Service Quality Expectations and Perceptions of Public and Private Sector Banks in India: A Comparative Study

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Abstract

The study 'Banking services: Customer expectations and perceptions' attempts to analyse the gulf in service quality of public and private sector banks in terms of customers' expectations and perceptions. The study has been carried out at both aggregate and disaggregate levels in order to explore and map the differences. The study also traces the factors affecting customer expectations and perceptions in regard to the service quality of banks. The primary data were collected with the help of a standardised questionnaire of service quality of Parasuraman which was administered to a convenience sample of 400 respondents accessing banking services in Gwalior, a city in Madhya Pradesh, a state in India. The data collected were analysed with the statistical tools of Factor Analysis and 'z-'test. The study revealed that, at the aggregate level, there was a statistically significant gap between customers' expectations and perceptions of banking services, with the arithmetic mean of expectations being 5.110 and that of perceptions 4.556. The factors influencing customers' expectations came out to be responsive attitude, reliability, tangibles, convenience, assurance and empathy. At the disaggregate level, the study revealed that there was a statistically significant difference between customers' expectations from public and private sector banks, with the arithmetic mean of expectations from private sector being 5.124 and that of public sector 5.055. Similarly there was a statistically significant difference between customers' perceptions from public and private sector banks, with the arithmetic mean of perceptions of private sector banks being 4.553 and that of perceptions of public sector banks being 4.526. The study concludes that in view of the stiff competition in the global business arena where businesses have to survive and grow on the basis of volume instead of margin, service quality will constitute an essential plank of service marketing. This implies that public sector banks will have to focus on the reduction of the gap in customer expectations and perceptions about their service quality if they are to compete in the global marketplace. To this end, public sector banks should continually assess and reassess how customers perceive their services and to implement appropriate corrective action for retaining the existing customers and getting new customers.

1. Introduction

The liberalisation of the Indian economy in 1991 set off a chain of paradigmatic changes in most sectors. One of the sectors that came in for immediate structural changes was the financial sector. Although the non-banking financial corporations had already been operating in the private sector, the government zealously guarded the banking sub-sector ever since bank nationalisation in the 1970s. The public sector banks operated like any public undertaking. Obviously, their functioning suffered from similar shortcomings. Amongst these, no less important a shortcoming was customer service. The liberalisation of the banking sector brought in stiff competition in the form of no holds-barred private sector banks that marketed their services amongst the public aggressively. It witnessed the emergence of national mega-banking companies such as (ICICI) and Housing Development Finance Corporation (HDFC) Banks, for whom customer service was an article of faith. The changed business environment in general and the banking sub-sector scenario in particular compelled the public sector banks to give up their elephantine indifference to the needs of the customers. With a view to vying for the market share with the private sector banks, they started focusing on efforts to provide quality customer service.

The concept of quality management in business organisations is as old as the advent of the industrial revolution, which changed the pattern of production processes from personalised and integrated to mass and assembly-based ones. What could not be accomplished in terms of quality control in the pre-industrial production processes could be easily achieved in the industrial production processes through the standardisation of processes and products. In the initial stages, quality management of products and the industrial production processes took precedence over that of systemic processes. System-based quality assurance envisages standardisation of procedures that oversee the interaction between products, processes and people. Obviously, this shifted focus to customers and customer relationship management, with the overwhelming realisation that the customer is the king. Unlike in the case of manufacturing companies, where the goods are manufactured and then sold to customers, in the services sector the customer is a part and parcel of the process that provides the service. This is especially true of banking services, both retail and corporate. So, it becomes all the more important for a banker to concentrate on the various dimensions of service quality from the customers' perspective.

In the context of the comparative efforts at positioning of private and public sector banks in the market, this study attempts to assess the level of service quality perceptions of banking sub-sector customers and map out the differences between the service quality perceptions and expectations of customers of private and public sector banks along with the factors responsible for these differences.

