

Service Quality of Commercial Banks in Rural Areas

A Study of Selected Commercial Banks in Karimnagar District of Telangana State

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Abstract

In the present competitive economy banking sector has been facing dynamic challenges in concerning both customer base and performance. The indispensable competitive strategic role of this sector is vital one in managing the customers. Providing service quality is highly significant function of service industry in today's competitive environment. Service quality is the excellent strategy and plays a key role in service sector in general and banking sector in particular to satisfy the customers' needs and retain them. The present study aims at assessing the service quality, that delivered by the banks in rural areas, using SERVQUAL model.

Key Words: Public Sector Banks, Private Sector Banks, Regional Rural Banks, Service Quality, Service quality gaps, Expectation and Perception.

Introduction

In many countries service sector plays dominant role in the markets. According to (Kotler, 2003), in the US economy, nearly 80 per cent of the employment opportunities provided and 76 per cent of the GDP contributed by the service sector. In India also service sector playing greater role in the nation's economy by contributing nearly 64 per cent of the GDP, having higher share in exports, 42 per cent of total exports from India, and providing high number employment opportunities. This indicates that the growing importance of the service sector. That is the reason why, companies well recognized the need for the better service quality and are looking for ways to perform better and attract and retain their customers in a high competitive manner (Wang. Y., 2003). Many researchers have been focused on this area of service quality for the last few years and recognized as one of the most important strategy of the business firms in the service sector to improve financial as well as marketing performance.

(Newmn, 2001) Service quality has been defined as the degree and direction between customer service expectations and perceptions. Perceived service quality is defined as how well a service satisfies the expectations of customers. Service quality has an impact on profitability and costs, as service quality influences customer

satisfaction; it impacts customer retention, reduces costs and increases profitability. It is, thus, service quality has been identified as a key determinant of the intention to use a service, and has, therefore, been extensively under study.

Importance of Service Quality

Service quality is considered as the most critical determinant of competitiveness for establishing and sustaining satisfying relationship with customers (Lewis, 1989). Business firms including banks have recognized the fact that the only one best way to manage the competition is the quality differentiation. Advance technology, customer oriented corporate culture, a well designed service-system and excellent information system are the major factors that decide the superior quality of service of an organization. Providing excellent service quality and maintaining the high customer satisfaction is the important issue and the challenge facing contemporary service industry (Hung, 2003). Thus Service Quality is an important subject in both public and private sectors business firms and service industries. Banking sector is not an exception to this.

Before independence the banking system in India was in private sector and in very weak position. To strengthen the banking system then government established Reserve Bank India (RBI) in 1935 and empowered to regulate banking companies by issue of directive, inspection, amalgamation, mergers etc. Major action was taken 1949 by passing the Banking regulation Act which was very important in respect of structural reforms in the banking sector. This act had given extensive regulatory powers to RBI over the banks in India. Nationalization of banks was another major step of the government (14 banks on 19th July, 1969 and 6 banks on 15th April, 1980) to constitute the public sector banks. These public sector banks occupied a vital role in Indian economy in general and banking sector in particular. Government implemented many social welfare schemes through these banks. Prior to globalization there was very little competition in the banking sector and the public sector banks played dominating role in terms of size of assets? Due to changing global scenario, the government recognized the need to introduce reforms to make banking industry more competitive. Thus, the government had made policy changes like deregulation of interest rates and dilution of consortium lending requirement. Moreover, banking sector had been opened up to the private sector. With this, new banks have been set up in private sector, called as new private sector banks, foreign banks have entered the Indian banking sector and existing banks in private sector (old private sector banks) changed their level of operations. All these increased the competition among the banks and efficiency of the banking industry.

