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## **A Study on Customers Expectation and Their Perception towards Service Quality Provided by Banking Sector (With Special reference to Banks in Tirunelveli town)**

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### **Abstract**

The banking sector is one of the biggest service sectors in India and nowadays it is in a way to attract the biggest market of Asia. The banking sector today is focusing on how to provide efficient services to its customers. The Indian Banking System consisting of various public and private sector financial institutions whose objective is serving the people for their financial and economic needs. With the expansion of banking services to peoples excluded from banking services to large corporate searching fund for their activities, makes the importance of banking services. New technologies are being introduced and there is always a fear of economic uncertainties. Fierce competition, more demanding customers and the changing climate have presented an unparalleled set of challenges for banks in the country. Therefore, customer expectation is the key for many banks to survive in competition. The purpose of this paper is to identify the factors affecting customer expectation in Banks and analyze their effects on the level of customer satisfaction.

**Keywords:** Customer Satisfaction- expectation and perception, Service Quality, Customer Relationship Management.

### **Introduction**

The banking industry in India has undergone sea change since post independence. More recently, liberalization, the opening up of the economy in the 1990s and the government's decision to privatize banks by reduction in state ownership culminated in the banking reforms based on the recommendations of the Narasimham committee. This has led the Indian banking industry to experience difficult times. In such testing times of mature and acute competitive pressures, it is very urgent and important that banks are able to retain a loyal base of clients. To attain this and to improve their market and profit positions, banks in India have to formulate their strategies and policies towards increasing customer expectation levels.

The banking industry has been a witness to several regulatory changes that have resulted in a heightened level of competition among the banks; and recognition of service quality as a competitive weapon is accepted more and more. India's banking sector responded to the post liberalization reforms in a creditable manner by showing admirable speed in absorbing the impact of reforms. Banks have been forced to explore the trade-off between winning new customers and retaining old ones. The focus of marketing has shifted to managing relationship with customers. Banking institutions across the globe have recognized the importance of customer expectation and of developing and maintaining enduring relationship with their customers as two crucial parameters leading to increased business profits.

At the same time, several banking institutions are experiencing increasing level of retail customer dissatisfaction. Customer expectation is still the major reason of bank customers' switch to other banks; this dissatisfaction could be because of a variety of reasons. Excellent service quality is not an optional competitive strategy which may, or may not, be adopted to differentiate one bank from another. Today it is essential to corporate profitability and survival, the link between service quality and customer expectation has been submitted to intense scrutiny by leading service quality researchers, as well as the links between quality, customer satisfaction, customer retention and profitability. The connection between service quality and corporate profitability is now seen to depend on high levels of customer satisfaction, the successful targeting of "quality" customers and the retention of those customers.

### Statement of the Problem

The banking industry like many other financial service industries is facing a rapidly changing market, new technologies, economic uncertainties, fierce competition and more demanding customers and the changing climate has presented an unprecedented set of challenges. Banking is a customer oriented services industry, therefore, the customer is the focus and customer service is the differentiating factors.

Financial services are the backbone of service sector. This is important not only for the banking sector but for the Indian economy as a whole. This is so because banking is a catalyst and life of modern trade and commerce. It is an integral part of all the businesses and social activities. This rapid transformation of services in the banking system has led to the evolution of a highly competitive and complex market where there is a continuous refinement of services. Hence the increase role of banking in Indian's economic development on the one hand and the changes in the business climate on the other has put increased pressure on them. These changes are compelling the banks to reorganize themselves in order to cope with the present conditions. With the current change in the functional orientation of banks, the purpose of banking is redefined. Now, the financial institutions are trying to provide all the services at the customer's door step. The customer has become the focal point either to develop or maintain stability in the business. Every engagement with the customer is an opportunity to either develop or destroy a customer's faith in the bank. The expectations of the customers have also increased many folds. Intense competition among the banks has redefined the concept of the entire banking system. The banks are looking for new ways not only to attract but also to retain the customers and gain competitive advantage over their competitors. The banks like other business organizations are deploying innovative sales techniques and advanced marketing tools to gain supremacy.

