

EXPLORING SERVICE QUALITY IN THE INDIAN BANKING SECTOR: INSIGHTS FROM ANDHRA PRADESH

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Abstract

In India, the Banking Industry evolves amid technological advancements and increasing customer expectations, understanding service quality dimensions becomes essential for maintaining competitiveness and customer satisfaction. Using established frameworks such as SERVQUAL, this research examines key dimensions – tangibility, reliability, responsiveness, assurance, and empathy – to assess customer perceptions and satisfaction levels. Data collected from various banking institutions across Andhra Pradesh highlight significant gaps between customer expectations and perceived service quality. The findings offer valuable insights for banks to enhance their service strategies, improve customer loyalty, and strengthen operational efficiency. It also provides the policymakers and banking professionals to foster a customer-centric approach in the evolving financial landscape of India.

Key Words: Service, Quality, Banking.

Introduction

The Indian Banking Sector has undergone significant transformation in recent decades, driven by liberalization, technological innovation, and regulatory reforms. As competition intensifies and customer expectations continue to rise, service quality has emerged as a critical factor influencing customer satisfaction, loyalty, and overall organizational success. In this dynamic landscape, understanding how service quality is perceived by customers is vital for banks aiming to maintain a competitive edge. Andhra Pradesh with its growing economy and diverse banking clientele presents a unique context for analyzing service quality within the Indian banking sector. The State's mix of urban and rural banking environments offers valuable insights into the varied expectations and experiences of customers across different demographics and economic background. This Study aims to explore the dimensions of service quality in select banks in Public Banks as SBI, Indian Bank, Private Bank as Karur Vysya Bank Ltd, Tamilnadu Mercantile Bank Ltd, drawing upon the widely recognized SERVQUAL model. The five key dimensions – Tangibility, Reliability, Responsiveness, Assurance, and Empathy – serve as the foundation for assessing the gap between customer expectations and their actual service experiences. By analyzing these dimensions, the research seeks to identify strengths and areas of improvement within the banking sector.

Statement of the Problem

In the increasingly competitive landscape of the Indian Banking Sector, ensuring high service quality has become a critical determinant of customer satisfaction, retention, and organizational success. Despite significant investments in technology, infrastructure, and staff training, many banks continue to face challenges in meeting evolving customer expectations and perceived service delivery can lead to dissatisfaction, reduced customer loyalty, and potential financial losses. In Andhra Pradesh, the diversity banking needs, across urban and rural populations adds further complexity to delivering consistent service quality. Factors such as accessibility, technological readiness, personalized services,

and staff responsiveness vary significantly across regions, potentially impacting customers' overall banking experience. However, there is a lack of focused research that specifically examines how these service quality dimensions are perceived by customers within the regional context of Andhra Pradesh. This Study addresses this gap by investigating the key dimensions of service quality – Tangibility, Reliability, Responsiveness, Assurance, and Empathy – within select banks in Andhra Pradesh. By identifying discrepancies between customer expectations and their actual experiences, the research seeks to uncover the underlying issues affecting service quality in the region.

Need and Importance of the Study

This Study is essential for several reasons. First, it provides valuable insights into the strengths and weaknesses of service delivery in the banking sector of Andhra Pradesh. Second, by applying the SERVQUAL model – which focuses on tangibility, reliability, responsiveness, assurance, and empathy – the research offers a comprehensive evaluation of service quality from the customer's perspective. Third, the findings can help banks refine their strategies to improve service delivery, enhance customer satisfaction, and strengthen competitiveness.

Objectives of the Study

1. To assess Customer Perceptions of service quality in select banks operating in Andhra Pradesh using the SERVQUAL model.
2. To evaluate the gap between customer expectations and their actual experiences across the five key service quality dimensions.
3. To make appropriate suggestions for improvement of Customer satisfaction in Indian Banking Sector.

Hypothesis of the Study

1. There is no significant relationship between service quality dimensions and customer satisfaction in the banking sector of Andhra Pradesh.
2. Tangibility, Reliability, Responsiveness, Assurance and Empathy does not significantly impact on customer satisfaction.

Scope of the Study

In any Service Organization the quality of rendering service is considered as an important element in order to meet the specific requirements of the Customer. The Research aims to assess customer perceptions and satisfaction levels based on the SERVQUAL model, which examines five key dimensions of Service Quality. The Study is limited to banks operating within Andhra Pradesh, encompassing both urban and rural areas. This regional focus allows for an in-depth analysis of how service quality perceptions vary across different socio-economic and demographic settings within the state. The Research Covers both Public Sector banks as SBI, Indian Bank, Private Bank as Karur Vysya Bank Ltd, Tamilnadu Mercantile Bank Ltd operating in Andhra Pradesh.

Review of Literature

Following are some of the researches carried out by various researchers to find how far customers are satisfied in banks. While National-level studies provide broad insights, regional analyses highlight unique service quality challenges. Rao and Rao (2016) conducted a study on banking services in southern India and found notable disparities in service quality perceptions between urban and rural customers. Their research underlined the importance of personalized services and accessibility for rural populations. However, there remains a gap in research specifically focused on Andhra Pradesh,

particularly in understanding how regional socio-economic factors influence service quality perceptions. Recent Studies, such as those by Sharma and Malhotra (2020), emphasize the growing role of digital banking services in enhancing customer satisfaction. The integration of mobile banking, ATMs, and online services has improved tangibility and responsiveness, though issues related to cybersecurity and digital literacy continue to affect service delivery, especially in rural areas.

