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CUSTOMER PERCEPTIONS OF BANKING SERVICE QUALITY: A COMPARATIVE ANALYSIS OF PUBLIC AND PRIVATE BANKS IN HARYANA

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ABSTRACT

Service quality has become a strategic determinant of competitiveness, customer retention, and trust in retail banking. This study comparatively examines consumer perceptions of service quality in public and private sector banks in the southern region of Haryana, India. The study is grounded in the SERVQUAL framework and focuses on five dimensions: tangibility, reliability, responsiveness, assurance, and empathy. Primary data were collected through a structured questionnaire from 592 bank customers across Gurugram, Rewari, and Mahendergarh. The empirical analysis used descriptive statistics, principal component factor analysis, reliability analysis, and independent-samples t-tests. The measurement instrument demonstrated acceptable internal consistency (Cronbach's alpha = 0.720 for 23 items). Six extracted components accounted for 65.187% of the initial variance. None of the five SERVQUAL dimensions showed a statistically significant difference between public and private sector customers at the conventional 5% level. Public-sector customers reported marginally higher mean scores for tangibility and reliability, whereas private-sector customers reported a marginally higher responsiveness score; assurance and empathy were also slightly higher for public-sector customers, but these differences were not statistically significant. Customer-choice analysis indicated that brand image and marketing and efficiency and speed were highly valued. The study also identifies employee training and development as a major improvement priority. The findings suggest that sector ownership alone does not adequately explain perceived service quality in southern Haryana and that banks should compete through continuous improvements in customer experience, technology, process efficiency, and employee capability.

KEYWORDS: Banking service quality, SERVQUAL, Consumer perception, Public sector banks, Private sector banks, Haryana, Customer experience, Responsiveness

1. INTRODUCTION

Banking is a foundational component of the financial system because it mobilizes savings, allocates credit, facilitates payments, and supports household and business activity. In an increasingly

competitive service environment, the ability of banks to deliver reliable, responsive, secure, and convenient services has become central to customer satisfaction and institutional competitiveness. The Indian banking sector has experienced substantial transformation through financial-sector reforms, technological development, digital banking, and increased competition between public and private institutions.

Service quality is particularly important in banking because the service is largely intangible and depends on repeated interactions among customers, employees, processes, physical facilities, and technology. Customers therefore evaluate banks not only through outcomes such as successful transactions, but also through how services are delivered. SERVQUAL provides a multidimensional framework for assessing tangibility, reliability, responsiveness, assurance, and empathy.

The present study addresses a regional research gap by focusing on Gurugram, Rewari, and Mahendergarh. The research identifies limited direct public–private comparison in this setting despite the coexistence of major banking institutions and substantial variation in economic and demographic conditions. It also considers customer choice factors, technology-related expectations, and bank-level issues including non-performing assets (NPAs).

The study objectives are to examine service quality in public and private sector banks; compare service-quality parameters; identify factors influencing customers' choice of a bank; examine NPA status and associated factors; and suggest measures for improving service quality and addressing performance gaps.

2. LITERATURE REVIEW AND RESEARCH GAP

The conceptualization of service quality has evolved from general discussions of quality toward multidimensional measurement models. Parasuraman, Zeithaml, and Berry developed SERVQUAL as a structured instrument for assessing consumer perceptions of service quality. Cronin and Taylor subsequently questioned the necessity of the expectations-minus-perceptions formulation and examined performance-based measurement. These debates demonstrate that service quality is both multidimensional and context dependent.

Banking research has adapted service-quality frameworks to financial services. Bahia and Nantel developed the Banking Service Quality scale and showed that bank customers evaluate dimensions such as effectiveness and assurance, access, price, tangibles, service portfolio, and reliability. Nevertheless, SERVQUAL remains useful for comparative research because its five dimensions provide a clear framework for physical facilities, dependable performance, prompt assistance, confidence and security, and individualized attention.

The literature review reports that several earlier studies have found private-sector banks stronger in responsiveness, technology, and customer-oriented service, while public-sector banks are often associated with stability, trust, accessibility, and wider reach. However, findings vary across locations. The research therefore identifies a geographic gap in southern Haryana, a need for direct sectoral comparison, limited regional evidence on digital banking, and limited integration of customer perceptions with financial-health considerations such as NPAs.

