

A Study on Service Quality of Private Sector Banks in Madurai City

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Introduction

Bank is a financial institution that performs several functions like accept in deposits, lending loans agriculture and rural development etc., Banks plays an important role in the economic development of the country. It is necessary to encourage people to deposit their surplus funds with the banks. These funds are used for providing loans to the industries there by making productive investments.

A bank is a financial intermediary that accepts deposits and channels those deposits in to lending activities. They are the active player in financial markets. The essential role of a bank is to connect those who have capital. After the post economic liberalization and globalization, there has been a significant impact on the banking industry.

Banking in India originated in the 18th century the oldest bank in existence in I India is the State Bank of India, a government owned bank in 1806. State Bank of India is the largest commercial bank in the country.

After the Independence, reserve Bank of India was nationalized and given wide powers currently; India has 96 Scheduled Commercial Banks, 27 Public Sector banks, 31 Private Sector Banks and Foreign Banks.

Today, banks have diversified their activities and are getting into new products and services that include opportunities in credit cards, consumer finance, wealth management, life insurance and general insurance, investment banking, mutual funds, pension fund regulation, stock brokerage services, etc., Further, most of the leading Indian banks are going global setting up offices in foreign countries by themselves or through their subsidiaries.

Objective of the Study

1. To know the customer satisfaction level about the private sector banking in Madurai city.
2. To analyze the service quality of private sector banks in Madurai city.

Statement of the Problem

Customers are the lifeblood for any business. A banking industry is highly service oriented business. Private sector banks have been universally identified as an essential ingredient in the development process. Private sector banks indirectly motivate the Public sector banks by offering a healthy competition to them. Here in this study tried to figure out the service quality of Private sector banks in Madurai city and satisfaction level of the customers with those services.

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Review of Literature

Emari et al., (2011)³ in her article entitled “Service Quality in the banking Industry in Iran”, the objectives of the study were to measure the functional and technical quality service items. The statistical tools used were factor analysis and chi – square test. It was found that the overall service quality is influenced more by a consumer’s perception of technical quality than functional quality. It was concluded that the functional quality, technical quality service items were developed by image, customer satisfaction and overall service quality.

Parmita Mehta (2012)⁴ in her study entitled “Service Quality in Retail Banking Sector in Context of Gujarat”, the main objective was to study the measurement of service quality in the banking sector. The methodology followed was regression analysis. The study concludes that the type of account held by the customer has more influence on the service quality segments. The study concludes saying that reliability dimension has the highest shortfall and assurance shows the lowest, when compared with customer expectations.

Dr. Mrs. G. Santhiyavalli (2011)⁵ in her study entitled, “A study on Customer’s Perception of service quality of State Bank of India”, the main objective of the study was to evaluate the service quality of the SBI in Coimbatore area. The statistical tools used were factor analysis and gap analysis. It was found that short falls in the dimension of service quality of the banking service. It was suggested that the study shows that most of the customers in the range of “agree” and “partially agree” for the services offered by SBI.

S.L Shetty (1976)⁶ in her article entitled “Deployment of Commercial Bank and other institutional credit”, the objective of the study was to assess the dimensional changes in credit deployment during the first five years of nationalization in relation to change in output and price the statistical tools used were paired t-test, chi-square test and t-test. It was found that the share in Net Domestic Product (NDP). It was concluded that increase in bank credit has occurred far in excess of increase in output during the years 1968-69 to 1973-74.

Kumbhar V.M (2011)⁷ in his article entitles “A Factor affecting the Customer Satisfaction in E-Banking”, the objective of the study to examine a contribution of various dimension of service quality in customer satisfaction. The statistical tools used were mean, standard deviation, and t-test. It was found that the perceived value, brand perception, cost effectiveness, easy to use, convenience, problem handling, security or assurance and responsiveness are important factors in customer satisfaction in E-banking. It was suggested that to improve service quality of E-banking and increase that level of customer satisfaction in E-banking.

³Emari, Iranzadeh & Bakhshayesh (2011), “Determining the dimensions of Service Quality in the banking Industry: Examining the Gronroos’s model in Iran”, Trends in applied sciences research, 6(1):57-64.

⁴Parmita Mehta. M (2012) “Measuring Service Quality in Retail Banking Sector in Context of Gujarat” Ninth AIMS International conference on management, January 2012, pp 38-46.

