



## A Comparative Assessment of Service Provided by Private and Public Sector Banks: A Multivariate Analysis

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### ABSTRACT

*The basic objective of Indian Public Sector Banks and Private Sector Banks is to provide services to the customers and satisfy their needs. In this paper an attempt is made to assess the performance of Public Sector banks and Private Sector Banks in terms of various dimensions of service attributes. This paper examines the performance of public and private sector banks on the basis of most important factors that are considered relevant by the customers. The study reveals that in with regard to some attributes the public sector banks are doing much better than the private banks but private banks are not lagging behind with regard to some important parameters.*

**KEYWORDS : Bank, Private, Public, Service, Customer**

### Introduction

Before the banking sector reforms in the early 90's, there were a lot of shortcomings in the Indian banking sector. RBI initiated to introduce reforms in the financial and banking sector to encourage rapid economic growth and development by resorting to globalization, liberalization and privatization of the Indian financial system so that the financial structure becomes more competitive. Banking sector reform was began in India in 1991 against the background of challenges faced by the Indian banks from within and outside the banking system in the country the process of liberalization, privatization globalization. Financial sector reforms initiated in the early 1990s as a part of the structural reforms have covered almost all aspects of banking operation. Prior to financial sector reforms banks operated in a situation that was greatly regulated and characterized by barriers to entry that protected the Indian banks against fierce competition. The banking reform package was based on the recommendation proposed by Narsimhan Committee advocated a move to a more market oriented banking system, which lead to the opening of a large number of private as well as multinational banks.

### Literature Review

Liberalization strategies followed by the Indian government have showed the way to the Indian banking sector to work out proactive marketing approach to sustain the changing needs of their customers' (Krishnan et al., 1999). Central Bank of India (RBI) initiated a number of liberalization policies to encourage commercial banks to move towards market determined system (Kumbhakar and Sarkar, 2003). The banking sector reforms have, inter alia, stressed on customer-satisfaction and employ state of the art of technology to make banking convenient (Bedi, 2010). These reforms had a positive impact on the banking sector. The former banking system, owing to absence of competition, was virtually ineffective to suit the requirements of the Indian industry (Mohan, 2007). Government of India sincerely made an attempt to revamp the banking structure and to extend more autonomy to the public sector banks (Roland, 2008).

Research states quality is defined from the users' perspective wherein goods and services exceed the customers' expectations (Parasuraman et al., 1985; Gronroos, 1990; Zeithaml et al., 1990). Parasuraman et al. (1985) posit that customers' perception regarding service quality depends upon the gap that exists between what the customers expect and what they receive in the service. It becomes imperative for companies to understand the expectation levels of the customers, and design service delivery according to their expectations. Delivering a service according to customer expectations and superior quality of service enhances the competitive advantage of a business (Ranganathan and Ganapathy, 2002) and helps in retaining customers (Zhu and Lin, 2010).

### Research Methodology

The research was conducted involving responses provided by 215

respondents out of which 21 responses were rejected due to incomplete answers provided. The study was based on servqual methodology along with a few other important dimensions revealed by a small group of respondents (n=17) through a focus group interview. The dimensions were selected based on the consensus as expressed by the respondents. The study employed a very simple methodology to comprehend the perceptions of respondents towards the service provided by the private and public sector banks on various dimensions included in the study. The purpose of employing a focus group interview was to identify the attributes that are frequently cited by the customers. After obtaining their responses a frequency distribution was made to judge the attributes that were cited frequently were retained for the final study. The data for the study were gathered from a convenience sample of respondents from various locations. Business establishments, universities, colleges and apartments were visited in the district of Darjeeling to generate the data required for the study. The demographic profile of the respondents is presented in Table-I. The table is self-explanatory but a few comments are necessary. Almost 50 percent of the respondents have been from the age group of 30 to 40 years because it is felt that they are the heavy users of services of various banks. The differences of opinion were analyzed by employing paired t Test and overall satisfaction was predicted by the same set of variables incorporating the impact of dummy variable. Businessmen, due to their varied requirements of a plethora of services prefer to have accounts in multiple banks including multinational banks. The maximum numbers of respondents are graduates though 24 percent of the sample members have postgraduate qualification.

	Age	Percentages
< 30 Years:	45	23
30-40 Years:	97	50
41-50 Years:	35	18
51+ Years:	17	09
<b>Occupation</b>		
Service:	45	23
Business:	83	43
Student:	17	09
Housewife:	10	05
Professional:	33	17
Others:	06	03
<b>Income</b>		
< ₹50000:	25	13
₹50001-75000:	47	24

₹75001-125000:	81	42
Above ₹125000:	41	21
<b>Education</b>		
Below Graduate:	16	08
Graduate:	132	68
Post Graduate:	46	24

**Results and Discussions**

Significant perceptual differences have been observed for Tangibility, Reliability, Assurance, Empathy, Product Assortment, Technology and Process. For Tangibility, Assurance, Empathy and Technology, private sector banks are performing better than their public counterparts. While for Reliability and Process, public sector seemed to be doing better.

