

Service Quality at Punjab National Bank: using SERVQUAL Instrument

Ishaan Seth*, Shivali and Ashish Garg

**Maharaja Agrasen Institute of Technology, Rohini Sector-22, Delhi-85, India;
ishaan4791@gmail.com, shivali23feb@gmail.com aashishgarg21@gmail.com*

Abstract

With the introduction of liberalization policy several private and foreign banks have entered in Indian banking sector which has given birth to competition amongst banks for acquiring large market share and customer base. Banks have to deal with many customers and render various types of services to its customers and if the customers are not satisfied with the services provided by the banks then they will defect which will impact economy as a whole since banking system plays an important role in the economy of a country. It is very costly and difficult to recover a dissatisfied customer. Since the competition has grown manifold in the recent times it has become a herculean task for organizations to build loyalty, the reason being that the customer of today is spoilt for choice. It has become imperative for both public and private sector banks to perform to the best of their abilities to cater both the explicit as well as implicit needs. The purpose of this research article is to examine the customer satisfaction and measuring the service quality given by the banking industry in India. This study is cross sectional and descriptive in nature and the researcher tries to make an effort to clarify the Customer Service satisfaction in Indian banking Sector. Descriptive research design is used for this study, where the data is collected through the questionnaire. The service quality model discovered by Zeithaml, Parasuraman and Berry¹ has been used in the present study.

Keywords: Banking Sector, Punjab National Bank, SERVQUAL

1. Introduction

Businesses need to attract and establish a customer market and would need to retain it through satisfaction that is the key to its business performance. In order to attain the goal, a company should have a high rate of satisfaction from its clients. The increasing competition, whether for profit and non-profit purposes, is forcing the business sectors to pay much more attention to satisfying customers. Researchers suggest that increased levels of customer satisfaction and loyalty are frequently attributed or linked to positive outcomes for a firm. Measurement of rate of customer satisfaction is also a measurement of how products and services supplied by a company meet or surpass customer expectation. It is seen as a key performance indicator. This is due to the fact that one of the factors needed in order to attain high competency and also high competitiveness is a high market share through an increased, established and well-sustained customer or client population. Industries are beginning to understand the concept that their customers, the ones who purchase their products and use their services, are the primary drivers of their position on the profitability ladder. Satisfaction is a multidimensional construct which has been conceptualized as a prerequisite for building

the relationships and is generally described as the full meeting of one's expectations, and is a feeling or attitude of a customer towards a product or service after it has been used. Many of the industries also recognize that the support of the customer requires a complex infrastructure which should not only design, produce, and distribute a product or service which can be used by the customer without fear of defect, it should also contain a mechanism whereby the customer is effectively supported. and colleagues found out that firms with higher reported satisfaction levels also show significantly higher returns. They say that annual 1% increase in customer satisfaction is worth an 11.4% improvement in current ROI. Basically, customer satisfaction is a psychological state for which carefulness should be taken when measuring it. Competitors that are prospering in the new global economy recognize that measuring customer satisfaction is a key. It has been a growing trend today, for banks to move away from a transactional based marketing approach to a relationship-based approach that has its core the recognition of the lifetime value of the customer. Satisfaction with banking services has been an area of growing interests to managers and researchers.

2. General Banking Scenario in India

The general banking scenario in India has become very dynamic today and the picture of Indian banking was completely different as the Government of India initiated measures to play an active role in the economic life of the nation. One of the works done by Parasuraman, Zeithaml and Berry¹ between 1985 and 1988 provides the gap between the customers expectation of performance and their perceived experiences of performance. This provides the measurer with a satisfaction gap which is objective and quantities in nature. According to the customer satisfaction equals perception of performance divided by expectation of performance. So we can recognize where we need to make changes to create improvements and determine if the rechanges, after implemented, have led to increased customer satisfaction . The Indian banking system is characterized by a large number of banks with mixed ownership in which the commercial banking segment comprises 40 private sector bank, 33 foreign banks and 27 public sector banks in which the Government has majority ownership. In 1991, by comparison, public sector banks share of the total assets of the banking system was a little over 90 percent. The Reserve Bank of India was nationalized on 1st January 1949 under the terms of the RBI (Transfer to Public Ownership) Act, 1948. In 1949, the Banking Regulation Act was enacted which empowered the Reserve Bank of India (RBI) to regulate, control, and inspect the banks in India. This act also provided that no new bank or branch of an existing bank could be opened without a license from the RBI, and no two banks could have Common directors. By the 1960s, the Indian banking industry had become an important tool to facilitate the speed of development of the Indian economy. The Government of India issued an ordinance and nationalized the 14 largest commercial banks with effect from the midnight of 19th July, 1969. A second dose of nationalization of 6 more commercial banks followed in 1980. The stated reason for the nationalization was to give the government more control of credit delivery. With the second dose of nationalization, the Government of India controlled around 91% of the banking business of India. Later on, in the year 1993, the government merged New Bank of India with Punjab.

