

# To Study Service Quality of Top Public & Private Sector Banks in India



## Management

**KEYWORDS :** Indian Banking Sector, Service Quality

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### ABSTRACT

*Indian Banking Sector has undergone tremendous changes after the independence. Various reforms have taken place in the sector. Service quality, therefore, has become a critical prerequisite for satisfying and retaining valued customers in banks. The interest is largely driven by the realization that high service quality results in customer satisfaction and loyalty with the product or service, greater willingness to recommend someone else, reduction in complaints and improved customer retention. 200 Respondents of the four city - Ahmedabad, Rajkot, Baroda and Surat were surveyed for SBI and ICICI separately with the use of structured questionnaire. This paper proposed a model of service quality for SBI and ICICI.*

### Introduction

The Indian banking has seen momentous changes in the post independence era. It has witnessed a remarkable shift in its operating environment during the last decade. Various reform measures, both qualitative and quantitative, were introduced with an objective to revitalize Indian banking sector and to meet the future challenges. Banking institutions are acknowledging that unless customer needs are taken into account in designing and delivering services, technical superiority will not bring success (Zeithaml and Bitner 1996).

Service quality, therefore, has become a critical prerequisite for satisfying and retaining valued customers in banks. The interest is largely driven by the realization that high service quality results in customer satisfaction and loyalty with the product or service, greater willingness to recommend someone else, reduction in complaints and improved customer retention (Zeithaml et al., 1996). Further, a satisfied customer is likely to be a loyal customer who will give repeating business to the bank (Heskett et al., 1994). The two banks among NSE 50 (S & P CNX Nifty, 2011) which has average market capitalization of 5 billion rupees or more in the last six months of Financial Year 2011 are taken for the purpose of study.

### OBJECTIVES

- To study the factor contributing to the service quality of Public Sector Bank (SBI).
- To study the factor contributing to the service quality of Private Sector Bank (ICICI).

### SAMPLING FRAME

- Sample size : 200 respondents of Each Bank. (Total Respondents 400)
- Sampling Unit: Customers having account in SBI & ICICI
- Collection method: Primary as well as secondary
- Primary data: Structured Questionnaire
- Secondary: website, books.
- Sampling technique: Non Probability Convenience sampling
- Statistical tools: Exploratory Factor Analysis & Confirmatory Factor Analysis

### DATA ANALYSIS AND INTERPRETATION

**Objective 1: To study the factor contributing to the service quality of Public Sector Bank (SBI).**

#### Exploratory Factor Analysis (EFA)

Total six factors are extracted in Exploratory Factor Analysis and variables are grouped as per the highest loading

under the respective factor. Based on the variable grouping, factors are named as follows:

**Table 1: Factor Loading Table**

Variables	Factors					
	1 Competency of Bank Employee	2 Augmented Services	3 Physical Evidence	4 Ethos of the bank	5 Assortment of services	6 Service Product
TV & music system					.820	
Token system					.768	
Clearliness			.726			
Materials like pamphlets,			.815			
Visually appealing material			.719			
Attentive employee	.588					
Competent employee	.626					
Friendlyness	.716					
Understanding need	.703					
Respond to customer's request	.671					
Prompt service	.736					
Accessability	.726					
Promise fulfillment	.656					
Problem solving	.637					
Brand name				.824		
Ethics				.749		
Locker facility		.653				
Financial Product						.670
Shortage of locker						.562
Web policy		.722				
Transpareny		.672				
Hidden charges		.618				
Technical Service		.773				
Upgradation		.645				

### Confirmatory Factor Analysis (CFA)

After factors are extracted through Exploratory Factor Analysis following factor structure is confirm through confirmatory factor analysis based on model fit indices and convergent validity.