2. Review of Literature

For the past 30 years various topics such as the nature of service quality, bank choice criteria, bank switching behaviour and buying decision-making have been examined by different researchers such as Berry, Parasuraman, and Zeithaml, (1989), and Turnbull and Gibbs (1989). Amongst the studies carried out on corporate customers, focus has been on the importance of service in contributing to the development of corporate banking relationships (de Brentani & Cooper 1992). Bahia and Nantel (2000) developed their own BSQ (banking service quality) scale and compared it with SERVQUAL (service quality) scale, and concluded that the model they developed was more reliable and fits the validity criteria. The elements of their scale are effectiveness and assurance, access, price, tangibles, service portfolio and reliability. Aldlaigan and Buttle (2002) conducted an empirical study to develop a new scale to measure service quality perceptions of retail bank customers. They developed a new 21-item scale comprising four dimensions: service system quality, behavioural service quality, service transactional accuracy and machine service quality. They found that customers evaluate service quality at two levels: organisational and transactional. The parsimony, reliability and validity of this scale suggest that this is a measure of high utility to the banking industry.

Jabnoun and Al-Tamimi (2003) examined perceived services quality in commercial banks in the United Arab Emirates, emphasising the importance of service quality to maintain market share, concluding that customers value human skills the most in service quality. Many studies have been conducted on measuring the service quality of Internet Banking also. Liao and Cheung (2005) present a user-based core framework for evaluating service quality of e-banking. Empirical results suggest that perceived usefulness, ease of use, reliability, responsiveness, security and privacy and continuous improvement of e-banking services significantly influence customer attitudes towards Internet e-banking.

3. Some Corporate Evidence

There are only a few published works that relate to corporate customers' perceptions of conventional banking service quality. Turnbull (1983) was amongst the first researchers who studied the perceptions of corporate customers towards their banks. He examined the relationship between 44 corporate customers in United Kingdom and their bankers. He found that size played an important role in maintaining split banking practices. He also found that large corporations tend to prefer foreign banks to the local banks. In furtherance of Turnbull's study, Rosenblatt, Laroche, Hochstein, Mctavish and Sheahan (1988) found that almost half of the corporate treasurers were solely responsible for the selection of the bank(s). The two factors that influenced their decision-making were better branching networks and quality service. Turnbull and Gibbs (1989) found that the corporate customers perceived quality of service as the most important factor in establishing a relationship. Other influential factors were quality of staff, bank manager's attitude and price of service. Although very large companies considered quality of service as the most important factor, both price and quality of staff were equally important. Split banking relationship practice was common amongst the corporate customers. Almost all of the researchers agreed that physical appearance of the banks had no impact on their selection process. Tyler and Stanley (1999) used orthodox grounded theory in their study with the objective of identifying key elements of perceived service quality by large corporations. They found that the elements considered important were reliability, assurance, empathy, responsiveness and proactivity. Attempts to 'package' commoditised service relationship have not yielded relationship benefits. Instead, they have increased the risk and vulnerability both for the buyer and for the seller of financial services. Relationships develop organically over time as a result of a number of factors, including disparate elements such as simple longevity, full and effective communication (Crane & Eccles, 1993; Tyler, 1996), efficient and satisfactory service (Turnbull & Gibbs, 1989) and a range of human factors that are based on the skill and personality of bank and company staff and their ability to interact on a personal level. As such, human capital is stressed as a crucial factor in the development and maintenance of relationships (Turnbull and Gibbs, 1987; Turnbull and Moustakatos, 1996b). As relationships become mature, the line between benefits, characteristics and strategies of relationship development becomes blurred, and each aspect acts in a multi-functional sense. For example, trust and commitment begin to act as maintenance aspects within the relationship.