⁵Dr. Mrs. G. Santhiyavalli (2011) “A study on Customer’s Perception of service quality of State Bank of India”, a factor analysis. IJMBS vol.1, Issue 3, September 2011, ISSN: 2330-9519 (online) Issue No: 2231-2463, pp 78-84.

⁶S. L Shetty (1976) “Deployment of Commercial Bank and other institutional credit”. A note on structure change” Economic and political weekly, vol x1 no: 1’1, May 8th pp. 696-705.

⁷Kumbhar V.M (2011) “A Factor affecting the Customer Satisfaction in E-Banking” some evidences from Indian banks management research and practice vol.3 Issue 4 (2011), pp:1-14.

Athanassopoulous A., Gounrasis S., and S Tathakopuoulos V. (2001)⁸ in their article entitled “A Study on Behavioral responses to Customer Satisfaction”, the main objective of the study was to investigate the behavioral consequences of customer satisfaction in the banking industry. The statistical tools used were percentage analysis, weighted average and chi-square test. It was found that to have strong positive association with word of mouth communication and also to indicate that the customer satisfaction dimensions. It was suggested that to develop strategies to customer satisfaction and prohibit negative ones.

Types of Banks

Commercial banks

The term used for a normal bank to distinguish it from an investment bank. After the Great Depression, the U.S. Congress required that banks only engage in banking activities, whereas investment banks were limited to capital market activities. Since the two no longer have to be under separate ownership, some use the term "commercial bank" to refer to a bank or a division of a bank that mostly deals with deposits and loans from corporations or large businesses.

Community banks

Locally operated financial institutions that empower employees to make local decisions to serve their customers and the partners. Community development banks: regulated banks that provide financial services and credit to underserved markets or populations.

Land development banks

The special banks providing Long Term Loans are called Land Development Banks, in the short, LDB. The history of LDB is quite old. The first LDB was started at Jhang in Punjab in 1920. The main objective of the LDBs is to promote the development of land, agriculture and increase the agricultural production. The LDBs provide long-term finance to members directly through their branches.

Credit unions or Cooperative Banks

Not for profit cooperatives owned by the depositors and often offering rates more favorable than for profit banks. Typically, membership is restricted to employees of a particular company, residents of a defined area, members of a certain union or religious organizations, and their immediate families.

Postal savings banks

Savings banks associated with national postal systems.

Private Banks

Banks that manage the assets of high net worth individuals. Historically a minimum of USD 1 million was required to open an account; however, over the last years many private banks have lowered their entry hurdles to USD 250,000 for private investors.

⁸ Athanassopoulous A., Gounrasis S., and S Tathakopuoulos V.(2001) in their article entitled “A Study on Behavioral responses to Customer Satisfaction”. European journal of marketing vol.35,no,516, pp.687-707.

Offshore banks

Banks located in jurisdictions with low taxation and regulation. Many offshore banks are essentially private banks.

Savings banks

In Europe, savings banks took their roots in the 19th or sometimes even in the 18th century. Their original objective was to provide easily accessible savings products to all strata of the population. In some countries, savings banks were created on public initiative; In others, socially committed individuals created foundations to put in place the necessary infrastructure. Nowadays, European savings banks have kept their focus on retail banking: payments, savings products, credits and insurances for individuals or small and medium sized enterprises. Apart from this retail focus, they also differ from commercial banks by their broadly decentralized distribution network, providing local and regional outreach and by their socially responsible approach to business and society.

Building societies and Landes banks

Institutions that conduct retail banking.

Ethical banks

- Banks that prioritize the transparency of all operations and make only what they consider to be socially responsible investments.
- A Direct or Internet Only bank is a banking operation without any physical bank branches, conceived and implemented wholly with networked computers.

Types of investment banks

- Investment banks "underwrite" (guarantee the sale of) stock and bond issues, trade for their own accounts, make markets, provide investment management, and advise corporations on capital market activities such as mergers and acquisitions.
- Merchant banks were traditionally banks which engaged in trade finance. The modern definition, however, refers to banks which provide capital to firms in the form of shares rather than loans. Unlike venture caps, they tend not to invest in new companies.

Both combined

Universal banks, more commonly known as financial services companies, engage in several of these activities. These big banks are much diversified groups that, among other services, also distribute insurance. Hence the term banc assurance, a portmanteau word combining "banque" or bank" and "assurance", signifies that both banking and insurance are provided by the same corporate entity.