2.1 PNB

Punjab National Bank was founded by Lala Lajpat Rai on 19th May, 1894. The founding board was selected from different regions of India professing different faiths and a varied back ground. The common objective of proving nation with a truly national bank which would further the economic interest of country. The bank came for business on 12th April, 1895. It has been strongly growing for more than 120 years and are total 6081 branches including

5 foreign branches, 6940 ATMs as on Mar' 2014 and serving more than 8.9 crore esteemed customers. Now, PNB is among one of the largest nationalized banks and continued to provide prudent and trustworthy banking services to its customers. The Bank enjoys strong fundamentals, large franchise value and good brand image, to meet the growing aspirations of the people and compete in these tough conditions, the Bank offers wide range of products and services.

Punjab National Bank is one of the Big Four banks of India, along with State Bank of India, ICICI Bank and Bank of Baroda. It is the third largest bank in India in terms of asset size having US\$6.6 billion by the end of FY 2012-13. The bank has been ranked 248th biggest bank in the world by the Bankers' Almanac.

3. Literature Review of SERVQUAL

3.1 Customer Satisfaction

Customer satisfaction, a term frequently used in marketing is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as 'the number of customers or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals'. Customer satisfaction is the primary mental state of customer which comprise by two thing (1) expectation before purchase (2) perception about performance after purchase according to the many authors customer satisfaction is feelings of customer in the process that what has been received against what was accepted including expectation and perception about purchase decision and need and want associated with purchase decision.

3.2 Definition of Satisfaction

Satisfaction means a feeling of pleasure because one has something or has achieved something or it is an action of fulfilling a need, desire, demand or expectation. Every rationale customer compares the cost (price) and benefit (utility) of any product or services. Customers compare their expectations about a specific product/services and its actual benefits. This comparison Comparative Study of Customer Satisfaction in Public and Private global Journal of Business Management results into three types of customers: dissatisfied customers (expectations are more than actual performance of the service); satisfied customers (actual benefits realized from services are equal to or more than expectations); indifferent customers (actual performance and expectation are exactly equal). Westbrook reported that overall satisfaction is the outcome of customer's evaluation of a set of experiences that are linked with the specific service provider. It is observed that organization's concentration on customer expectations resulted into greater satisfaction and is said that satisfaction

is a function of customer's belief about fair treatment. Customer satisfaction has become important due to increased competition as it is considered very important factor in the determination of bank's competitiveness. Satisfaction is a post purchase evaluative judgment associated with a specific purchase decision. The customer satisfaction is indispensable for the successful survival of any organization. Continuous measurement of satisfaction level is necessary in a systematic manner. To measure customer satisfaction with different aspects of service quality, Parasuraman, Valerie Zeithaml and Berry¹ developed a survey research instrument called SERVQUAL. It is based on the premise that the customers can evaluate a firm's service quality by comparing their perceptions of its service with their own expectations. SERVQUAL is seen as a measurement tool which is applied across broad spectrum of service industries. In its basic form, the scale contains 24 perception items and a series of expectation items, reflecting the five dimensions of service quality. Their findings suggest that, in reality, SERVQUAL scores measure only two factors: intrinsic service quality (resembling what is termed functional quality) and extrinsic service quality. Generic dimensions customers use to evaluate service quality are credibility, security, access communication, understanding the customer, tangibles, reliability, responsiveness, competence, courtesy.

3.3 Customer Satisfaction in Banking

Financial liberalization and deregulation has increased the competition among banks to attract potential customers. Every banker tries to provide superior services to keep satisfied customers. In India, emergence and growing popularity of Indian banking products raises competition among Indian banks. Indian banks have to face numerous challenges in the recent age. Firstly, they are competing with their peers and secondly they have to cope with the conventional banks. Satisfied customer is the real asset for any organization that ensures long-term profitability even in the era of great competition. It is found that satisfied customer repeats his/her experience to buy the products and also creates new customers by communication of positive message about it to others. On the other hand, dissatisfied customer may switch to alternative products/services and communicate negative message to others. So, organizations must ensure the customer satisfaction regarding their goods or services.