Yavas, Bilgin and Shemwell, (1997) emphasised the importance of understanding the specific needs of the customers and the empathy factor in pleasing the customer. These are ways of showing personal attention to the customer. Displeasing the customer in relation to service quality will naturally enhance negative responses from customers and increase the pressure on the complaint mechanisms. Thunman (1992) found that the size of the buying company is crucial to the nature and satisfaction of a company's banking relationships. Small companies have a greater desire for banking relationships, yet have a lower level of satisfaction (Turnbull and Gibbs, 1989). This relates to factors of dependence and information asymmetry associated with the bank/small and medium-sized enterprise interface. Large corporate houses are associated more with transaction-based multi-supplier banking strategies than SMEs. These have been described by Berry and Parasuraman (1991) as 'expert customers'. That is, they have specialist financial functions and access to the same information as the banks with which they do business. They also have endogenous professional financial expertise. This is an internal reflection of the complex nature of their banking requirements, which may also explain their multi-banking preference. Their requirements fall broadly into three categories of functionality (Thunman). The importance of service in contributing to the development of corporate banking relationships is acknowledged (Brentani & Cooper, 1992; Turnbull & Moustakatos, 1996b). The impact of relationships upon services has received less attention. Ennew and Binks (1996) argue that the perception of service levels is determined partially by the interaction levels, and that effective management of a relationship assists the quality of service.

Quality of service is a means 'to establish, maintain and enhance relationships, (usually but not always long-term), with customers and other partners, at a profit, so that the objectives of the parties are met' (Grönroos, 1990). Grönroos (1990) divides the perception of service into factors of technical quality that refer to procedures of service delivery, and functional quality, which refers to interactive factors in the delivery of services. Technical quality is linked expressly to the concept of efficiency of systems in service delivery. Functional quality stresses human elements of service delivery, including elements that exist outside the specifics of the transaction. In this sense, it is a holistic definition of service and refers to all levels of the provision of services and the service provider's organisation.

Grönroos (1990) seeks to define aspects of quality service based upon his variable selection. He identifies 10 criteria of good perceived service: professionalism, attitudes, behaviour, accessibility, flexibility, reliability, trustworthiness, recovery, reputation and credibility. These factors refer to both the regular and exceptional services identified (Berry et al., 1989, Thunman, 1992), and focus especially on relationship-related functional factors. Grönroo? work is important in providing a framework for describing the quality by an analysis of its components. Parasuraman, Zeithaml and Berry (1988) have provided a component framework for understanding those elements, which constitute quality service. Bonaccorsi and Fiorentinon (1996) have clear implications for the management of service quality, as its perception by the recipient is difficult to predict. Two methods of judgment of service quality have been identified: equity models, the notion of the fair exchange (Bonaccorsi & Fiorentinon; Oliver & Swan, 1989), and the persuasive disconfirmation of expectations, where judgment is derived from the comparison of expectation and perceived outcome (Bonaccorsi & Fiorentinon; Parasuraman et al.). However, both of these are driven by the perception of service, not definitive measurement, and so do not resolve the problem of predicting purchaser response. It has been seen that the relationship in which a service is provided is important in shaping the perception of the service delivered (Grönroos).

4. Some Indian Evidence

Gudep and Elango (2006) focused on the service quality and customer satisfaction amongst the private, public and foreign banks in India. A well-structured questionnaire was used to collect the views of respondents across the three banking sectors. The survey instrument included various dimensions pertaining to the quality of customer services in terms of banking personnel, convenient working hours, web-based services, error-free value-added services and efficient grievance redressal mechanism. The authors used 'factor analysis' (FA) and the 'one-way analysis of variance' classification to extract the relevant factors and analyse whether there was any significant difference with respect to service quality between the three banking sectors. The results indicated that the foreign and the new generation private sector banks were serving the customers better. This had larger implications on the public sector commercial banks in India with respect to customer service delivery aspects.