Other types of banks

- Central banks are normally government owned and charged with quasi regulatory responsibilities, such as supervising commercial banks, or controlling the cash interest rate. They generally provide liquidity to the banking system and act as the lender of last resort in event of a crisis.
- Islamic banks adhere to the concepts of Islamic law. This form of banking revolves around several well established principles based on Islamic canons. All banking activities

must avoid interest, a concept that is forbidden in Islam. Instead, the bank earns profit (mark up) and fees on the financing facilities that it extends to customers.

Private banking

Private banking is banking, investment and other financial services provided by banks to private individuals who enjoy high levels of income or invest sizable assets. The term "private" refers to customer service rendered on a more personal basis than in mass market retail banking, usually via dedicated bank advisers. It does not refer to a private bank, which is a non-incorporated Banking institution.

Private banking forms an important, high level and more exclusive (for the especially affluent) subset of wealth management. At least until recently, it largely consisted of banking services (deposit taking and payments), discretionary asset management, brokerage, limited tax advisory services and some basic concierge type services, offered by a single designated relationship manager. Taking a largely passive approach to financial decision making, most clients trust their private banking relationship manager to 'get on with it.'

Importance of Private sector banks in India

The private sector banks play a vital role in the Indian economy. They indirectly motivate the public sector banks by offering a healthy competition to them. The following are their importance:

- **Offering high degree of Professional Management:** The private sector banks help in introducing a high degree of professional management and marketing concept into banking. It helps the public sector banks as well to develop similar skill and technology.
- **Creates healthy competition:** The private sector banks provide a healthy competition on general efficiency levels in the banking system.
- **Encourages Foreign Investment:** The private sector banks especially the foreign banks have much influence on the foreign investment in the country.
- **Helps to access foreign capital markets:** The foreign banks in the private sector help the Indian companies and the government agencies to meet out their financial requirements from international capital markets. This service becomes easier for them because of the presence of their head offices or other branches in important foreign centers. In this way they help a large extent in the promotion of trade and industry in the country.
- **Helps to develop innovation and achieve expertise:** The private sector banks are always trying to innovate new products avenues (new schemes, services, etc.) and make the industries to achieve expertise in their respective fields by offering quality service and guidance. They introduce new technology in the banking service. Thus, they lead the other banks in various new fields. For example, introduction of computerized operations, credit card business, ATM service, etc.

List of Private Banks in Madurai City

- **CITY UNION BANK**
- **DANALAXMI BANK**
- **FEDERAL BANK**
- **ING VYSYA BANK**
- **KARNATAKA BANK**

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- **KARUR VYSYA BANK**
- **SOUTH INDIAN BANK**
- **LAKHSMI VILAS BANK**
- **TAMILNAD MERCANTILE BANK**
- **AXIS BANK**
- **ICICI BANK**
- **INDUSIND BANK**
- **KOTAK MAHINDA BANK**
- **HDFC BANK**
- **CATHOLIC SYRIAN BANK**

Research Design and Methodology

Research design

The research design is useful for conducting the research work. The research design adopted for this study is descriptive. This primary data is the chief source for the research work. In this study, questionnaire method has been used to collect the primary data. Secondary data is very useful in conducting the research work. Secondary data collected from journals, books, other projects and websites. The sampling design of the study was conducted by convenient sampling method. The number of samples used for the research is 100.

CHI – Square Test

Relationship between Educational Qualification and opinion about Quality in Service

Ho: There is no significance difference between the Educational qualification and opinion about quality in service.

Table 1:

Educational Qualification	Essential in service quality		Total
	Essential	Not Essential	
School level	11	0	11
Under graduation	38	3	41
Post-graduation	28	1	29
Professional	13	0	13
Others	6	0	6
Total	96	4	100

Source: Primary data

Degree Of Freedom	Calculated Value	Level of Significance	Table value
4	2.45	5%	9.49

Table 4.21 shows that the value of χ^2 for degree of freedom 4 at 5% level of significance is 9.49. The calculated value of χ^2 is less than the table value.

Therefore the null hypothesis is accepted.

Hence, it is inferred there is no significant different between educational qualification and opinion about quality in service.

Relationship between Gender and Respondents having a/c in more than one bank

Ho: There is no significance difference between Gender and Respondents having a/c in more than one bank.

