

# Service Quality of Public and Private Sector Banks – A Study in Tirunelveli District

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## Abstract

It is impossible to exist without money. It demonstrates the importance of money in day to day life. For liquidity, profitability and safety some people put aside money from their earnings in banks. Therefore people use banks in order to store and safeguard their money. Banks taking deposits from the general public and returning the money when it is needed plus interest. Therefore it should go without saying that banks keep the money supply in check and contribute significantly to a country's economic growth. One of the nation's most vital and significant sectors is the banking industry. It is crucial that the banking sector continue to thrive. This study aims to study the service quality of public and private sector banks in Tirunelveli district. Primary data are collected from the 600 respondents from which 300 respondents are from the public sector banks and 300 respondents are from the private sector banks. The sample size was 600 respondents that they were chosen from each bank equally and proportionately. Convenient sampling method has been used for the study.

**Keywords:** Banking industry, Public sector banks, Service quality, Perception

## 1. Introduction

The expansion of the banking sector is one of the essential elements for the country's economic growth development. Additionally computerizations are not new in India. Actually the country's first computer was installed in the early 1960s. The number of computer installation increased gradually at first but from the 1980's this technology quickly swept across all commercial banking. The financial sector underwent significant revolutionary transformation in 1968. A committee was established by the government at the time to review the banking industry. The most common type of investment is thought to be bank deposits.

Due to the RBI'S regulation and the deposit Insurance corporation guarantee deposits in scheduled banks are highly safe. The RBI has imposed a fixed interest rate on deposits mandating only a ceiling rate for various maturities because bank deposits have extraordinarily high liquidity and are popular with current clients. Therefore banks from

both the public and commercial sectors are crucial to provide client better services. The deregulation and liberalization of government economic policies throughout the 1980's. It led to metamorphic changes in the Indian financial sector. As a result the banking industry underwent a radical transformation. To increase client happiness the banking industry embraced the use of marketing concepts. In order to meet the demands of the public services like demat, interest portfolio management, venture capital etc were created and the purpose of the privatization of banking services is to encourage financial services and competition in the banking services. Banking services are frequently separated into retail and corporate banking. Payment of consumer loans, credit card use, checking account, upkeep and other services fall under the umbrella of retail banking which is created to fulfill the needs of business clients by providing services including managing cash establishing letter of credit and discounting services. The marketing concept was first introduced to the banking industry in 1958 at the conference of the American Banking Association. In essence marketing strategy for banks requires a complete understanding of client needs as well as knowledge of the industry it operates in. Additionally the market is divided into segments to better understand the needs of bank clients. At this juncture it aims to study the service quality of public and private sector banks in Tirunelveli District.

#### **A. Customer Satisfaction**

The idea of customer satisfaction is influenced by how customer think. Customer pleasure is a continuous, transitional process according to scholars like Heskett, Sasser and Schlesinger (1997). Oliver(1997) defined customer satisfaction statistically by examining the entire consuming process and customer's experiences. The definition of satisfaction is a joyful fulfillment. That is the fulfillment of the consumer's pleasant sense of consuming. Thus satisfaction contributes to achieve consumer desires, objectives and goals as well as advancing consumption results in comparison to the benchmark of customer satisfaction. In order to influence customer loyalty there must be frequent or cumulative satisfaction causing separate satisfaction events to be combined or mixed (1997).

#### **B. Customer Expectation**

Numerous experts have studied the ideas relating to customer expectations. According to Oliver(1980), expectations are made up of a profitability or likelihood estimate. Customer expectations are based on their assessment of the quality of the goods and services they get. During a transaction the level of performance are compared to customer intended performance to previous expectations, they experience satisfaction. The disconfirmation is the outcome of the disparity between previous expectations and actual performance.

#### **C. Significance of customer satisfaction**

Customer happiness rapidly becomes a bank objectives as it work to produce high quality goods and services. To win over clients there is fierce rivalry in the market. As a result the world leading business cannot compete only on the basis of pricing. They came to the realization that achieving customer happiness is the key to succeeding as a business leader. Since the client is the cornerstone of the business, the company's capacity to stay in

business is essential to gain customers over rivals. The consumer actively compares various products and services in order to receive total satisfaction. When a consumer starts utilizing superior services to their expectations steadily increase a high degree of customer satisfaction is therefore challenging for business to sustain.