Chawla and Singh (2008) tried to measure service quality in the life insurance sector. They specifically focused on identifying the service quality factors affecting customer satisfaction levels of the policyholders. The study was based on the responses of 210 policyholders from northern India. Various statistical tests, namely reliability analysis and FA, were employed to test data that were collected through survey method. The findings of the study revealed that the accessibility factor has a higher mean satisfaction compared with mean satisfaction of reliability and assurance factors. Comparison of overall mean satisfaction based on various factors extracted showed that respondent who had purchased insurance policies before privatisation had a higher mean score compared with the respondents who took insurance policies after privatisation.

Shekhar and Gupta (2008) explored customers' perspectives on the concept of relationship marketing. They attempted to understand the customers' perspective on their relationship with financial service provider and the quality of service provided by them. They focused on the customers' motivations behind engaging themselves in a relationship and the factors, which influence them in this regard. He concluded that a financial service provider should take these motivations and factors into consideration at the time of formulating relationship-marketing strategies.

Rohini (2006) undertook a service quality perception study in five hospitals in Bangalore city. The well-documented 'Service Quality Model' was used as a conceptual framework for understanding service quality delivery in healthcare services. The measuring instrument used in this study was the SERVQUAL questionnaire for the measurement of Gap 5 and Gap 1. An analysis covering a sample of 500 patients revealed that there exists an overall service quality gap between patients' perceptions and their expectations. An analysis covering a sample of 40 management personnel revealed that a gap between managements' perception about patients' expectations and patients' expectations of service quality also exists. The study suggested improvements across all the five dimensions of service quality - tangibles, reliability, responsiveness, assurance and empathy.

Mengi (2009) conducted a study to compare customers' perceptions of service quality of public and private banks in Jammu. SERVQUAL scale was used to determine different dimensions of service quality, and chi-square analysis was used to understand the impact of SERVPERF (service performance) dimensions (tangibility, reliability, responsiveness, assurance and empathy) on customer satisfaction. It was found that the customers of public sector banks are more satisfied with their service quality than those of private sector banks.

In the light of the preceding review of the studies carried out in this area, we find that there are very few studies focusing on a comparative analysis of services quality expectations and perceptions of customers of public and private sector banks in the Indian context. So this study not only focused on various factors affecting customer's expectations and perceptions in regard to the service quality of banks but also tried to compare the expectations and perceptions of customers of public and private sector banks.

5. Research Design and Methods

5.1 *Survey instrument*

The standardised questionnaire SERVQUAL (Parasuraman et al., 1988) consisting of 22 items was used for measuring the service quality dimensions in banks and consisted of two sections: an expectation section and a perception section. The expectation section required the respondents to indicate on a 7-point scale (strongly disagree to strongly agree) the extent to which the ideal service providing organisation (in this case a bank) possesses the characteristic desired in each statement. In the perception section, the statements required the respondent to indicate the extent to which the particular bank possesses the characteristic described, again on a 7-point (strongly disagree to strongly agree) scale. The original SERVQUAL instrument had seven categories; that is, it employed a 7-point scale (Parasuraman). Hence the instrument used in this study for measuring customer-perceived service quality also employed a 7-point scale, anchored by strongly disagree and strongly agree at the end points 1 and 7, respectively.

5.2 *Pre-testing*

Both qualitative and quantitative assessments were conducted for purification of scale items. For quantitative assessment, item-to-total correlation test was applied to check the consistency of the scale. Under item-to-total correlation, correlation of every item with total is measured and the computed value is compared with standard value, that is 0.1374. If the computed value is found less than the standard value then the whole item or statement is dropped and is termed as inconsistent (Nunnally, 1978). No item was dropped in the scale. Results of item-to-total correlation are shown in Table 1. For qualitative assessment, a pilot study was conducted with a small sample size of 25 to check the overall structure of questionnaire. The respondents confirmed face validity of items in the questionnaire.