Table 2:

Gender	Respondents having a/c in more than one bank.		Total
	Having a/c	Not Having a/c	
Female	24	13	37
Male	37	26	63
Total	61	39	100

Source: Primary data

Degree Of Freedom	Calculated Value	Level of Significance	Table Value
1	0.369	5%	3.84

Table 4.22 shows that the value of χ^2 for degree of freedom 1 at 5% level of significance is 3.84. The calculated value of χ^2 is less than the table value.

Therefore the null hypothesis is accepted.

Hence, it is inferred that there is no significant difference between Gender and Respondents having a/c in more than one bank.

Relationship between Occupation and Type of bank a/c of the respondents

Ho: There is no significance difference between Occupation and Type of bank a/c of the respondents.

Table 3:

Occupation	Type of bank a/c of the respondents				Total
	Savings a/c	Current a/c	Fixed Deposit a/c	Recurring Deposit a/c	
Students	14	4	4	1	23
Private Employee	11	7	3	1	22
Government Employee	11	5	4	6	26
Business	8	10	0	3	21
Others	5	1	2	0	8
Total	49	27	13	11	100

Source: Primary data

Degree Of Freedom	Calculated Value	Level of Significance	Table value
12	16.912	5%	21

Table 4.23 shows that the value of χ^2 for degree of freedom 12 at 5% level of significance is 21. The calculated value of χ^2 is less than the table value.

Therefore the null hypothesis is accepted.

Hence, it is inferred that there is no significant difference between Occupation and Type of bank a/c of the respondents.

Level of Satisfaction and Age Group of the Respondents

The researcher compares the Level of Satisfaction and Age Group of the Respondents.

Table 4: Level of Satisfaction and Age Group of the Respondents

Age	Level of Satisfaction			Total
	High	Medium	Low	
18 yrs – 25 yrs	16(47%)	13(38%)	5(15%)	34
26 yrs – 35 yrs	7(28%)	10(40%)	8(32%)	25
35 yrs –45 yrs	7(29%)	11(45%)	6(25%)	24
Above -45 yrs	0	15(88%)	2(14%)	17
Total	30	49	21	100

Source: Primary Data

The table 4.25 shows that majority of the respondents have medium level of satisfaction with the banking services irrespective of their age groups.

Level of Satisfaction and Gender of the Respondents

The researcher compares the Level of Satisfaction and Gender of the Respondents.

Table 5: Level of Satisfaction and Gender of the Respondents

Gender	Level of Satisfaction			Total
	High	Medium	Low	
Female	12(19%)	39(62%)	12(19%)	63
Male	10(27%)	20(54%)	7(19%)	37
Total	22	59	19	100

Source: Primary Data

Table 4.26 shows that 59 per cent of the have medium level of satisfaction with the banking services irrespective of their gender.

Level of Satisfaction and Residential Area of the Respondents

The researcher compares the Level of Satisfaction and Residential Area of the Respondents.

Table 6: Level of Satisfaction and Residential Area of the Respondents

Residential Area	Level of Satisfaction			Total
	High	Medium	Low	
Rural	6(75%)	2(25%)	0(0%)	8
Urban	17(22%)	47(61%)	13(17%)	77
Semi-Urban	0	13(87%)	2(13%)	15
Total	23	62	15	100

Source: Primary Data

Table 4.27 shows that 62 per cent of the respondents have medium level of satisfaction with their banking services irrespective of their residential area.

Table 7: Un Weighted Servqual Score Table Showing Unweight Servqual Score

Average Tangible SERVQUAL score	0.46
Average Reliability SERVQUAL score	0.63
Average Responsiveness SERVQUAL score	-0.59
Average Assurance SERVQUAL score	-0.55
Average Empathy SERVQUAL score	-0.47
Total	-0.52
UNWEIGHTED SERVQUAL SCORE	-0.104

Table 4.28 shows that the average gap for Tangible reliability, dimensions is positive and for the other three (i.e.) responsiveness, assurance and empathy is negative. The un weighted average SERVQUAL score is negative. This means the services offered by the banks were not up to the expectations in terms of responsibility assurance and empathy.

Conclusion

Service performance and interpersonal relationships are vital ingredients to retain customers of private Banks, while effective handling of customer complaints further helps to increase customers' faith to use the services of the private banks. Private Bank managers must be conscious of the above factors and must ensure that employees strive to project high qualities at all times to match customer expectations, especially in competitive markets. Therefore, the Private Banks should conduct a periodic service quality audit by examining the processes involved in executing services that match the customer expectations.

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