The main driver of this change is changing customer need and expectations. Customers in urban India no longer want to wait in long queues and spend hours in banking transactions. This change in customer attitude has gone hand in hand with the development of ATMs, phone banking and net banking, banks aim to provide all banking product and service offering under one roof and their endeavor is to be customer centric. With the emergence of economic reforms in world in general and in India in particular, private banks have come up in a big way with prime emphasis on technical and customer focused issues. In this paper, the main contention of the author is to highlight the customer expectation through service quality provided by the banks.

### Need of the Study

The present study seeks to address a number of factors and unexplained occurrences present in the banking industry in Tirunelveli town. The main objective of this research is to study, analyze and assess the customer expectation levels and their perception in the Indian banking sector and develop a conceptual framework of expectation from the perspective of the customer, guided by the basic concepts and principles in marketing and management. This study also aims to study and evaluate the links between customer expectation level and level of development or progress that is perception in the participating banking companies. In order to do so, the customer expectation levels will be assessed using survey that includes parameters that influence much of the expectation of the customers. The focus is on the customer expectation level

and perception; this will be done by viewing and assessing the opinion and perspective of the customer in relation to expectation with different service parameters, and various services provided by the bank.

The outputs and data that can be drawn from this research will be of great contribution to the field in the academics and for the practitioners. This study will try to assess and evaluate the level of expectation of the customers in the banking business in India, thus revealing and studying the salient and influential factors that could affect the expectation of the customers. It will also reveal areas and factors that need consideration for improvement. It will also try to link the relationship, if any, of the customer expectation level and the success of the firm, in support of the other previous literatures. This study then will ultimately assess and reveal the strong points of the Indian banking and its edges as reasons for the continuous boom and development in it banking industries.

### Objectives of the Study

- To know the various important service quality dimension in banking industry and to rate them.
- To identify the gap between customer expectation and their perception of service quality provided by banks in Tirunelveli town.
- To identify the main attributes of service quality in which customers are more satisfied or dissatisfied in banks of Tirunelveli town.

### Scope of the Study

Presently study has been restricted to time period of three months. Banks of Tirunelveli town has been taken as a representative unit of both private and public sector bank. A survey of 120 people each from both the banks has been conducted.

### Research Hypotheses

**H<sub>1</sub>:** There are no significant differences between expectations and perceptions of bank customers regarding the tangibles, reliability, responsiveness, and empathy and assurance dimensions of service quality.

**H<sub>2</sub>:** There is no positive significant impact of service quality dimensions on over all customers' satisfaction.

### Limitations

The study is limited only to banks in Tirunelveli town and will only include twenty (20) participating customers for each bank. This is inconsideration with the time budget, so as with the financial budget of the researcher.

### Research Methodology

Descriptive research design has been used in this research. Primary data has been collected mainly through structured questionnaire. Perception and expectation of private banks customers has been obtained on a 5-point Likert scale, ranging from „highly disagree“ to „highly agree“. The data has been collected from the town region using convenience sampling and sample size of 120. The banks covered under the study were ICICI, IDBI, HDFC, Axis, SBI and Indian Bank. Secondary data related to previous studies has been obtained from authentic sources like books, online magazines and journals.

### Analysis of Data

**Table 1:** Distribution on Demographic profile of respondents

Sl.no	Particulars	No.of respondents	Percentage
<b>1.</b>	<b>Gender</b>		
	Male	83	69.16
	Female	37	30.84
	<b>Total</b>	<b>120</b>	<b>100</b>
<b>2.</b>	<b>Age Group</b>		
	Below 25	58	48.34
	26-35	19	15.83
	36-45	16	13.33
	Above 45	27	22.5
	<b>Total</b>	<b>120</b>	<b>100</b>
<b>3.</b>	<b>Occupation</b>		
	Business	26	21.67
	Service	19	15.83
	Self-employed	14	11.67
	Others (Stu. HWs etc.)	61	50.83
	<b>Total</b>	<b>120</b>	<b>100</b>
<b>4.</b>	<b>Qualification</b>		
	Under Graduate	31	25.83
	Graduate	49	40.84
	Post Graduate	39	32.5
	Others	1	0.83
	<b>Total</b>	<b>120</b>	<b>100</b>
<b>5.</b>	<b>Annual Income</b>		
	Below 1,50,000	69	57.5
	1,50,001-3,00,000	26	21.67
	3,00,001-5,00,000	22	18.33
	Above 5,00,000	3	2.5
	<b>Total</b>	<b>120</b>	<b>100</b>