Table 1: Consistency measure of questionnaire

Item	Computed Correlation Value	Consistency	Accepted or Dropped
P1. Your bank has up-to-date equipment.	0.4028	Consistent	Accepted
P2. Your bank's physical facilities are visually appealing.	0.52180	Consistent	Accepted
P3. Your bank's employees are well dressed and appear neat.	0.3529	Consistent	Accepted
P4. The appearance of the physical facilities of your firm is in keeping with the type of services provided	0.5281	Consistent	Accepted
P5. When your bank promises to do something by a certain time, it does so.	0.5547	Consistent	Accepted
P6. When you have problems, your bank is sympathetic and reassuring.	0.3912	Consistent	Accepted
P7. Your bank is dependable.	0.4966	Consistent	Accepted
P8. Your bank provides its services at the time it promises to do so.	0.3919	Consistent	Accepted
P9. Your bank keeps its records accurately.	0.4764	Consistent	Accepted
P10. Your bank dos not tell customers exactly when services will be performed.	0.2449	Consistent	Accepted
P11. You do not receive prompt service from your bank's employees.	0.2666	Consistent	Accepted
P12. Employees of your bank are not always willing to help customers.	0.3622	Consistent	Accepted
P13. Employees of your bank are too busy to respond to customer requests promptly.	0.3574	Consistent	Accepted
P14. You can trust the employees of your bank.	0.3245	Consistent	Accepted
P15. You feel safe in your transaction with your bank's employees.	0.4361	Consistent	Accepted
P16. Employees of your banks are polite.	0.4784	Consistent	Accepted
P17. Employees get adequate support from your bank to do their jobs well.	0.4636	Consistent	Accepted
P18. Your bank does not give you individual attention.	0.3579	Consistent	Accepted

Item	Computed Correlation Value	Consistency	Accepted or Dropped
P19. Employees of your bank do not give you personal attention.	0.3789	Consistent	Accepted
P20. Employees of your bank do not know what your needs are.	0.3511	Consistent	Accepted
P21. Your bank doesn't have best interests at heart.	0.4167	Consistent	Accepted
P22. Your bank doesn't have operating hours convenient to all its customers.	0.3985	Consistent	Accepted

5.3 *Data collection*

The questionnaires were distributed amongst customers who had current accounts with four major banks in the retail banking industry from August to December 2007. Two banks from public sector and two banks from private sector - State Bank of India (SBI), State Bank of Patiala, ICICI Bank and HDFC Bank - were selected. All these banks have a strong retail presence in the banking industry and are the largest and most profitable banks in India. The sample size was fixed at 400 customers. Convenience sampling technique (non-probability technique) was used to get the questionnaire filled by the customers. Every alternate customer entering the bank was asked to complete the questionnaire. Out of 400 respondents, 280 respondents agreed to fill up the questionnaire. On further filtering, 240 responses were found to be properly and completely filled.

6. Hypotheses of the Study

Keeping the objectives in mind, this study intends to test the following hypotheses:

(Ho1): There is no significant difference in the perceptions of customers of public and private sector banks.

(Ho2): There is no significant difference in the expectations of customers of public and private sector banks.

(Ho3): There is no significant difference between the expectations and perceptions of customers of banks.

7. Tools Used for Data Analysis

To check the reliability of data items of the questionnaire, Cronbach's alpha and Gutman reliability tests were performed by using SPSS software. FA was applied to find out the underlying factors affecting customers' perceptions in regard to the service quality of banks. In order to map the differences in the perceptions of the customers of public and private sector banks, Z-test was applied. This test was also applied to map the difference in the expectations of the customers of public and private sector banks. It was again applied to draw a comparison between the expectations and perceptions of customers of banks.

8. Results and Discussion

The results of the survey have been discussed in five sections. Section I analyses the reliability measure of the questionnaire, Section II presents the results of FA used to find out the factors that contribute to service quality, Section III discusses the comparison between customers' expectations and perceptions of banks at the aggregate level; Section IV draws a comparison between customer's expectations from private and public sector banks and Section V highlights the comparison of public and private sector banks in terms of customer perceptions.

