

COMPARATIVE ANALYSIS OF SERVICE QUALITY IN PUBLIC SECTOR BANKS AND INDIA POST'S FINANCIAL SERVICES USING SERVQUAL MODEL

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ABSTRACT

Financial services which often involve sensitive transaction such as savings, insurance, loans and investments need to be high in service quality to build trust and credibility among customer. In financial transactions customers need to feel secure that their investments are managed with care and expertise. Service quality of financial services plays a fundamental role to the functioning of modern economies. The present study compares the service quality of Public Banks and India Post Office Financial Services using the SERVQUAL model which assesses five dimensions of service quality: tangibles, reliability, responsiveness, assurance and empathy. The present study employs a cross-sectional survey approach with data collected from 200 respondents through a structured questionnaire. The findings of the study reveal significant differences in service quality perceptions between the public banks and India Post's financial services. Public Banks are perceived to offer better tangibles and higher levels of empathy compared to India Post which indicates superior physical facilities and more personalized customer services by public banks. However no significant difference in reliability, responsiveness and assurance between the two service providers is found. The study finds a significant positive relationship between service quality dimensions and overall customer satisfaction which highlights the importance of tangibles and empathy dimension in enhancing customer satisfaction. The research intends to shed light on the differences in service quality of public banks and India post. The recommendations based on the study result will help both the service providers to understand customer priorities and enhance their satisfaction.

KEYWORDS: Service Quality, SERVQUAL Model, Public Banks, India Post, Customer Satisfaction, Tangibles, Empathy, Reliability, Responsiveness, Assurance.

Introduction

The financial services industry has significant role in the economic development of the nation. The Indian financial industry is dominated by a range of service providers which includes public and private sector banks, NBFCs, insurance companies and institutions which have extended their operations into financial services such as India Post's financial services. India Post's financial services provide accessible and affordable banking, insurance and investment services to people across urban and rural areas. With the help of extensive network of post offices particularly in remote regions where banking infrastructure is limited, India Post helps bridge the gap in financial services. On the other side, public banks play a crucial role in the financial service sector of India. Public sector banks help in implementing government policies and promote economic development of the country.

Service quality of these institutions is the key determinant of customer satisfaction. SERVQUAL, a widely recognized framework for measuring service quality developed by Parasuraman, Zeithaml, and Berry in the 1988 is used to identify the gap between customer expectations and perceptions of the

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service received. The present study aims to compare the service quality of Public Banks and India Post's financial services using the SERVQUAL model. The model measures five service quality dimensions: Tangibles, Reliability, Responsiveness, Assurance and Empathy.

Understanding the differences in service quality between public banks and India Post can provide valuable insights to frame strategies to enhance the customer satisfaction. The present study aims to investigate the service quality dimensions to comparatively analyse the service quality of the two financial service providers. The study also provides valuable recommendations by exploring the facts which can help both financial service providers to improve their service quality dimensions leading to overall customer satisfaction.

Review of Literature

There is a limited literature available to evaluate the service quality of India Post's financial services. Strengthened with extensive network and accessibility, India Post has extended its services into the financial sector. SERVQUAL model has been widely used to measure customer perception across various dimensions of service quality. Service quality is crucial determinant of customer satisfaction in banking and financial services (**Parasuraman, Zeithaml, & Berry, 1988**). The SERVQUAL model is based on comparison between expected and perceived service levels to understand the customer perception of service quality. Many studies applied this model to measure the service quality in financial services (**Kumar, Kee, & Manshor, 2009**). Responsiveness, reliability and empathy are found particularly important dimensions for customer satisfaction in financial services.

To analyse the impact of service quality on customer loyalty in Indian Public sector banks SERVQUAL, model was employed by **Shetty et al. (2022)**. Study results found the significant relationship between SERVQUAL dimensions and customer loyalty. They further suggested bringing innovations in service quality dimensions to achieve higher performance.

In their research **Raj, M., & Bansal, S. (2019)**, employed SEVQUAL model of service quality measurement. The study was performed to measure the customer satisfaction of HDFC bank. The study result strengthened the significance of SEVQUAL dimensions for customer satisfaction. They found reliability as dominating dimension for customer satisfaction.