**Table 2: Model Fit Indexes**

Ratio of Chi-square to degrees of freedom (CMIN/DF)	1.627
Goodness-of-fit index (GFI)	0.906
Adjusted GFI (AGFI)	0.896
Normed fit index (NFI)	0.931
Tucker-Lewis Index (TLI)	0.917
Incremental Fit Index (IFI)	0.927
Relative Fit Index (RFI)	0.911
Comparative Fit Index (CFI)	0.926
Root Mean Square Error of Approximation (RMSEA)	0.056

**Table 3: Convergent Validity**

Factors	Item Loadings	t-values	Composite Reliability	AVE
1	0.682		0.910	0.589
	0.787	10.133		
	0.786	10.113		
	0.787	10.124		
	0.674	8.799		
	0.695	9.045		
	0.664	8.676		
	0.736	9.532		
2	0.739	9.572	0.854	0.598
	0.585			
	0.808	8.281		
	0.734	7.822		
	0.690	7.516		
	0.691	7.519		
3	0.686	7.487	0.789	0.560
	0.771			
	0.756	9.602		
4	0.719	9.233	0.727	0.571
	0.745			
5	0.767	5.821	0.715	0.556
	0.744			
6	0.748	5.216	0.775	0.651
	1.00			
	0.551	1.984		

**Objective 2: To study the factor contributing to the service quality of Private Sector Bank (ICICI).**

**Exploratory Factor Analysis (EFA)**

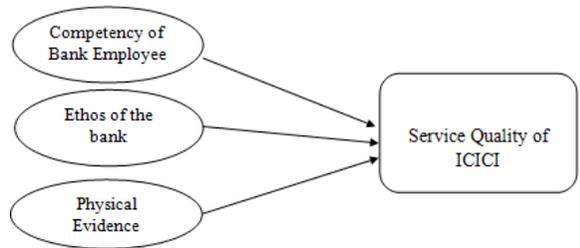
Total three factors are extracted in Exploratory Factor Analysis and variables are grouped as per the highest loading under the respective factor. Based on the variable grouping, factors are named as follows:

**Table 4: Factor Loading Table**

Variables	Component		
	1 Competency of bank employees	2 Ethos of the bank	3 Physical Evidence
Physical facility			.860
Modern looking area.			.893
Competent employee	.745		
Friendliness	.748		
Understanding need	.705		
Respond to customer 's request	.715		
Prompt service.	.699		
Accessibility	.737		
Problem solving	.637		
Brand name		.763	
Ethics		.721	
Product Quality		.712	
24*7 customer care services.		.403	

**Confirmatory Factor Analysis (CFA)**

After factors are extracted through Exploratory Factor Analysis following factor structure is confirm through confirmatory factor analysis based on model fit indices and convergent validity.



**Table 5: Model Fit Indexes**

Ratio of Chi-square to degrees of freedom (CMIN/DF)	2.132
Goodness-of-fit index (GFI)	0.913
Adjusted GFI (AGFI)	0.893
Normed fit index (NFI)	0.971
Tucker-Lewis Index (TLI)	0.907
Incremental Fit Index (IFI)	0.927
Relative Fit Index (RFI)	0.938
Comparative Fit Index (CFI)	0.926
Root Mean Square Error of Approximation (RMSEA)	0.055

**Table 6: Convergent Validity**

Factors	Item Loadings	t-values	Composite Reliability (CR)	AVE
1	.754		0.881	0.516
	.711	9.833		
	.751	10.424		
	.695	9.593		
	.722	9.993		
	.655	9.010		
	.739	8.774		
2	.682		0.814	0.523
	.730	6.675		
	.796	6.434		
	.681	4.440		
3	.804		0.816	0.68
	.856	6.851		

**DISCUSSION OF FINDINGS**

Total six factors extracted through exploratory factor analysis in SBI and three factors extracted in ICICI bank. There are three factors of service quality that are common in both the banks. These factors should be given utmost importance during the service delivery process in both the banks. Further, through confirmatory factor analysis, factor structure for both the banks is confirmed. Model fit indices determine that overall model of service quality proposed in the above analysis is good. Convergent validity indicates that all the factors of service quality converge on a common point and validates the factors of service quality in SBI and ICICI.

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