The contribution of the present study is consequently contextual rather than merely descriptive: it tests whether commonly reported public–private differences remain statistically meaningful within a specific regional banking market.

3. CONCEPTUAL FRAMEWORK AND HYPOTHESES

Tangibility captures the appearance of physical facilities, equipment, personnel, and communication materials. Reliability represents the ability to provide promised services accurately and dependably. Responsiveness reflects promptness and willingness to help. Assurance captures employee competence, courtesy, security, and confidence. Empathy concerns individualized attention, convenience, and understanding of customer needs.

H1: Consumer perceptions of tangibility differ significantly between public and private sector banks.

H2: Consumer perceptions of reliability differ significantly between public and private sector banks.

H3: Consumer perceptions of responsiveness differ significantly between public and private sector banks.

H4: Consumer perceptions of assurance differ significantly between public and private sector banks.

H5: Consumer perceptions of empathy differ significantly between public and private sector banks.

4. METHODOLOGY

4.1 Research Design and Study Area

The research uses an exploratory and descriptive design and combines quantitative and qualitative information. The universe consists of customers of public and private sector banks operating in southern Haryana. The empirical geographical focus is Gurugram, Rewari, and Mahendergarh.

4.2 Sampling and Data Collection

Five public-sector and five private-sector banks were selected primarily on the basis of branch presence in the study region. The sample of approximately 600 customers; the final analytical dataset contains 592 valid cases. The named private-sector institutions were Axis Bank, ICICI Bank, HDFC Bank, AU Bank, and Kotak Mahindra Bank.

The principal SERVQUAL comparison comprised 302 public-bank customers and 290 private-bank customers. The questionnaire was administered through online and offline modes. The instrument was based on SERVQUAL and used five-point Likert-scale responses together with multiple-choice demographic and banking questions. The research states that the broader questionnaire contained 60 questions and included measures relating to customer expectations, external factors, tangibility, reliability, responsiveness, assurance, customer education, technology, and perception.

4.3 Measures and Statistical Analysis

Four items measured tangibility, five measured reliability, four measured responsiveness, four measured assurance, and five measured empathy. Analysis included frequencies, percentages, means, standard deviations, principal component analysis, reliability analysis, independent-samples t-tests, and one-sample t-tests. The comparative hypotheses were assessed using independent-samples t-tests at the 5% significance level.

The reports of 592 valid cases with no exclusions and Cronbach's alpha of 0.720 across 23 items, indicating acceptable internal consistency for the principal factor-based analysis.

5. RESULTS

5.1 Profile of Respondents

Characteristic	Category	n	%
Age	Less than 20	351	59.29
	20–40	150	25.34
	Above 40	91	15.37
Qualification	Undergraduate	228	38.51
	Graduate	215	36.32
	Postgraduate	90	15.20
Bank used	Public sector	305	51.52
	Private sector	287	48.48
Annual income	< ₹5 lakh	310	52.36
	₹5–10 lakh	242	40.88
	> ₹10 lakh	40	6.76

The sample is relatively young: 59.29% were below 20 years, 25.34% were aged 20–40, and 15.37% were above 40. Public-bank users constituted 51.52% and private-bank users 48.48%. More than half of respondents reported annual income below ₹5 lakh. The respondent profile therefore provides variation but is weighted toward younger and lower-to-middle-income groups.

5.2 Factor Analysis and Measurement Structure

Item-level means ranged from 2.9189 to 4.2061. The strongest-rated item was that the bank was never too busy to respond to customer requests ($M = 4.2061$, $SD = 0.91505$), followed by employee behaviour instilling confidence ($M = 4.1824$, $SD = 1.01952$) and performing the service right the first time ($M = 4.0760$, $SD = 1.06758$). Lower-rated items included physical-facility visual appeal ($M = 2.9189$, $SD = 1.12359$) and employee neatness/professional appearance ($M = 3.0304$, $SD = 1.27148$). Principal component analysis produced six components with eigenvalues greater than one. Together they accounted for 65.187% of the initial variance. The first component accounted for 20.585%, the second 12.397%, the third 11.751%, the fourth 8.164%, the fifth 6.358%, and the sixth 5.931%. Several communalities were high, including physical-facility appeal (0.911), printed-material appeal (0.868), employee appearance (0.859), and accurate transaction records (0.850).