3.4 SERVQUAL Scale

Parasuraman developed SERVQUAL instrument to measure the dimensions of service quality that is frequently used by researchers. It consists of 24 items that are compiled into five dimensions: tangibility; reliability; responsiveness; assurance and empathy. This study applied five dimensions of service quality that are explained as under:

- Tangibility, which pertain to the physical facilities, equipment, personnel and communication materials.
- Reliability, which refers to the ability to perform the promised services dependably and accurately.
- Responsiveness, which refers to the willingness of service providers to help customers and provide prompt service.
- Assurance, which relates to the knowledge and courtesy of employees and their ability to convey trust and confidence.
- Empathy, which refers to the provision of caring and individualized attention to customers.

The Figure 1 reflects expectation-outcome experiences of customers among bank customers. Customer satisfaction leads to better profitability by retaining existing customers and to attract new ones. Every organization deploys a reasonable amount to have satisfied customers. Satisfied customer leads to delighted customers that eventually create the sense of brand loyalty among customers.

3.5 SERVQUAL Questions

For actual survey respondents, instructions are also included, and each statement is accompanied by a seven-point scale ranging from "Strongly Agree - 7" to "Strongly Disagree - 1". Only the end points of the scale are labeled; there are no words above the number 2 through 4.

3.5.1 Tangibles

1. Banks will have modern-looking equipments.
2. The employees at banks will be tidy in their appearance.
3. The physical facilities at admirable banks will be visually pleasing.
4. The ATM's of PNB bank are technologically well equipped.
5. Tangible Materials (e.g., brochures or statements) associated with the service will be visually attractive in an excellent bank.
6. The ATM's of this bank are adequate in numbers and the services they providing.
7. The internet banking services of this bank are widespread over a larger area.

3.5.2 Reliability

8. Banks act upon the service, right the first time.
9. When banks promise to do something by a certain time, are they able to do so.
10. When customers have a trouble, excellent banks show a sincere interest in solving the problem.
11. Banks will make available their services at the time they assure to perform so.
12. Banks persist on error the free proceedings.

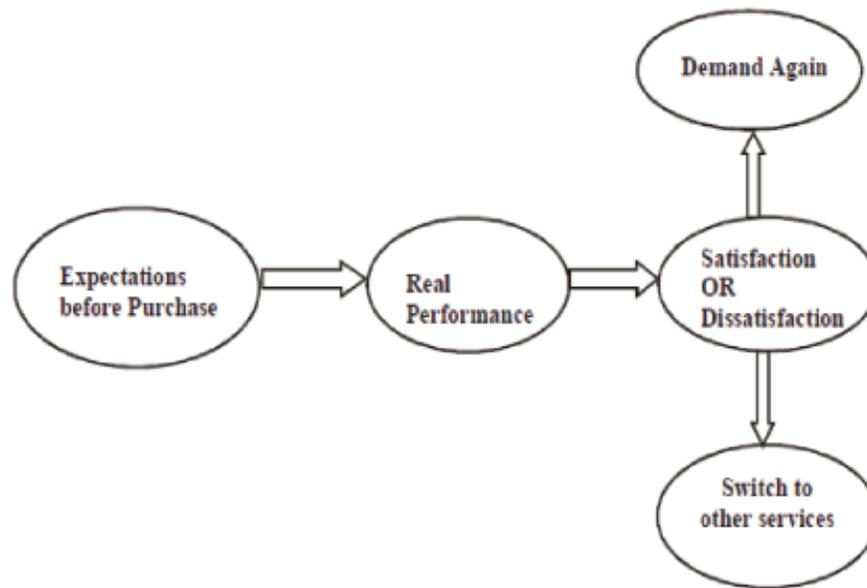


Figure 1. Expectation-Outcome Experience of Customers Source: Generated.