8.1 Section I - Reliability measure of the questionnaire

The reliability of items was assessed by calculating the coefficient alpha (Cronbach, 1951), gutman split-half, which measures the internal consistency of the items. Reliability measure was carried out using SPSS software and the SPSS output is shown in Table 2. For a measure not to be rejected, coefficient value in all the cases should be above 0.7 (Nunnally. 1978). It can be seen that in almost all the reliability methods applied here, reliability value is more than 0.7, so it can be said that all the items in the questionnaire are highly reliable.

Table 2: Reliability measure of questionnaire

Alpha	0.787
Guttman	0.827

8.2 Section II - FA

FA provided enhanced control for assessing the extent to which items on a factor measure one single construct (Ahire, Golhar, & Waller, 1996). For each customer, SERVQUAL scores were generated. A SERVQUAL score is obtained by subtracting the expectation score from the perception score for each SERVQUAL item. FA was conducted with the SERVQUAL scores for the entire set of 240 customers. FA model was run through SPSS software and the output is shown in Table 3. The FA was undertaken using the principal component extraction method with Varimax rotation. The sorted rotated values of the factor loading with minimum value of 0.5 or more have been considered (Refer Table 3).

Table 3: FA for questionnaire

Factor name	Eigen Value Variance	%of Total	Variable Convergence	Loading
Responsive Attitude	4.306	19.571	P13. Employees of your bank are too busy to respond to customer requests promptly. P10. Your bank does not tell customers exactly when services will be performed. P7. Your bank is dependable. P8. Your bank provides its services at the time it promises to do so. P11. You do not receive prompt service from your bank's employees.	0.781 0.714 0.553 0.528 0.521
Reliability	2.558	11.127	P20. Employees of your bank do not know what your needs are. P14. You can trust the employees of your bank P21. Your bank doesn't have best interests at heart. P9. Your bank keeps its records accurately. P19. Employees of your bank do not give you personal attention. P15. You feel safe in your transaction with your bank's employees.	0.779 0.755 0.720 0.665 0.664 0.544
Tangibles	1.592	7.235	P1. Your bank has up-to-date equipment. P2. Your bank's physical facilities are visually appealing. P3. Your bank's employees are well dressed and appear neat. P4. The appearance of the physical facilities of your firm is in keeping with the type of services provided.	0.757 0.748 0.680 0.500
Convenience	1.343	6.106	P12. Employees of your bank are not always willing to help customers. P18.Your bank does not give you individual attention. P22. Your bank doesn't have operating hours convenient to all its customers.	0.744 0.699 0.519
Assurance and Empathy	1.225	5.568	P17. Employees get adequate support from your bank to do their jobs well. P16. Employees of your banks are polite. P6. When you have problems, your bank is sympathetic and reassuring.	0.731 0.724 0.516

This study provides significant contribution to theory by devising a reliable and valid measurement instrument, which has used SERVQUAL (Parasuraman et al., 1988) as a base model. After conducting the factor analysis, a six-dimensional instrument comprising responsive attitude, reliability, tangibles, convenience, and assurance and empathy was formed. The study indicated that amongst the various service quality dimensions, 'responsive attitude' is the best predictor, followed by reliability, tangibles, convenience, and assurance and empathy.