Source: Primary Data

**Table 2:** Distribution on Service Quality rating for banks in Tirunelveli town

Sl.no	Service Quality	SBI & INDIAN Bank(mean)	ICICI,HDFC,IDBI & AXIS (mean)
<b>1.</b>	<b>Reliability</b>		
	When my bank promises to do something by a certain time, it does so.	2.28	4.03
	When I have problem, my bank shows sincere interest in solving it.	2.65	4.02
	My bank delivers error free records	3.07	3.67
<b>2.</b>	<b>Responsiveness</b>		
	Employee in my bank gives prompt service.	1.87	3.87
	Employees in my banks are always willing to help me.	3.15	3.85
	Employee in my bank will tell me exactly when the service will be performed.	2.35	3.90
<b>3.</b>	<b>Assurance</b>		
	The behavior of employees in my bank will instill confidence to me.	3.05	3.42
	I feel safe in my transaction with my bank.	3.88	3.35
	Employees in my bank are consistency courteous with me.	3.55	3.85
	Employees in my bank have the knowledge to answer my questions	3.25	3.52
<b>4.</b>	<b>Empathy</b>		
	The employee of my bank understands my specific need.	3.20	3.18
	My bank has operating hours convenient to all its customers.	2.63	3.75
	My bank gives me individual attention.	3.08	3.45
<b>5.</b>	<b>Tangible</b>		
	My bank has modern looking equipments.	2.77	3.98
	My bank's employees are neat appearing.	2.82	4.12
	My bank's physical facilities and amenities are satisfactory.	2.95	4.13

Source: Primary Data

**Table 3:** Distribution showing the gap score between customer expectation and their perception of service quality provided by banks.

Sl.no	Perception		Expectation		Gap score
<b>1.</b>	<b>Tangibility</b>	<b>P</b>	<b>Tangibility</b>	<b>E</b>	<b>P-E</b>
	Does the bank have modern looking equipment?	3.65	Excellent banking companies will have modern looking equipment.	4.82	-1.17
	Are the Banks physical facilities visually appealing	3.50	The physical facilities at excellent banks will be visually appealing	4.55	-1.05
	Are the Banks reception desk employees neat appearing	3.54	Employees at excellent banks will be neat appearing	4.61	-1.07
	Are the physical facilities associated with the service (such as pamphlets or statements) visually appealing	3.53	Physical facilities associated with the service (such as pamphlets or statements) will be visually appealing at an excellent bank	4.64	-1.11
<b>Average</b>					<b>-1.10</b>
<b>2.</b>	<b>Reliability</b>		<b>Reliability</b>		
	When the bank promises to do something by a certain time, it does so	3.33	When excellent banks promise to do something by a certain time, they do	4.66	-1.33
	When you have a problem, the bank is sympathetic and reassuring	3.36	When a customer has a problem, excellent banks will be sympathetic and reassuring	4.59	-1.23
	Does the bank performs the service right the first time	3.26	Excellent banks will perform the service right the first time	4.66	-1.40
	Does the bank provide its service at the time it promises to do so	3.49	Excellent banks will provide the service at the time they promise to do so	4.75	-1.26
	Does the bank insist on error free records	3.54	Excellent banks will insist on error free records	4.85	-1.31
<b>Average</b>					<b>-1.31</b>
<b>3.</b>	<b>Responsiveness</b>		<b>Responsiveness</b>		
	Do the Employees in the bank tell you exactly when services will be performed	3.50	Employees of excellent banks will tell customers exactly when services will be performed	4.59	-1.09
	Do the Employees in the bank give you prompt service	3.59	Employees of excellent banks will give prompt service to customers	4.70	-1.11
	Are employees in the bank always willing to help you	3.62	Employees of excellent banks will always be willing to help customers	4.61	-0.99
	Employees in the bank are never too busy to respond to your request	3.25	Employees of excellent banks will never be too busy to respond to customers" requests	4.67	-1.42
<b>Average</b>					<b>-1.15</b>
<b>4.</b>	<b>Assurance</b>		<b>Assurance</b>		
	Does the behaviour of employees in the bank instill trust in you	3.55	The behaviour of employees in excellent banks will instill trust in customers	4.62	-1.07
	Do you feel safe in your transactions with the bank	3.59	Customers of excellent banks will feel safe in transactions	4.69	-1.10
	Are the employees in the bank area polite with you	3.51	Employees of excellent banks will be polite with customers	4.79	-1.28
	Do the employees in the bank have the knowledge to answer your questions	3.63	Employees of excellent banks will have the knowledge to answer customers" questions	4.81	-1.18
<b>Average</b>					<b>-1.16</b>
<b>5.</b>	<b>Empathy</b>		<b>Empathy</b>		
	Does the bank give you individual attention	3.32	Excellent banks will give customers individual attention	4.59	-1.27
	Does the bank have employees who give you personal attention	3.26	Excellent banks will have employees who give customers personal attention	4.66	-1.40
	Do the employees of the bank understand your specific needs	3.47	The employees of excellent banks will understand the specific needs of their customers	4.59	-1.12
	Does the bank have your best interest at heart	3.37	Excellent banks will have their customers best interests at heart	4.67	-1.30
	Does the bank have operating hours convenient to all its customers	3.79	Excellent banks will have operating hours convenient to all their customers	4.65	-0.86
<b>Average</b>					<b>-1.19</b>