#### **D. Service Quality**

The level of service quality in modern as compared to traditional settings is very different. Implementing an internet capability is necessary for improving the quality of current services. In the numerous service enabled business the usage of information technology is crucial and technology analysis for the service quality characteristics is also required. Customers may get dissatisfied with IT based services if they are unable to use them. The gradual increase in the number of customers who use the internet service is a challenge for the business to run more effectively and efficiently. By lowering mistake rate information technology can assist to enhance the service quality according to Furry (1991) and Licata et al (1998). High level of client satisfaction are produced through IT based services.

#### **E. Retention of customers in bank**

Due to the difficulty of attracting new clients the banking industry is extremely competitive and in particular smaller banks are increasingly competing with larger ones by offering customers not only free account and higher interest on savings but also the kind of individualized customers care that is crucial to the banking industry. This reality has made the need for customer retention for banks is significantly more critical.

#### **F. Public Sector Banks**

The Indian financial system is dominated by the nationalized institutions. Indira Gandhi the national prime minister at the time decided to nationalize all of Indian banks. Establishing banking infrastructure in rural areas and giving Indian farmers access to low cost credit were the main objective of nationalization. Prior to 1969 State bank of India was the sole public sector bank in India.

#### **G. Private sector banks**

When the Reserve bank of India promoted the creation of private banks as part of the liberalized objectives in the Indian banking industry underwent a revolution. One of the first organization is to receive in principle approval from the Reserve bank of India in the private sector was Housing development finance corporation limited.

### **2. Explanation of some popular banking products.**

#### **1. Credit cards**

Credit cards are post paid or pay later cards that use the card issuer available credit line and offer a grace period for payment. If the debt is not paid in full by the end of the grace period, interest is imposed.

## **2. Debit card**

When a card is swiped through an electronic terminal, the terminal calls either the master card or visa acquiring bank system to verify the PIN and inquires as to whether the transaction should be approved or rejected. A debit card is a prepaid card. Customer use secret number on the pinpad in the store when making a purchase.

## **3. Echeque**

The term cheque refers to a physical representation or electronic form of a document created by the accountholder and sent electronically to the payee and endorsed by that person. Echeque however are signed digitally using a mix of smart cards and digital certificates.

## **4. Mobile banking**

To offer their customers mobile banking services they use a short messaging system that sends targeted data to a mobile device. Mobile service providers have previously teamed with ICICI and HDFC banks.

## **5. Internet banking**

With the advent of online banking it is no longer necessary to physically visit a branch to take cash, deposit, check, seek a account statement. Query may be processed using internet banking at anytime without involving a branch. The first bank to provide Internet banking in India was ICICI.

## **6. Cyber banking**

Cyber banking conducting banking transactions online. Customers could check their accounts, pay bills, transfer money and apply for loans online with banks that they had cyber branches on their websites.

## **3. The nine major problems faced by India's nationalized banks.**

### **1. Nonperforming assets**

The commercial banks do not have any mechanism in place to ensure that the loans and advances they make are being used effectively. They are also suffering significant losses as a result of the high percentage of nonperforming assets used by the borrowers. The majority of the banks are also struggle to keep up their capital adequacy ratio.

### **2. Competition from Nonbanking financial institution**

Commercial banks face stiff competition from intermediaries such as mutual funds, home finance corporations, leasing companies and investment firms. All of these organizations are in direct competition with commercial banks to attract public deposits and pay higher rates.

### **3. Gap between promise and performance**

One of the fundamental flaws in India nationalized banking system is its inability to uphold the proper lending pattern and close credit gaps. The gap between promise and execution

widened after nationalization. The primary cause is that the bank staff inability to adopt with the new work culture and new social goals.

#### **4. Bureaucratisation**

Another significant challenge is that commercial banks are currently coping with the financial system. Bureaucracy, long delays, lack of initiative and the inability to take prompt decision have all hampered with the effective operation of banks.

#### **5. Political pressure**

Additionally political pressure from the State and the Centre has made more difficult for nationalized banks to operate effectively due to a variety of political pressure. Nationalized banks frequently encounter a number of challenges such as pressure are generated during the hiring process and when loans are given to certain parties without taking their credit worthiness into account.