8.2.1 *Responsive attitude*

The study shows that the factor 'Responsive attitude' is an important determinant of service quality perception in financial services with a total variance of 19.571. The factor responsiveness was defined by variables such as 'Your bank does not tell customers exactly when services will be performed' (0.714), 'Your bank is dependable' (0.553), 'Your bank provides its services at the time it promises to do so' (0.528), 'You do not receive prompt service from your bank's employees' (0.521). Lovelock and Wirtz (2007) classified services along two axes, namely: 'relative involvement of goods ranging from pure services that are low on goods (consulting, insurance), services with some goods or delivered through goods (air travel, retailing, couriers, hotels, banking, maintenance) to services embodied in goods (music, books)' and 'degree of consumer-producer interaction', from lower to higher. The author suggested that banking was in the sector featuring medium goods and higher customer-producer interactions because in banking, consumers and service providers interact personally and the use of goods is at a medium level. Hence, in banking, where there are high customer-producer interactions, the quality of service is determined to a large extent by the degree of responsive attitude of people producing the service. Viewed in this light, superior performance on 'responsive attitude' should boost customers' perception of enhanced quality of service by the banks. Employees at the front desk should, therefore, resolve customers' complaints on time and should take them seriously. This implies that the bank service providers should invest in empowering the front desk employees and providing them with adequate resources so that they can take prompt action on customer queries and suggestions. Also, the employees should be efficient enough to make decisions regarding customer's problems at their level, thereby providing adequate responsiveness.

8.2.2 *Reliability*

The study shows that the second important factor that influences the overall service quality as perceived by customers is 'Reliability'. Banks need to focus on knowing the needs of the customers, giving them personal attention, providing security in customer transactions and ensuring the accuracy of billing system. The total variance of this factor was 11.127. It includes sub-factors such as 'Employees of your bank do not know what your needs are' (0.779), 'Customer should be able to trust employees of these firms' (0.755), 'Your bank doesn't have best interests at heart' (0.720), 'Your bank keeps its records accurately' (0.665), 'Employees of your bank do not give you personal attention' (0.664) and 'Security in customer transaction' (0.544).

8.2.3 *Tangibles*

The study reveals tangibles as one of the important determinants of service quality perception in banks, with a total variance of 7.235. It is an important dimension in affecting the customer's perception of overall service quality. The factor includes sub-factors such as 'Your bank has up-to-date equipment' (0.757), 'Your bank's physical facilities are visually appealing' (0.748), 'Your Bank's employees are well dressed and appear neat' (0.680), 'The appearance of the physical facilities of your firm is in keeping with the type of services provided' (0.500). All these factors are noticed by the customers before or upon entering the bank. Such visual factors help consumers form their initial impressions. A crucial challenge in service marketing is that customers cannot see a service but can see the various tangibles associated with it - all these tangibles are clues about the intangible service. If unmanaged, these clues can send wrong messages about the service to the customers and render the marketing strategy of the company ineffective. Thus, service providers should focus on tangibles to achieve the perception of high level of service quality.

8.2.4 *Convenience*

The new dimension identified in this study is 'Convenience.' With a total variance of 6.106, it occupies the fifth place in terms of importance. This requires that the bank have convenient procedure for lodging complaints/queries and business hours without any difficulty. It has sub-factors such as - 'Not always willing to be helpful to customers' (0.744), 'Less promptness' (0.699), 'No individual attention by bank' (0.519).

8.2.5 *Assurance and empathy*

'Assurance and Empathy' occupy the fourth position in the study. Yavas et al. (1997) emphasised the importance of understanding the specific needs of the customers and the need for empathy to please the customer. This study also focuses on the requirement of the banks to give individual attention to the customers' queries and understand their specific needs. Whenever customers have problems, bank employees should sympathetically solve their problems. This factor has total variance of 5.56. It included sub-factors such as 'Employees get adequate support from their banks to perform their job well' (0.731), 'Employees of your banks are polite' (0.724), 'When you have problems, your bank is sympathetic and reassuring' (0.516).

8.3 *Section III - Comparison between expectation and perception of customers of banks*

The null hypothesis that there is no significant difference between the expectations and perceptions of customers of banks needs to be statistically tested. The statistical significance has been examined by using Z-statistic. If the estimated value of Z-statistic is greater than 1.96 and less than 2.58, it is significant at 5% level. If its value exceeds 2.58, it is significant at 1% level. In the event of the Z-statistic being significant, it implies that there is a significant difference between the expectations and perceptions of customers of banks. The value of Z-statistic in case of service quality is 8.985, which is more than the standard value, 1.96 at 5% level of significance, so the null hypothesis is not accepted. There is significant difference between the expectations and perceptions of customers of banks.