Survival of banks, in heavy competition, depends upon how the banks are providing quality services to their customers. Service quality is a comparison of expectations with performance. From the viewpoint of business administration, service quality is an achievement in customer service. It reflects at each service encounter (Bhatia, Assessment of Service Quality in Public and Private Sector Banks of India with Special Reference to Lucknow City). A customer's expectation of a particular service is determined by factors such as recommendations by peers, personal needs and past experiences. The expected service and the perceived service sometimes may not be equal, thus leaving a gap. The service quality model or the 'GAP model' developed by the authors- Parasuraman, Zeithaml and Berry at Texas and North Carolina in 1985, highlights the main requirements for delivering high service quality. It identifies 'gaps' that cause unsuccessful delivery of service. Customers generally have a tendency to compare the service they 'experience' with the service they 'expect'. If the experience does not match the expectation, there arises a gap.

Service Quality Dimension - Service Quality Gap Model (SERVQUAL)

The gap model (also known as the "5 gaps model") of service quality is an important customer-satisfaction framework. In "A Conceptual Model of Service Quality and Its Implications for Future Research" (*The Journal of Marketing*, 1985), A. Parasuraman, VA Zeitham and LL Berry identify five major gaps that face organizations seeking to meet customer's expectations of the customer experience.

SERVQUAL is one the tools used in measuring the quality of services. According to Buttle (1996), SERVQUAL is for the measuring and managing the quality of service. Asubeonteng et al (1996) also intimated that the model is used to measure the quality of service from the customer's point of view. The originators of the model are Parasuraman, Zeithamal and Berry. It was developed in 1985 but was polished in their subsequent articles (Parasuraman et al 1988). The main aim of SERVQUAL is to have a standard and a reliable tool that can be used to measure the quality of services in different service sectors. Originally, those who developed SERVQUAL introduced ten service quality dimensions or attributes. These are: 1. Tangibles, 2. Reliability, 3. Responsiveness, 4. Competency, 5. Courtesy, 6. Communication, 7. Credibility, 8. Security, 9. Access and 10. Understanding the customer.

Definitions of Original Ten SERVQUAL Dimensions

Sl. No.	Dimension	Definition
1	Tangibles	Appearance of physical facilities, equipment personnel and communication materials.
2	Reliability	Ability to perform the promised service dependably and accurately.
3	Responsiveness	Willing to help customers and provide prompt service.
4	Competence	Possession of the required skills and knowledge to perform the service.
5	Courtesy	Politeness, respect consideration and friendliness of contact personnel.
6	Credibility	Trustworthiness, believability, honesty of service provider.
7	Security	Freedom from danger, risk of doubt.
8	Access	Approachability and ease of contact.
9	Communication	Keeping customers informed in language they can understand and listening to them.
10	Understanding the Customer	Making the effort to know customers and their needs.

Source: Zeithmal, Parasuraman and Berry, (1988) *Delivering Quality Service*, New York, Free Press, p 21 -22 (Modified)

Ten Dimension (Original Model)	Five Dimension (Later Model)
Tangibles	Tangibles
Reliability	Reliability
Responsiveness	Responsiveness
Competence Courtesy Credibility Security	Assurance
Access Communication Understanding the customer	Empathy

Source: Zeithmal, Parasuraman and Berry, (1988) *Delivering Quality Service*, New York, Free Press, p 26.

However, in the 1988 article, these were pruned to five (Parasuraman et al 1988). These are, 1. Tangibles, 2. Reliability, 3. Responsiveness, 4. Assurance and 5. Empathy. Tangibility refers to the physical environment in which the service provider operates. It comprises the physical facilities available, workers, and equipment and communication materials. Reliability concerns the ability with which the service organization can deliver the service

dependably and accurately. Empathy on the other hand, is about the special care and attention given to individual customers when being served. Responsiveness is also the preparedness of the service provider to assist customers and render as quick of prompt service as possible. Assurance too is in connection with knowledge and the courteous attitude of staff and their ability to instill, trust and confidence in customers.