Measure	Result
Valid cases	592 (100.0%)
Items in reliability analysis	23
Cronbach's alpha	0.720
Extraction method	Principal Component Analysis
Components retained	6
Cumulative variance explained	65.187%

5.2 Public–Private Comparison of SERVQUAL Dimensions

Dimension	Public M	Private M	t	df	p	Conclusion
Tangibility	2.9530	2.8791	0.797	590	.426	Not significant
Reliability	3.5047	3.3810	1.046	590	.296	Not significant
Responsiveness	3.1442	3.2051	−0.564	590	.573	Not significant
Assurance	3.9467	3.7289	1.809	590	.071	Not significant
Empathy	3.1066	3.0513	0.496	590	.620	Not significant

None of the five SERVQUAL dimensions differs significantly between public and private sector banks at $p < .05$. Tangibility was slightly higher for public banks ($M = 2.9530$ versus 2.8791), $t(590) = 0.797$, $p = .426$. Reliability was also higher for public banks ($M = 3.5047$ versus 3.3810), $t(590) =$

1.046, $p = .296$.

Responsiveness showed a small advantage for private banks ($M = 3.2051$ versus 3.1442), but the difference was not statistically significant, $t(590) = -0.564$, $p = .573$. Assurance produced the closest result to conventional significance, with a reported p -value of $.071$, still above $.05$. Empathy was slightly higher for public banks ($M = 3.1066$ versus 3.0513), with $t(590) = 0.496$, $p = .620$. Accordingly, the five alternative hypotheses proposing significant sectoral differences were not supported by the reported tests. This qualification is important because descriptive mean differences alone should not be interpreted as evidence of statistically meaningful sectoral superiority.

5.4 Factors Influencing Bank Choice

Factor	Mean	SD	Relative level
Brand image and marketing	4.2770	0.87120	Highest
Efficiency and speed	4.1791	0.82374	Very high
Customer service	3.5845	0.97496	Moderate-high
Convenience and comfort	3.4780	1.03387	Moderate
Technology and innovation	3.1030	1.45474	Moderate
Product variety	2.9189	1.12359	Lowest listed factor

Brand image and marketing recorded the highest mean (4.2770), followed by efficiency and speed (4.1791). Customer service and convenience were moderately high. Technology and innovation had a mean of 3.1030, while product variety recorded 2.9189. The findings indicate that institutional image and efficient service delivery are particularly important in customers' bank-choice evaluations.

5.5 Priorities for Improving Service Quality

The improvement analysis found significant departures from the test value of 3 for customer perception ($t = 14.452$, $p < .001$), customer-centric approach ($t = 3.779$, $p < .001$), technological advancements ($t = 4.844$, $p < .001$), process improvements ($t = 6.156$, $p < .001$), physical and digital infrastructure ($t = 34.826$, $p < .001$), customer feedback and involvement ($t = 35.665$, $p < .001$), and regulatory compliance and risk management ($t = 11.250$, $p < .001$). Employee training and development was significantly below the benchmark ($t = -6.489$, $p < .001$; mean difference = -0.35473), making workforce development a particularly important improvement priority.

5.6 NPA Findings

This research also examines NPA status across selected public and private banks and reports a higher NPA ratio for public-sector banks than private-sector banks. It associates NPA differences with credit-risk assessment, loan monitoring, regulatory conditions, and structural or legacy issues. Because the retrieved thesis material does not provide enough underlying bank-year observations to reproduce the full NPA table reliably, this manuscript reports the result qualitatively rather than introducing unsupported numerical estimates.

6. DISCUSSION

The findings complicate the conventional assumption that private-sector banks necessarily deliver superior service quality. Descriptively, private banks have a small advantage in responsiveness, while public banks show higher mean scores for tangibility, reliability, assurance, and empathy. Yet none of these differences is statistically significant. This suggests that competitive convergence between the two sectors may be stronger than broad sectoral stereotypes imply in southern Haryana.