Z >1.96
Ho3 is not accepted

Type	Mean	Standard Deviation (S.D.)	Square of S.D.
Expectation	5.110	0.627	0.393
Perception	4.556	0.5816	0.3382

SE	0.0605
Z-value	8.98

8.4 Section IV - Comparison of Expectations of Customers of Public and Private Sector Banks

The null hypothesis that there is no significant difference between the expectations of customers from public and private sector banks needs to be statistically tested. The statistical significance has been examined by using Z-statistic. If the estimated value of Z-statistic is greater than 1.96 and less than 2.58, it is significant at 5% level. If its value exceeds 2.58, it is significant at 1% level. In the event of the Z-statistic being significant, it implies that there is significant difference between the expectations of customers' from public and private sector banks. The value of Z-test in the case of service quality is 7.756, which is more than the standard value, 1.96 at 5% level of significance, so the null hypothesis is not accepted. So, we may safely say that there is a significant difference between the expectations of customers from public and private sector banks.

Z >1.96
Ho2 is not accepted

Type	Mean	S.D.	Square of S.D.
Public bank	5.055	0.6044	0.3652
Private bank	5.124	0.5476	0.2998

Standard error	0.00887
Z-value	7.756

8.5 *Section V - Comparison of perceptions of customers between public and private banks*

The null hypothesis that there is no significant difference between the perception of customers between public and private sector banks needs to be statistically tested. The statistical significance has been examined by using Z-statistic. If the estimated value of Z-statistic is greater than 1.96 and less than 2.58, it is significant at 5% level. If its value exceeds 2.58, it is significant at 1% level. In the event of the Z-statistic being significant, it implies that there is significant difference between the perceptions of customers from public and private sector banks. The value of Z-test in the case of service quality is 3.32, which is more than the standard value, 1.96 at 5% level of significance, so the null hypothesis is not accepted. In other words, there is a significant difference between the perceptions of customers between public and private sector banks.

Z >1.96
Ho1 is not accepted

Type	Mean	S.D.	Square of S.D.
Public bank	4.526	0.5475	0.2997
Private bank	4.553	0.6083	0.3700

Standard error	0.00821
Z-value	3.32

9. Conclusion

From the preceding discussion it is clear that the differential performance of public and private sector banks in the post-liberalised phase of the Indian economy has, to a large extent, matched the graph of customer perceptions and expectations from each of the two. Further, as the study shows, quality parameters such as responsiveness, reliability, tangibles, convenience, assurance and empathy, and trustworthiness greatly structure customers' expectations and perceptions of banking sector service quality. These factors are similar to the factors identified in Tyler and Stanley's (1999) study, which used orthodox grounded theory in their study with the objective of identifying key elements of perceived service quality by large corporations. They found that the elements that were considered important were reliability, assurance, empathy, responsiveness and proactivity.

Last, managing the perceived quality means that the firm has to match the expected service and perceived service with each other so that consumer satisfaction is achieved. In order to keep the gap between the expected service and the perceived service as small as possible, it is important that the promises about how the service will perform, given by traditional marketing activities and communicated by word of mouth, must not be unrealistic when compared to the actual service delivery that customers will eventually experience.

The study concludes that in view of the stiff competition in the global business arena where businesses have to survive and grow on the basis of volumes, instead of margins, service quality will constitute an essential plank of service marketing. This implies that public sector banks will have to focus on the reduction of the gap in customer expectations and perceptions about their service quality if they are to compete in the global marketplace. To this end, public sector banks should continually assess and re-assess how customers perceive their services to know whether these banks meet or exceed or fall short of the expectations of their customers. Such a customer services quality audit, though tedious, will help the banks to pay attention to potential failure points and service recovery procedure, which could be made integral to employees' training. In other words, it amounts to empowering employees to exercise responsibility, judgment and creativity in responding to customers' problems.

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