According to **Chakraborty & Sengupta (2018)**, India Post's financial services are extensively reachable to rural areas where traditional banking facilities are not available. Though its extensive reach to remote areas differentiates it from public banks but it also poses challenges to India post. The research findings highlight the importance of improving tangibles and empathy dimensions of the SERVQUAL model.

The study performed by **Mishra (2014)**, suggests that while India Post is trusted for its reliability but it lacks on responsiveness and tangibles dimensions of service quality. The study also found that though India Post's has successively reached in rural areas but there is a room for improvement training and development of staff and customer interaction.

A comparative study between public and private banks in Bangladesh was performed by **Siddiqi (2011)**. The study used the SERVQUAL model to measure service quality of the two sectors. Their study results suggests that public sector banks needs to improve service quality dimensions as they underperform in responsiveness, reliability and empathy.

In their study **Kumar et al. (2009)**, highlighted the importance of responsiveness and empathy. They found that personalized interactions and prompt responses are important for improving service quality in banking institutions.

The study performed by **Ladhari (2009)**, establishes the relationship between service quality dimensions and customer satisfaction. The study results show the significant association between SERVQUAL dimensions like reliability, responsiveness and empathy and customer satisfaction.

Karatepe et al. (2005), in their research highlights the impact of demographic variables on customer satisfaction in banking services. They found that customer with higher level of education demands high quality services. This aligns with findings in the present study where the educational profile of respondents in both public banks and India Post plays a role in their satisfaction levels. They also found that demographic factors such as age, gender, and education influence customer perceptions of service quality. Their study results shows that that younger customers demands high quality, speed and technology up gradation while older customers look for reliability and assurance dimension of service quality.

In the comparative analysis of public and private sector banks, **Seth, Deshmukh, & Vrat, (2005)**, found that public sector banks provide reliable but stand low in responsiveness dimension. Especially in countries like India, instead of their vast networks public banks lack personalized services which lead to low levels of customer satisfaction.

The research results of **McColl-Kennedy, Daus, & Sparks (2003)**, found gender differences in service quality perception. Male customers look for efficiency and reliability whereas female customers emphasises empathy and assurance dimension of service quality.

The study results of **Oliver (1997)**, reveal that customer satisfaction is significantly associated with perceived service quality. The higher levels of satisfaction lead to increased customer loyalty.

The research findings of **Levesque and McDougall (1996)**, shed light on the importance of reliability in determining customer satisfaction and loyalty in the banking industry. Their findings suggest that reliable banking services are helpful in customer retention.

Objectives of the Study

- To compare the perceived service quality of public banks and India post using the SERVQUAL model
- To assess the relationship between service quality dimensions and customer satisfaction
- To identify the key differences in customer satisfaction between public banks and India post
- To provide recommendations for enhancing service quality based on study findings

Research Hypotheses

H0₁: There is no significant difference in the perceived service quality (tangibles) between Public Banks and India Post's Financial Services.

H0₂: There is no significant difference in the perceived service quality (empathy) between Public Banks and India Post's Financial Services.

H0₃: There is no significant difference in the perceived service quality (reliability) between Public Banks and India Post's Financial Services.

H0₄: There is no significant difference in the perceived service quality (responsiveness) between Public Banks and India Post's Financial Services.

H0₅: There is no significant difference in the perceived service quality (assurance) between Public Banks and India Post's Financial Services.

H0₆: There is no significant relationship between overall customer satisfaction and the service quality dimensions (tangibles, reliability, responsiveness, assurance, and empathy) in Public Banks and India Post's Financial Services.

Research Design and Methodology

Research Design

The present work adopts cross-sectional survey approach which aims to gather information from respondents at a specific point of time. It follows a **descriptive research design** to compare the service quality between Public Banks and India Post's Financial Services. The SERVQUAL model is used to measure service quality across five dimensions: tangibles, reliability, responsiveness, assurance, and empathy.