A linear multiple regressions analysis was conducted using the variables considered in this study to predict the overall satisfaction of customers towards services provided by private and public sector banks based on variables mentioned above and few others namely Product assortment, Customer Orientation, Technology, Card Management, Process and Loan facility. The overall goodness of fit is found to be quite satisfactory. The adjusted R<sup>2</sup> value is found to be .770 and the F value is significant beyond p<0.000.

**Table-II Paired't' Test Results**

Variables	Sector	Mean	t' Values	Sig.
Tangibility	0	11.3196	2.086	.038
	1	11.0206		
Reliability	0	12.3505	3.826	.000
	1	11.7216		
Assurance	0	11.0825	-3.507	.001
	1	12.0000		
Responsiveness	0	12.4227	-1.471	.143
	1	13.0722		
Empathy	0	12.8144	-2.847	.005
	1	14.0000		
Product Assortment	0	12.0000	1.655	.100
	1	11.4433		
Customer Orientation	0	13.8247	1.523	.129
	1	12.9794		
Technology	0	16.4124	-2.853	.005
	1	18.1340		
Process	0	12.2784	2.335	.021
	1	11.6082		
Card Management	0	11.0309	.732	.465
	1	10.4433		
Loan Facility	0	11.3093	.749	.455
	1	11.1134		

**Note: '0' represents Public Sector Banks; '1' otherwise**

**Table-III**

**Model Summary**

Model Fit	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
Values	.886 <sup>a</sup>	.785	.770	.91539	1.894

a. Predictors: (Dummy, Tangibility, Empathy, Technology, Reliability, Loan Facility, Product Assortment, Assurance, Process, Customer Orientation, Card Management, Responsiveness. Dependent Variable: Overall satisfaction c. F value: 54.967, p<0.000

**Table-IV Regression Coefficient**

Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Tangibility	.172	.046	.256	3.704	.000
Responsiveness	.351	.076	.218	4.623	.000
Assurance	.180	.065	.177	2.774	.006
Reliability	.230	.054	.371	4.254	.000
Empathy	-.030	.026	-.046	-1.156	.249
Product Assortment	.041	.049	.050	.835	.405
Customer Orientation	.081	.039	.164	2.071	.040
Technology	-.073	.024	-.163	-3.026	.003
Process	-.011	.060	-.012	-.189	.851
Card Management	-.206	.070	-.214	-2.952	.004
Loan Facility	.066	.076	.063	.876	.382
Dummy	.188	.167	.049	1.123	.263

Tangibility, Responsiveness, Assurance, Reliability, Customer Orientation and Technology are significantly related to the overall satisfaction as perceived by the customers. Though the dummy variable is not significant, it can be said that overall satisfaction is more in case of private sector than the public sector banks

**Managerial implications**

The Indian customers' attitude towards private banks is determined by their service experiences. The gap existing in the service quality in terms of service delivery and outcome are major factors in influencing their perceptions that private banks offer better services. The public sector banks have made several attempts to improve their services in the past years, yet the customers' believe that the service quality of private banks is much superior. Their expectation is heightened by the well-planned layouts, interiors and well-dressed bank staff. The positive image can help private banks in building their marketing strategy. The foreign banks must focus on the service quality by improving their tangibles as it would help in differentiating them from Indian banks. The ambience of public sector banks does not give customers' the impression of good service. The staff is not cooperative and does not give priority to customer needs. The Indian customers can be encouraged to use the banking services of private banks by specifically targeting different customer age groups. The older people can be promised hassle-free, reliable and, convenient banking service where they would not have to wait for the services. Some banks provide facilities like calling on the customers' in their homes and clearing their checks. This can be extended to senior customer groups and other customized services can be added as per customer requirements. The female customers can be targeted by promising them easy banking. The transactions and instructions should be made easy so that they do not feel afraid of filling forms for availing facilities like applying for credit cards, loans, transferring money and making payments through credit and debit cards. The assurance attribute can go a long way in building confidence amongst Indian females who are apprehensive about the technical aspects of bank transactions.

**Conclusions and future research directions**

The research attempts to identify the customers' perceptions about private and public sector banks. It can help these banks in planning their marketing strategies and expanding throughout the country. The results show that Indian customers in general are inclined towards the private banks and consider them efficient and competent. For a country where banking sector liberalization is in full swing, the findings can help banks in understanding the expectations of the customers. The findings of this research provide interesting insights regarding customers' service quality perception for private and public sector banks.

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