indicating customer satisfaction. Table 1.10 and fig.1.10 also shows overall negative gap between the opinion of

respondents for performance and expectations about empathy dimension of service quality gap model which indicate dissatisfaction of the customers of the HDFC bank. The bank should need improvement in three components of assurance which had negative gap.



**Fig 1.10:** Line Chart showing Comparison of Performance and Expectations of HDFC Bank Customers about Empathy Dimension of Service Quality Model

**Table 1.11:** Summserised Results of Service Quality Model Dimensions of the Banks

Service Quality Model Dimensions	ICICI BANK Performance Expectations Gap			HDFC BANK Performance Expectations Gap		
Tangibility	19.515	19.522	-0.007	20.326	20.111	0.215
Reliability	24.863	24.569	0.294	25.294	25.179	0.115
Responsiveness	19.181	19.221	-0.04	20.087	20.21	-0.123
Assurance	19.291	19.277	0.014	20.218	20.419	-0.201
Empathy	23.964	24.03	-0.067	24.798	24.937	-0.139
Total Gap			0.194			-0.133

Source: Primary Data

A comparison between opinion of ICICI and HDFC bank respondents for perceptions and expectations exhibits that out of the five dimensions of service quality model two are positive indicating customers satisfaction and rest three are negative indicating customers dissatisfaction. For ICICI bank the gap is positive in case of reliability and assurance dimension of service quality model where as other three dimensions it has negative value. It means service quality is not as per expectation. So bank should improve their performance in case of tangibility, empathy and

responsiveness. In case of HDFC bank performance is more than expectation in case of tangibility and reliability while other three components i.e. responsiveness, empathy, assurance expectations is more than performance. So bank should improve their performance in case of responsiveness, assurance and empathy.

It can be concluded that customers' expectations of service quality in banks are high and perceived quality of service is quite lower across ICICI bank and HDFC bank. So bank should improve their performance.

**Table 1.12:** Summserised weak areas according to respondents about Service Quality Model Dimensions' components of the Banks

S. No.	ICICI Bank		HDFC Bank	
	Component	Dimension	Component	Dimension
1	Modern looking equipment	Tangibility	-	-
2	Keeping promises	Reliability	Employees of the bank tell customers exactly when service will be performed	Reliability
3	Provides services as promised	-do-	Provides services as promised	Reliability
4	Prompt service from employees	Responsiveness	Prompt service from employees	Responsiveness
5	Employees' willingness to help	-do-	Employees' willingness to help	-do-
6	Employees' response to requests	-do-	Employees' response to requests	-do-
7	Customers' confidence on employees	-do-	Courteous employees	Assurance
8	Safe feeling of customers in transaction	Assurance	Safe feeling of customers in transaction	-do-
9	Adequate support to employees	-do-	Adequate support to employees	-do-
10	Convenient operating hours	Empathy	Employees knowledge to answer customers' questions	-do-
11	Customers' best interest at heart	-do-	Convenient operating hours	Empathy
12	Understanding specific needs of the customers	-do-	Customers' best interest at heart	-do-
13	-	-	Understanding specific needs of the customers	-do-

It can be concluded that the banks should need improvement in weak areas components of services quality model.

### Conclusion

Customers' expectations of service quality in banks are high and perceived quality of services is not that high across the banks. The study on service quality in banks is measured in five dimensions by using SERVQUAL scale developed by Parsuraman *et al.* (1988). Delivering customer satisfaction is at the heart of modern marketing, which is a post-purchase judgement of the customers. The analysis of responses clearly reveals that customers' expectations of service quality in banks are high and perceived quality of service is quite lower across the banks. The respondents of both the banks mostly focus on bank executives' factor for improving customers' satisfaction.

### Suddestions

The suggestions have been assembled on the basis of respondents' opinion.

- Banks must concentrate on customer satisfaction. Not only customer satisfaction, but the concept of customer delight is now the emerging area in Indian banking system, by which the service providers should prepare

themselves to offer more than what their customers expect from them.

- Banks should also go for the social marketing because this shows the affections with the society and forms a better corporate image.
- Banks should enhance the effectiveness of personal selling as the respondents have also considered it as a very good promotional tool.

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