Sample and Sampling Technique

Customers of Public Banks and India Post's Financial Services in urban and semi-urban areas of the country were considered as population of the study. 100 respondents from each Public Banks and India Post's Financial Services were selected thereby a total sample size of 200 respondents was used for the study. **Simple random sampling method was used to select the respondents for the study.**

Data Collection and Analysis Tools

A structured questionnaire based on SERVQUAL model was prepared to collect the primary data. Section A of the questionnaire was designed to collect the demographic profile of the respondents. Further in section B, 20 items aimed to measure five dimensions of service quality on Likert 5 point scale were included. Cronbach's Alpha is used to assess the reliability of the SERVQUAL scale. ANOVA and regression analysis were administered to test the hypotheses.

Data Analysis and Interpretation

Section A: Demographic Profile of Respondents'

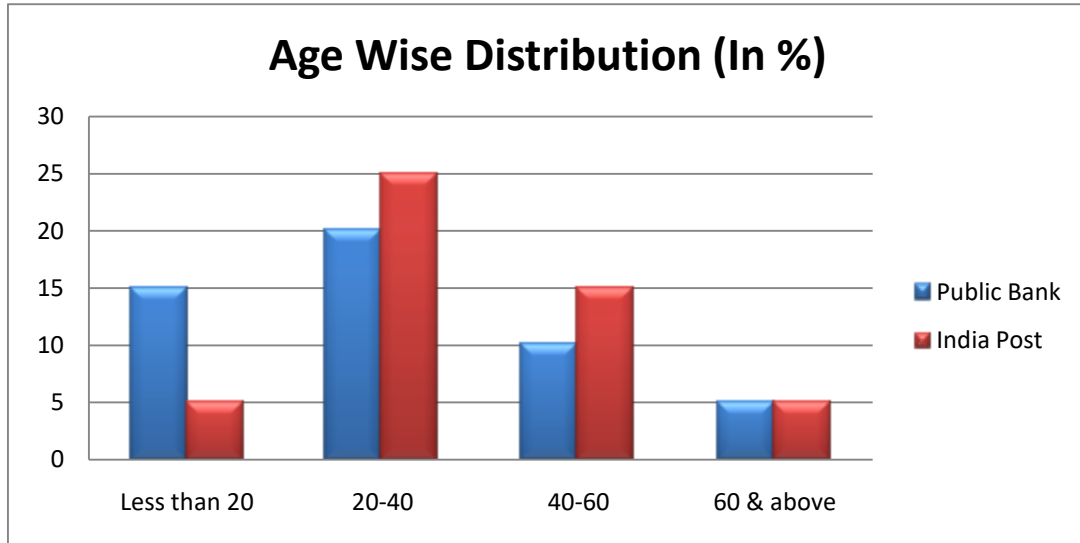


Chart 1: Age Wise Distribution of Respondents'

Age wise distribution compares the age distribution of customers between Public Bank and India Post. India post has around 5% of customers in the age group of less than 20 while Public banks have about 15% respondents. In the age group of 20-40 public banks and India post services have 20% and 25% respondents respectively. In 40-60 age group category, 15% respondents are from India post while 10% from Public banks. Equal percent of respondents (5%) of above 60 years of age are representing both public banks and India post.