Sl. No.	Dimension	Definition
1	Tangibles	Appearance of physical facilities, equipment personnel and communication materials.
2	Reliability	Ability to perform the promised service dependably and accurately.
3	Responsiveness	Willing to help customers and provide prompt service.
4	Assurance	Knowledge and courtesy of employees and their ability of convey trust and confidence.
5	Empathy	Caring, individualized attention the firm provides its customers.
<i>Source:</i> Zeithmal, Parasuraman and Berry, (1988) <i>Delivering Quality Service</i> , New York, Free Press, p 26.		

Based on the five service quality dimensions, two sets of twenty-two statements or questionnaire are developed, (Donnelly et al 1995 and Iwaarden et al, 2003). The questionnaires are a seven-point Likert scale. Robinson (1999) also explains that one set is about customers expectations (expectation of service quality before using the service) and the other set measures customer perceptions (perceptions of quality after using the service). The difference between the two; perceptions (P) and expectations (E) constitute the service quality gap. The quality gaps according to Parasuraman (2004) and the Tahir and Bakar (2007) are five. These are:

- ❖ Gap 1: The difference between what customers really expect and what management think (perceptions) of customers expectations. Donnelly et al (1995) are of the view that the gap occurs because management did not undertake in-depth studies about customers' needs. Also there are poor internal communication and insufficient management structures. This gap is referred to as the understanding or knowledge gap.
- ❖ Gap 2: Is what is called standard gap. It is the difference between management perceptions of customer service quality expectations and service quality specifications.
- ❖ Gap 3: This gap is also known as the delivery gap. The difference between service quality specifications and the actual service quality delivered. This means the failure to ensure that service performance conforms to specifications. Donnelly et al (1995) contend that the failure emanates from absence of commitment and motivation, insufficient quality control systems and insufficient staff training.
- ❖ Gap 4: This is the communication gap. It arises because of the difference between the delivery of service and the external communication regarding promises made to customers. Examples of medium

used for the external communication are media and customer contracts, (Donnelly et al 1995).

- ❖ Gap 5: This gap is the difference between customers' expectations of service quality and the actual service received.

Service Quality Dimension in Commercial Banks

Several researchers have suggested that the search for universal conceptualization of the service quality construct may be futile (Levist, 1981; Lovetock, 1983). The service quality construct is either industry or context specific (Babakus and Boller, 1992). The measurement of the service quality construct is multidimensional. In its original structure, service quality consists of five dimensions (Parasuraman et al., 1988; Carman, 1990; Rust and Oliver, 1994). These are:

1. the tangibility aspects of the service
2. the reliability of the service provider
3. the assurance provided by the service provider
4. the responsiveness of the service provider; and
5. the service provider's empathy with customers

The included variables to measure the service quality of commercial banks were ranging from seventeen to fifty seven variables (Narul Islam, 2005; Verma and Vehra, 2000; Sharma and Mehta, 2004; Elango and Gudep, 2006; Sharma and Sharma, 2007; Bhat, 2004; Levesque and Gorden, 1996; Bhat, 2005; Zillur, 2005; Gani and Bhat, 2003). In the present study, the included service quality variables are twenty.

Review of Literature

It is relevant to refer briefly to the previous studies and research in the related areas of the subject to find out and to fill up the research gaps. The following are the some studies conducted by the eminent authors and practitioners on the area of service quality of banks.

(Dhandabani, 2010), Examined the nature of linkage between service quality and customer loyalty in Indian retail banking. Study used confirmatory factor analysis to identify the service quality dimension. The resulted dimensions are Reliability, Responsiveness, Knowledge and recovery; and Tangibles. The service quality dimensions lead to customer satisfaction and the customers' satisfaction leads to customer's loyalty. The structural equation model reveals that there is no significant direct linkage between service quality and customers loyalty. At the same time, the service quality has a significant indirect impact on customer's loyalty especially through customer's satisfaction.