Research Methodology

The Methodology of the Study is based on Primary and Secondary data. The Primary data were collected through well-framed and structured Questionnaire to elicit the well considered opinion of both public and private sector banks. The Secondary data relating to the study were obtained from the various published/ unpublished records, annual reports, manuals, bulletins, booklets, Books, journals, magazines, periodicals etc., The researcher proceeded with the same questionnaire to collect 300 responses and 150 each from public and private sector banks.

Data Analysis

The Statistical tools used for data analysis based on the data enumerated from the questionnaires are as follows

1. Percentage Analysis
2. One Sample t-test
3. Paired normalized t-test
4. One-way analysis of variance
5. Chi-Square test
6. Factor Analysis by Principal Component Method
7. K-Means Cluster Analysis
8. Multiple Regression.

Discussion and Results

After Carrying out in-depth analysis on the data collected from the customers of the public sector banks and the private sector banks, the researched found the following.

1. The Analysis of Customer responses from selected banks in Andhra Pradesh provides valuable insights into the perceived quality of banking services.
2. The Demographic profile revealed a diverse sample of customers across various age groups, occupations, and income levels. The majority of respondents were frequent users of banking services, primarily accessing services through digital platforms and branch visits.
 - a. **Gender Distribution:** 60% of Male Vs Female Respondents out of 300 Public and Private Sector Banks.
 - b. **Age Groups:** Majority of Respondents were the Age Group of 20-50 Range.
 - c. **Service Usage:** Most Customers used population services like online banking, ATM, etc.
3. The Awareness among the customers of the public sector banks and the private sector banks for services like export import finance and foreign inward remittance are noted to be low i.e. even below average. The awareness relating to certain services like portfolio management, consultancy, trustee and administration and merchant banking, which are mostly offered for the benefit of corporate people, is also equally low from both public sector and private sector bank customers.
4. The Customers of both Public Sector and Private Sector banks have strongly agreed for easy accessibility of their banks from tangibility point of view and safety of transactions aspect of assurance. There is no difference of opinion among the customers of public sector banks and

private sector banks as far as responsiveness aspect of quality of service and confidence building and technology augmentations by their respective banks and both the customers of public sector and private sector banks have moderately agreed for quick and prompt service of assurance aspect of quality of service and for approachable managers in case of empathy aspect of service quality. As far as the sincerity in solving problems of customers from reliability point of view the customers of private sector banks have strongly agreed and customers of public sector banks have moderately agreed.

5. The factors that influence customer satisfaction in public sector banks are tangibility, reliability and confidence building. In case of private sector banks, tangibility responsiveness, assurance and technology augmentation influence customer satisfaction.

Suggestions

The Researcher recommends the following suggestions to be implemented by the Public Sector as well as the Private sector banks in order to increase the level of satisfaction of their customers which in turn help them to retain their customers.

1. Enhance Customer – Centric Services by understanding and addressing the unique needs of their clients. This can be achieved through regular conduct of Customer Satisfaction Surveys. Implementing a robust feedback system for continuous improvement. Offering personalized banking solutions based on Customer Profiles.
2. Improve Employee Training and Development by conduct regular training programs on customer service, communication skills, and problem solving. Introduce performance-based incentives to motivate employees to improve service delivery. Train employees in using modern banking technology for better efficiency and faster service.
3. Enhance mobile banking apps and internet banking platforms for user-friendliness and security. Implement AI –powered chat bots for 24/7 customer support. Introduce Self-Service kiosks and advanced ATMs to reduce wait times in branches.
4. The banker, both public sector and private sector, must keep in touch with their customers always and a good and strong customer relationship must be maintained in order to satisfy their customers and create a strong bond of confidence in all respects and finally offer personal relationship managers for high-value customers.
5. In the Present Competitive world, the researcher suggest the Urban – Rural Service Gap, Expand Physical and digital infrastructure in rural areas and promote financial literacy programs to educate customers on digital banking tools.

Conclusion

The findings reveal that while banks in Andhra Pradesh have made notable strides in enhancing their infrastructure and technological offerings, substantial service gaps remain. The most significant challenges were observed in the areas of Empathy and Responsiveness, particularly within public sector banks. These gaps highlight the need for personalized customer care, quicker service delivery, and more proactive communication. The results of the present study shows that from tangibility aspect of service quality is concerned, both the customers of public sector banks and private sector banks have strongly agreed that their banks are easily accessible. The Customers of private sector banks have strongly agreed that their banks show sincere interest in solving problems from reliability point of view of service quality. The recommendations presented offer actionable strategies to enhance customer satisfaction, foster loyalty, and drive overall service excellence. Further research could exploring the impact of technological innovations on service quality perceptions.

Scope for Further Research

Banks, as a Service Provider, has a various facets. A longitudinal study could track changes in customer perceptions of service quality over time. This would provide insights into the long-term effectiveness of service improvements and allow for an evaluation of the impact of evolving banking policies and technological advancements. Given the rapid digitalization of the Indian Banking Sector, future research could focus on how emerging technologies – such as AI-powered banking, block chain, and digital wallets – influence customer perceptions of service quality. Studies could also assess the role of cyber security and data privacy in shaping customer trust.

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