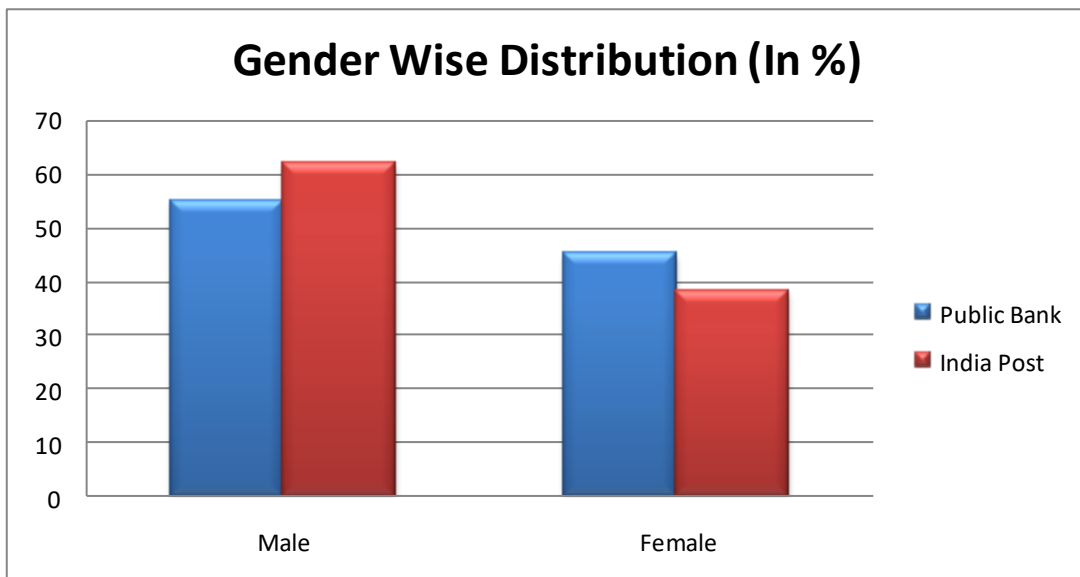


Chart 2: Gender Wise Distribution of Respondents'

The above chart compares the gender distribution of customers between Public Bank and India Post. There are 55% of male and 45% of female among public bank respondents. 62% of male and 38% of female represents India Post's customers.

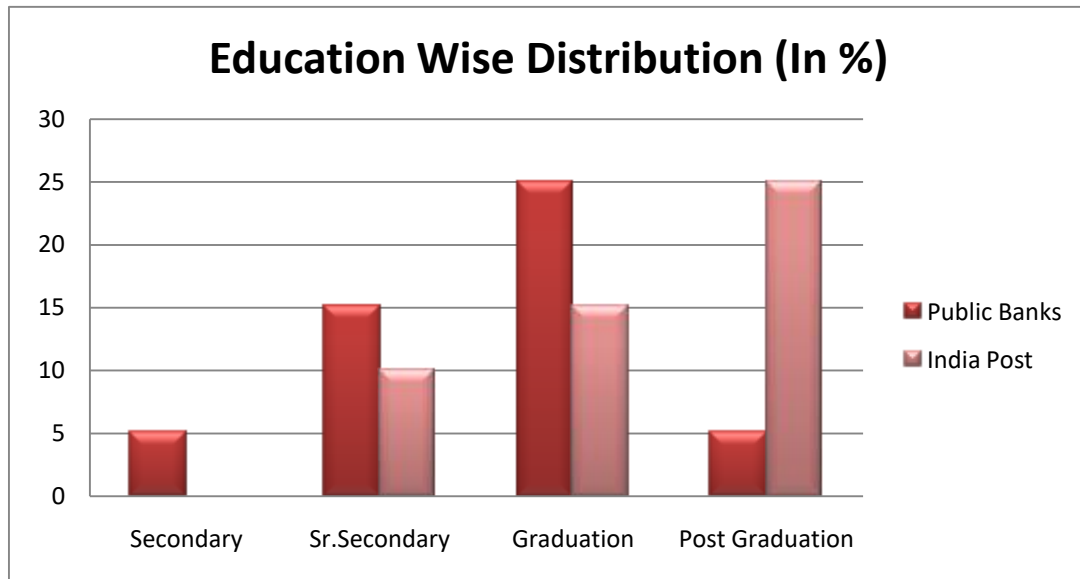


Chart 3: Education Wise Distribution of Respondents'

The educational profile of respondents shown above indicates the low share of customers from secondary level education. The share of public bank's respondents is greater than India post' educated at graduate level while the opposite of this can be seen at post graduation level. This shows the differences in educational qualifications of respondents between the public banks and India post financial services.

Section B: Reliability Analysis

Table: 1. Reliability Analysis

Reliability Statistics	
Cronbach's Alpha	No. of Items
0.86	20

Reliability of scale for 20 items measuring tangibility, responsiveness, reliability, assurance and empathy is shown in the above table. Cronbach's Alpha is used to measure the internal consistency. It indicates the relatedness of the items in a group. If the value of Cronbach's Alpha is above 0.7 the scale is said to be acceptable. The value of Cronbach's Alpha above 0.8 indicates good internal consistency of the scale and if the value exceeds 0.9 the scale is said to have excellent reliability. Table 1 clearly shows the high reliability of the scale and good internal consistency of the items as the value of Cronbach's Alpha is 0.86 for 20 items.