The result is consistent with the view that service quality is context dependent. Public banks may benefit from institutional trust, accessibility, and familiarity, whereas private banks may benefit from process efficiency and technology. These strengths can offset one another when customers evaluate the overall service encounter. The finding demonstrates why inferential testing is essential: ranking mean scores alone can create an impression of meaningful sectoral superiority that the statistical tests do not support.

The factor analysis reinforces the multidimensional character of service quality. High communalities for several physical, reliability, and employee-related indicators show that the measured items capture substantial common variance. The six-component solution explaining 65.187% of variance also suggests that banking-service evaluations may contain structure beyond a simple five-dimension representation. This does not invalidate SERVQUAL; rather, it indicates that banking encounters can combine traditional service attributes with technology, processes, and customer-management factors. The bank-choice results provide an additional managerial insight. Brand image and marketing and efficiency and speed were rated above the other listed choice factors. Customers may therefore select banks not solely because of individual service encounters but also because of perceived institutional identity and rapid service delivery. At the same time, employee training and development emerges as a clear improvement priority, suggesting that technology and infrastructure investment should be accompanied by systematic human-capital development.

The regional focus is another contribution. Gurugram, Rewari, and Mahendergarh represent different economic and demographic environments. A regional study therefore complements national

comparisons by showing how sectoral perceptions behave within a specific socioeconomic setting.

7. THEORETICAL AND MANAGERIAL IMPLICATIONS

7.1 Theoretical implications

The findings support the continued usefulness of SERVQUAL as a structured framework for comparative banking research. They also demonstrate that ownership category should not automatically be treated as a proxy for service quality. Future models may benefit from integrating traditional service dimensions with digital experience, process efficiency, customer engagement, and trust.

7.2 Managerial implications

Public-sector banks should prioritize process simplification, digital capability, employee development, and proactive customer communication while preserving the trust and accessibility associated with their institutional role. Private-sector banks should sustain responsiveness and technological capability while strengthening personalization, relationship quality, and trust. Both sectors should establish continuous customer-feedback systems, use service-quality dashboards, train frontline employees, and monitor complaint resolution and service turnaround time.

The low relative result for employee training and development implies that technology should not be treated as a substitute for employee capability. Training should cover product knowledge, digital-service support, communication, complaint handling, cybersecurity awareness, and customer-specific problem solving.

8. LIMITATIONS AND FUTURE RESEARCH

The study is cross-sectional and captures customer perceptions at one point in time. Its geographical focus is limited to three districts of southern Haryana, which constrains generalizability. The research also notes potential limitations related to sampling representativeness, non-response bias, subjective service-quality perceptions, and possible demographic or socioeconomic confounding.

The respondent profile is relatively young, with 59.29% below age 20, which may influence generalizability to older and more experienced banking customers. Future research should use larger probability samples, explicitly balance demographic strata, and compare districts or states. Longitudinal research could examine how digital banking, fintech adoption, and regulatory changes alter perceptions over time. Structural equation modelling could test relationships among service quality, satisfaction, trust, loyalty, digital experience, and switching intention. Future work should also integrate customer perceptions with bank-level indicators such as NPA trends, profitability, and service-delivery performance.

9. CONCLUSION

This study provides a regionally focused comparison of service quality perceptions in public and private sector banks in southern Haryana using SERVQUAL, factor analysis, and inferential statistics. Evidence from 592 valid customer responses shows that the two sectors are perceived more similarly than conventional narratives of private-sector superiority might suggest. Tangibility, reliability, responsiveness, assurance, and empathy all show small descriptive differences, but none is statistically significant at the 5% level.

The study nevertheless identifies clear managerial priorities. Customers place substantial value on brand image, efficiency and speed, and customer service. The improvement analysis highlights technology, process improvement, infrastructure, customer feedback, and customer-centric practices, while employee training and development emerges as a significant weakness. The most appropriate strategy is therefore not to replicate the organizational model of the competing sector, but to strengthen the service capabilities that matter most to customers.

For policymakers and bank managers, the central implication is that service-quality competition in regional banking should be understood as a multidimensional, customer-centred process. Public and private banks can both improve competitiveness by combining reliable core banking, responsive employees, secure transactions, modern infrastructure, digital convenience, and continuous customer feedback.

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