#### **4. Statement of the problem**

Human in the world have a variety of demands and desires for a pleasant life. Regardless of one's financial situation in daily life whether they are wealthy or poor, a person's necessities must be met from the time of their birth until their death desiring money. Nowadays when there is not enough money to go around humans are incapable of surviving in this universe. Some individuals rely on banks in the age of technology and globalization not just to save money but also guarantee profitability and safety. Banks meet this requirements by giving money when requested plus interest. As a result banks keep the money supply in check and actively contribute to a country's economic growth. Many banks today are aware that whatever advantages they tried acquire via the sale of main goods were nullified by rival banks offering the same identical items. The main approach is centered on offering the consumers a high quality service since it is a wellknown reality that no firm can function without customers.

#### **5. Aims of the research**

1. To research numerous multifaceted services offered by public and private sector banks in Tirunelveli District.
2. To identify and assess client satisfaction level in both public and private sector banks in Tirunelveli district.
3. To identify the variables behind choosing the particular bank.

#### **6. Data Collection**

Primary data are collected from the 600 respondents from which 300 respondents are from the public sector banks and 300 respondents are from the private sector banks. The sample size was 600 respondents that they were chosen from each bank equally and proportionately. Convenient sampling method have been used for the study.

### 7.Limitations of the Study

- 1.It is presumed that all of the respondents' responses are accurate.
- 2.Customers have given information that is required but whose accuracy is unsatisfactory for some inquiries from their experience.

### 8.Result and discussions

**Table 1 - Type of Account**

No	Account Type	Public sector bank	Private sector bank	Total
1	Saving bank	200(66.67)	70(23.33)	270(45.0)
2	Recurring deposit	20(6.67)	10(3.33)	30(5.0)
3	Fixed deposit	14(4.7)	18(6.0)	32(5.33)
4	Current account	22(7.33)	82(27.33)	104(17.33)
5	Loan account	44(14.67)	120(40.0)	164(27.33)
	<b>Total</b>	<b>300(100)</b>	<b>300(100)</b>	<b>600(100)</b>

The above analysis indicates that 66.7% of those in public sector banks and 40% of those in private banks maintain saving bank accounts and loan accounts respectively. This demonstrates that among clients of saving bank accounts are most common followed by loan account(14.67) but in private sector banks saving bank account ownership is somewhat less common. The smallest number is noted in public sector bank's recurring deposits. Due to the simple and affordable lending terms, private sector banks have a large percentage of loan account (40%) overall.

**Table.2 Customer opinion on service quality**

No	Service Quality	Publicsector banks Meanscore	Private sector banks Meanscore	T statistics
1	Modernised machineries	3.43	3.57	1.537
2	Immediate problem handling	3.01	3.54	2.582
3	Client service	4.21	4.74	14.676
4	Employees Trutworthiness	3.46	4.62	14.136
5	Maintaining Trust	3.70	4.34	1.214
6	Regularity of following	3.35	3.55	1.816
7	Friendliness	3.44	3.65	16.709

8	Prompt response to respond	3.34	3.54	2.024
9	Effective communication	4.29	4.63	6.059
10	drinking,seating,water facilities	3.53	3.60	1.779
11	Cleanliness	3.12	3.57	4.657
12	Assurance of prompt services	3.49	3.72	2.582

When it comes to know how customers view the service quality of banks there is a noticeable difference between those who view public sector banks and those who view private sector banks in the areas of immediate problem solving, Client service, Employees trustworthiness, Maintaining trust, regularity, friendliness, prompt response to respond, effective communication, drinking, seating, water facilities, cleanliness, assurance of prompt service which is significant at 5%percent.

### **Suggestion**

Public and private sector banks should continually assess and reassess how customers perceive bank services so as to know whether the banks meet or exceed or are below the expectations of their customers. Frequent customer surveys, therefore, throw light on ratification and refinement, which will go a long way to improve service quality in banks.

### **Conclusion**

Private banks provide their clients with high quality services. Private banks give their clients greater services than those offered by the public sector banks. Every service has growing importance in a society with cutting edge technologies and shifting market places. A success mantra could be customer centric approach where an organization develops long lasting relationships with its clients that private sector banks have been successful in doing. However banks must enhance their infrastructure, physical facilities and soft skill training for their staff if they hope to improve their services. Due to the difficulties in providing services in a competitive market, the bank must guarantee the highest level of customer satisfaction. Customer service excellence is becoming a significant approach for many banking organization to set themselves apart from their rivals.

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