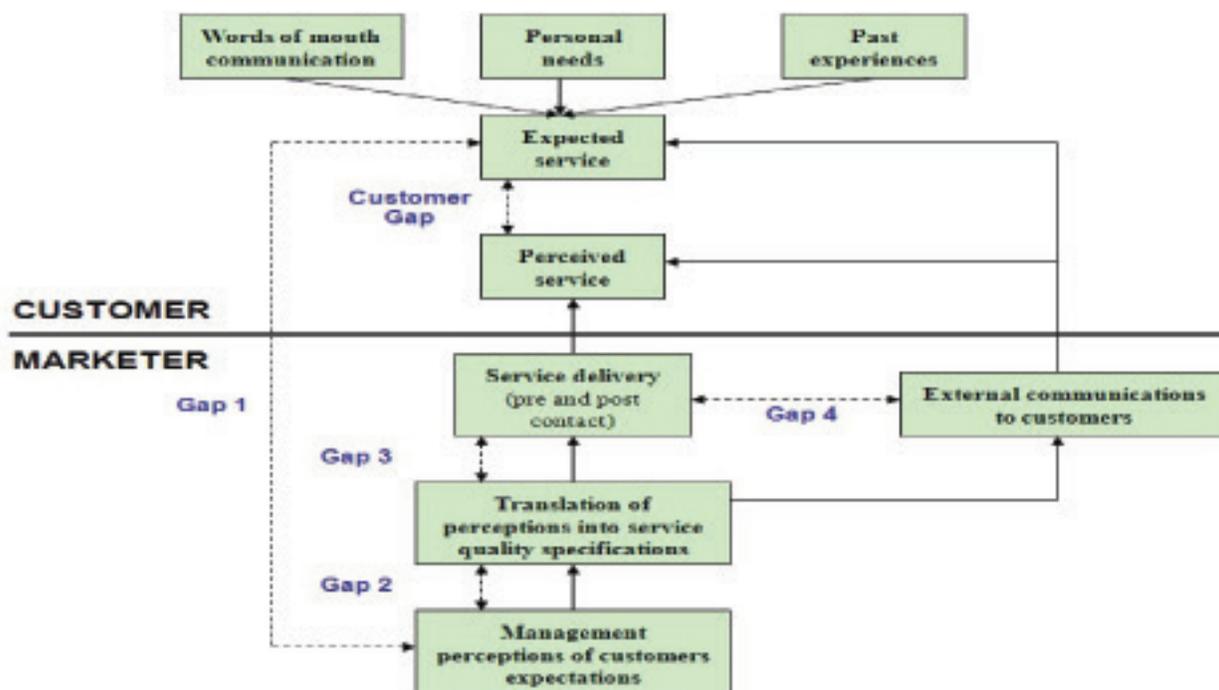


Figure 2. GAP model of service quality

3.5.3 Responsiveness:

- 13. Employees of banks will enlighten customers exactly when service will be performed.
- 14. Employees in the banks will give quick service to customers.
- 15. Employees of banks are always enthusiastic and energetic to help customers.
- 16. Employees of banks are never too active to act in response to customer requests.

3.5.4 Assurance:

- 17. The activities & behavior of employees at the banks will instill coolness in customers.
- 18. The customers of banks will feel safe & secure in their transactions & dealing.
- 19. Employees & staff of banks are constantly courteous & polite with customers while they are delivering the services to them.

20. Employees of banks are having the knowledge to answer customer questions and queries.

3.5.5 Empathy:

21. Banks give customers individual attention.
22. Banks have operating hours convenient to all their customers.
23. Banks have the employees who give customers personal attention.
24. Employees of Banks will understand the specific needs of their customers.

These findings do not undermine the value of Zeithaml, Parasuraman, and Berry¹ achievement in identifying some of the key underlying constructs in service quality, but they do highlight the difficulty of measuring customer perceptions of quality. Anne Smith notes that the majority of researchers using SERVQUAL have omitted from, added to, or altered the list of statements purporting to measure service quality.

4. Objective of the Study

The main objective of the study is to measure service quality of banking sector of INDIA especially PNB with SERVQUAL model.

The major objectives of the present study are -

- To study the importance and impact of service quality and customer satisfaction of PNB.
- To find the most important dimensions of service quality that affect customer satisfaction in PNB
- To measure the satisfaction level of current customer in PNB in INDIA.
- To recommend some guidelines to ensure quality services of PNB in INDIA.

5. Research Methodology

The questionnaire was administrated using SERVQUAL instrument. This questionnaire was mailed to 110 respondents for participation within Delhi and NCR. However, a total of 60 respondents reverted back on the same. So, the response rate was 55%. Out of the 60 respondents 55 (i.e. around 90%) had visited PNB. The research paper studied the customer's perception and their expectations in the service quality of the PNB with SERVQUAL instrument with 22 items. In the questionnaire a 7-point Likert scale was used where 1 was for Strongly disagree and 7 was for strongly agree. There were no right or wrong answers - all we were interested in is a number that best showed their expectations and perceptions about the service quality of PNB.

6. Data Analysis

In the paper the following hypothesis is formulated to test the service quality of the PNB.

H1 = The Customer's perception and expectations are equal in case of PNB.