Section C: Hypothesis Testing

Table 3: Analysis of Variance (ANOVA) for Differences in Public Banks and India Post' Financial Services Using SERVQUAL Model

		Sum of Squares	d.f	Mean of square	F.	Sig.
Tangibles	Between group	10.15	1	10.15	10.81	.004
	Within group	16.91	18	.94		
	Total	27.06	19			
Reliability	Between group	.03	1	.03	.09	.769
	Within group	5.71	18	.32		
	Total	5.73	19			
Responsiveness	Between group	.61	1	.61	.63	.439
	Within group	17.59	18	.98		
	Total	18.20	19			

Assurance	Between group	.25	1	.25	.28	.605
	Within group	16.41	18	.91		
	Total	16.66	19			
Empathy	Between group	2.63	1	2.63	3.32	.045
	Within group	14.23	18	.79		
	Total	16.86	19			

Analysis of Variance (ANOVA) was conducted to comparatively analyse the service quality dimensions based on SERVQUAL model between public banks and India Post's financial services. In the service quality dimension of **tangibles** the F-value is 10.81 with a significance level of 0.004 which shows significant difference between two financial service providers. The F-value 0.09 with a 0.769 of significance level in reliability aspect indicates no significant difference between the groups. This means that both public banks and India post' financial services are perceived similarly in terms of reliability. There is no significant difference between India post and public banks in responsiveness as the F-value is 0.63 with a significance level of 0.439 which is greater than the 0.05. Customers perceive both the financial service provider equal in terms of their responsiveness towards customers. Similarly in assurance dimension of service quality the significance level is 0.605 which indicates no significant difference between the groups. It can be concluded that the confidence and trustworthiness perceived by customers are equal in public banks and India post's financial services. However in empathy measure of service quality there is difference between the two service providers. The F-value is 3.32 with a significance level of 0.045 close to the 0.05 but shows significant difference.

The results show that there is a significant difference between the public banks and India post financial services in tangibles and empathy dimension of service quality. For the remaining dimensions such as reliability, responsiveness and assurance there are no significant differences. Therefore we reject null hypotheses H01 and H02. However we accept null hypotheses H03, H04 and H05 based on the results of ANOVA.

Table 4: Summary of Regression Analysis for Relationship Between Overall Customer Satisfaction and SERVQUAL Elements

	Sum of Squares	d.f	Mean Square	F	Sig.
Regression	11.54	5	2.31	6.45	.003
Residual	5.01	14	.36		
Total	16.55	19			

Dependent Variable: customer overall satisfaction

Regression model was applied to test whether there is a significant relationship between customer overall satisfaction and service quality measures based on SERVQUAL model. The p-value of 0.003 at significance level of 0.05 indicates that there is a significant relationship between the customer overall satisfaction and services quality dimensions. Since the p-value is less than 0.05 we reject the null hypothesis H06 that there is no significant relationship between customers overall satisfaction and service quality dimensions of SERVQUAL model. The regression model significantly explains the variation in the customer satisfaction as indicated by the p-value 0.003 being less than 0.05. The F-statistic (6.45) which is relatively large supports that the regression model is a good fit.

Conclusion and Suggestions

The research findings of the study reveal the significant differences in the perceived service quality between public banks and India Post across various service quality dimensions. Public Banks are perceived to have better tangibles compared to India Post. This indicates that Public Banks maintain modern physical facilities and equipments. Significant difference in empathy dimension is also seen with Public Banks showing higher levels of personalized attention and care compared to India Post. This suggests that Public Banks are perceived as providing more attentive and individualized service. However no significant differences were found in reliability, responsiveness and assurance dimensions. This indicates that both the service providers are equally responsive and trustworthy. Further overall customer satisfaction is positively related to the service quality dimensions measured by SERVQUAL. Improvements in tangibles and empathy can enhance customer satisfaction significantly.

The research findings recommend focusing on tangibles and empathy dimensions to enhance customer satisfaction. This includes improving physical facilities and providing training to staff for offering more personalized services to customers. Improvements in digital solutions can also help to bridge the service quality gaps.

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