Source: Primary Data

**Findings**

❖ **Demographic profile of respondents:** Referring to the Table 1, looking gender wise it is found that majority of the respondents are male respondents with 69.16% followed by age group below 25 years (48.34%), occupation wise – others (50.83%) qualification wise – graduates(40.84%) and finally annual income – below 1,50,000 (57.5%).

❖ **Service Quality rating for Public sector and Private sector banks:** Referring to Table 2 The customer gives highest impotence to reliability dimension. Within that reliability dimension they give more focus on how banks fulfill their promise and how they show interest to do work. From Analysis it was found that a customer gives second importance to responsiveness of bank employees. It includes various criteria like, promptness in giving

service, willingness to help customers etc. Customer gives third preference to assurance factor, it include criteria like safety of transaction, consistency in service etc.

- ❖ **Gap score of customer expectation and their perception:** The views of the sample respondents regarding the services offered by the banks under study are presented in Table 3. Referring to the Table; the comparison of customer expectations and perceptions of banks, it is observed that the sample customers have very similar opinion as indicated from the values of different dimensions. The gap (P - E) as shown in the table, is negative for all the factors indicating dissatisfaction of the customers. Further, component- wise analysis indicates that the higher levels of dissatisfactions are observed in factors like; promises to do something by a certain time; ii) performs the service right the first time, iii) Employees in the bank are too busy to respond to your request, iv) Give customers individual attention, v) Give customers personal attention. Highest gap exists for reliability factor i.e. -1.31 and next comes the empathy factor with a score of -1.19.

### Suggestions and Recommendations

- The banks whether they are private sector bank or public sector bank they should give more focus on increasing reliability, responsiveness and assurance. For that they can give training to their employee which will help them to give personalized service. It will also help to implement empathetic approach.
- Banks should have a strong customer relationship management system that would indicate the worth of the customer and the ability to understand his needs while interacting with him, so as to cross sell their products.
- Skill sets of employees need up gradation so as to make them more comfortable with the latest technology that will increase their comfort level, while educating customers to use the same in their day to day dealings.
- Banks may follow a feedback system to know the customers' expectations for improving the level of customer satisfaction to the maximum level. Responses on service reliability should be continuously obtained from customers.
- In order to improve the reliability factor the private banks should try not to appear as money mongers as should be clear and precise about their terms and conditions. They should not have hidden meanings and hidden terms in their documents.

### Conclusion

From the present study it can be concluded that the highest gap was found in the dimension of reliability and empathy. The banks have to reduce this gap giving individual personal attention to understand customer specific needs. The customers trust the public sector banks. These banks have existed in the market for a longer period than the private sector banks. The reliability factor is a positive factor for these banks. Therefore private banks should position themselves in the market on the basis of this dimension and promote themselves aggressively. Last but not the least, the customer base of the public sector banks is very big as compared to the private sector banks, therefore it is important to retain them with the banks. It becomes imperative for the private sector

banks to train their employees to treat the customers with empathy.

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