H1₀ = The Customer's perception is lower than the expectations in case of the service quality of PNB.

Here, H1 is the null hypothesis on which the testing needs to be done and H1₀ is the alternate hypothesis. In the t-test applied, the P value (or the critical value) that we have used here is 0.05. So, if the results are less than the critical value then the null hypothesis would be rejected and the alternate hypothesis will be selected and if the results are greater than the critical value, the null hypothesis will be accepted and the alternate hypothesis will be rejected.

As per the graph below, we can clearly see that the expectations are higher than the perception of the customers towards the service quality of PNB. There is a Gap between the customer's expectations and the customer's perception.

This is as per the analysis of the responses received from the respondents.

Now, we will analyze the same result through the t-test analyses where the perception score and expectation score are taken into consideration for all the 22 items and the results for each tangibles, reliability, responsiveness, assurance and empathy is analyzed. These are analyzed as follows:

We can see that the P value after the t-test of the tangibles that we got is less than the critical value of 0.05 that we have selected for the test. So, we will reject the null hypothesis and accept the alternate hypothesis. This means that the physical facilities, equipment, personnel and communication materials of PNB are lower than the customer's expectations.

We can see that the P value after the t-test of the Reliability that we got is less than the critical value of 0.05 that we have selected for the test. So, we will reject the null hypothesis and accept the alternate hypothesis. It implies that the ability to

Table 1: Calculations to obtain unweighted SERVQUAL score

Average Tangibles SERVQUAL Score	0.89
Average Reliability SERVQUAL Score	1.05
Average Responsiveness SERVQUAL Score	1.31
Average Assurance SERVQUAL Score	1.48
Average Empathy SERVQUAL Score	1.37
Total	6.1
AVERAGE (= Total / 5) UNWEIGHTED SERVQUAL SCORE	1.22

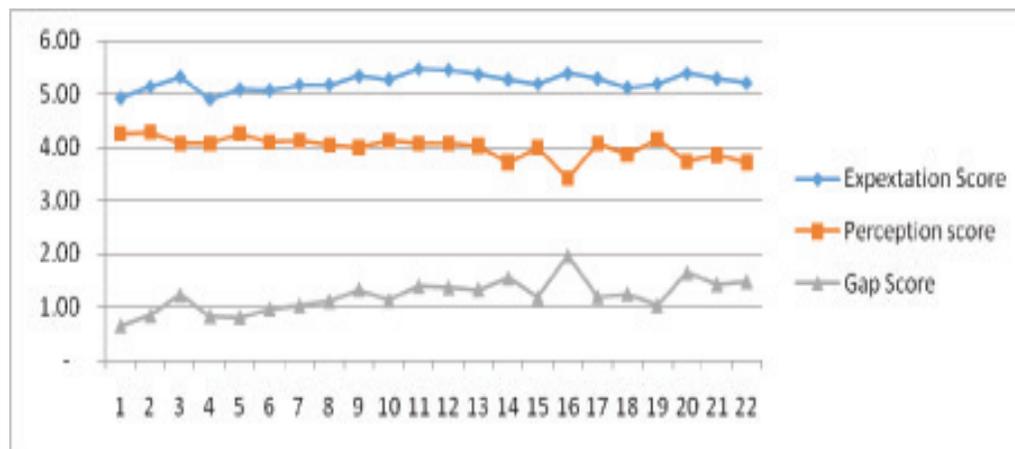


Figure 3. SERVQUAL Score.

Table 2: t-Test: Paired two sample for means for tangibles

	Variable 1	Variable 2
Mean	4.175	5.066666667
Variance	0.013425926	0.039074074
Observations	4	4
Pearson Correlation	-0.165746219	
Hypothesized Mean Difference	0	
df	3	
t Stat	-7.274816726	
P(T<=t) one-tail	0.002680366	
t Critical one-tail	2.353363435	
P(T<=t) two-tail	0.005360731	
t Critical two-tail	3.182446305	

Table 3: t-Test: paired two sample for means for reliability

	Variable 1	Variable 2
Mean	4.11	5.163333333
Variance	0.010222222	0.011166667
Observations	5	5
Pearson Correlation	-0.711083162	
Hypothesized Mean Difference	0	
df	4	
t Stat	-12.31428478	
P(T<=t) one-tail	0.000124919	
t Critical one-tail	2.131846782	
P(T<=t) two-tail	0.000249838	
t Critical two-tail	2.776445105	

perform the promised services dependably and accurately in case of PNB is lower than the expectations of the customers.

[Table 1] In this case as well we can see that the P value we got after the t-test of the Responsiveness is less than the critical value of 0.05 that we have selected for the test. So, we will reject the null hypothesis and accept the alternate hypothesis. It implies that perceived service quality through responsiveness is not matching with the expectations. The service providers at PNB are not readily willing to help customers and provide prompt service.

We can see that the P value after the t-test of the Assurance that we got is less than the critical value of 0.05 that we have selected for the test. So, we will reject the null hypothesis and accept the alternate hypothesis. It implies that the knowledge and

Table 4: t-Test: paired two sample for means for responsiveness

	Variable 1	Variable 2
Mean	4.079166667	5.3875
Variance	0.001736111	0.008402778
Observations	4	4
Pearson Correlation	-0.551515152	
Hypothesized Mean Difference	0	
Df	3	
t Stat	-21.84210199	
P(T<=t) one-tail	0.000105024	
t Critical one-tail	2.353363435	
P(T<=t) two-tail	0.000210049	
t Critical two-tail	3.182446305	

Table 5: t-Test: paired two sample for means for assurance

	Variable 1	Variable 2
Mean	3.804166667	5.279166667
Variance	0.091365741	0.006736111
Observations	4	4
Pearson Correlation	-0.764194388	
Hypothesized Mean Difference	0	
Df	3	
t Stat	-7.998766072	
P(T<=t) one-tail	0.002039198	
t Critical one-tail	2.353363435	
P(T<=t) two-tail	0.004078397	
t Critical two-tail	3.182446305	

Table 6: t-Test: paired two sample for means for empathy

	Variable 1	Variable 2
Mean	3.863333333	5.233333333
Variance	0.030194444	0.010555556
Observations	5	5
Pearson Correlation	-0.420104365	
Hypothesized Mean Difference	0	
Df	4	
t Stat	-12.97427603	
P(T<=t) one-tail	0.000101808	
t Critical one-tail	2.131846782	
P(T<=t) two-tail	0.000203616	
t Critical two-tail	2.776445105	

courtesy of employees and their ability to convey trust and confidence is lower than what it is expected out of them.

In case of Empathy as well, the P value derived after the t-test is less than the Critical value of 0.05. So, in this case as well we will reject the null hypothesis and accept the alternate hypothesis. It implies that the perception regarding the Caring, individualized attention given to customers at PNB is less than the expectations of the customers.

7. Conclusion and Recommendation

After analyzing the results of the SERVQUAL with the help of the graph as well as the t-test we can say that the perceptions of the Customer regarding the service quality of PNB is less than his expectations of what an excellent bank's service should be. So, PNB cannot be categorized as an excellent bank as per the responses we have received from the customers. It is not meeting the expectations of the customers on any of the parameters, namely, Tangibles, Reliability, Responsiveness, Assurance and Empathy. This means that:

- The physical facilities, equipment, personnel and communication materials of PNB are below the customer's expectations.
- The ability to perform the promised services dependably and accurately in case of PNB is below the expectations of the customers.
- The service providers at PNB are not readily willing to help customers and provide prompt service.
- The knowledge and courtesy of employees and their ability to convey trust and confidence are below what it is expected out of them.

- The employees at PNB are not caring and do not provide any individual attention to their customers.

The PNB needs to improve on the above parameters so as to enhance its quality of services and increase the customer satisfaction through improves physical arrangements, providing timely services according to the promise made, more willingness to help customers and providing individual attention.

8. Limitations of the Study

Completing this research paper was not that easy. There were certain limitations that we had to face. These are discussed below:

- The Study was based in Delhi and NCR only. If we could have gathered responses from the respondents from outside Delhi then our results would have been more accurate.
- The sample size for our research was small where only 55% of the customers responded to the questionnaire.

- Customers did not show interest in filling the questionnaire. It took a lot of effort to convince them to fill the questionnaire.

9. Acknowledgement

I am highly indebted to Ms. Nitika Sharma Assistant Professor of MAIT, Delhi for her guidance and constant supervision as well as for providing necessary information regarding the paper & also for her support in completing it. The experience has been highly educative in terms of both theoretical and practical knowledge in the area of banking industry.

We would like to express my gratitude towards the respondents for their kind co-operation, attention and time for the fulfilment of this research paper.

10. Reference

1. Parasuraman A, Zeithaml V, Berry L. SERVQUAL: a multiple item scale for measuring consumer perceptions of service quality. *J Retailing*. 1988; 64(1):12-40.