(Desta, 2011) Studied by assessing and measuring the banking service quality perception of the SBI branch customers; and examining the relationship between service quality, customer satisfaction and positive word of mouth and found that the expectations of bank customers were not met and that the largest gap was found in the reliability dimension. This dimension also had the largest influence on customer satisfaction and overall satisfaction of bank customers had a positive effect on their word-of-mouth. The study also suggested that input from employees on what constitutes "service excellence" will be beneficial. The bank need to reassess "what customers expect from the bank" and provide client specific services. It needs to invest on employee training programs that will provide employees with an understanding of service culture and service excellence particularly at front line levels. Employee training programs should focus on interpersonal communication and customer care factors in order to be able to meet the customers' need for personalized service.

Study was conducted (Santhiyavalli, 2011) to evaluate the service quality of SBI by adopting the SERVQUAL technique developed by A.parasuraman et al (1988) and found that that among five dimensions 'Reliability', 'Responsiveness', 'Empathy' and 'Tangibility' are the major factors responsible for customer satisfaction which stood at 90 percent regarding the services provided by State Bank of India. Thus based on the percent level of customer satisfaction, the State Bank of India has scope to improve the quality of the service rendered to its customers to ensure their loyalty.

(Maya Basant Lohani, 2012) examined on service quality in selected banks and measured in five dimensions by using SERVQUAL scale developed by Parasuraman et al (1988) and revealed that there exist a small perceptual difference regarding overall service quality with the respective banks. The study of found that banks have more concentration on the tangible factor like a computerization, physical facilities, etc. to attract the customers. The dimensions Reliability, Responsiveness and Assurance are found to be the most vital and strategic determinants of service quality and customer satisfaction for both public and private sector banks. If banks want to sustain customers on a long term

basis, bankers should work towards 100% customer satisfaction that automatically foster customer delight.

(Jain, 2012) In their study "Customer Perception on Service Quality in Banking Sector: With Special Reference to Indian Private Banks in Moradabad Region" try to learn and understand the customer perception regarding service quality and to learn and understand the different dimension of service quality in banks. The Sample size used is 100 and the sample universe is Moradabad. The service quality model developed by Zeithamal, Parsuraman and Berry (1988) has been used in the present study. The analysis reveals that among the private sector banks all the dimensions of service quality are equally important.

(Dr. Rupa Rathee, 2014), Studied the service quality gaps in banks after nationalization of commercial banks. With the entry of new generation, tech-savvy, private banks the banking sector has become too competitive. Gap analysis was applied to find the gaps between expected and performed service in private banks to find the difference between male and female perception and expectation. This study provided an insight into which attributes of service quality in private bank were most important in providing satisfaction to customers and areas where significant gaps existed. It concluded that the highest gap was found in the dimension of reliability and empathy and suggested that the banks have to reduce this gap giving individual personal attention to understand customer specific needs. The customers trust the public sector banks. These banks have existed in the market for a longer period than the private sector banks. The reliability factor is a positive factor for these banks. Therefore private banks should position themselves in the market on the basis of this dimension and promote themselves aggressively. It becomes imperative for the private sector banks to train their employees to treat the customers with empathy.

Objectives of the Study

The following are the main objectives of the present paper:

- To measure and analyze the quality of services provided by public sector and private sector Banks in rural areas of Karimngar district of Telangana State, India.
- To measure the customer satisfaction in selected public and private sector banks by analyzing the gap between expected quality and their perceived quality of banking services using SERVQUAL model.

Methodology

In this paper an attempt has been undertaken to carry out a descriptive study regarding various factors of service

quality in selected banks.

Data Collection

The study was conducted by taking three commercial banks, one from public sector (SBH), one from private sector (HDFC) and one from Regional Rural Banks (RRBs).

The required data was collected from two sources namely Primary Data and Secondary Data. Primary data was collected through structured questionnaire from the existing bank customers. Secondary data was collected from the

previous publications.

Sampling Unit

The sample unit consists of customers of the public sector, the private sector banks and RRBs of rural areas in Karimnagar district of Andhra Pradesh in India. The respondents are farmers, Employees, Business Persons and SHGs.

Size of the Sample

SAMPLE SIZE	
Particulars	No.
No. of Mandals Selected for the study (10% of the Total 57 Mandals in the District)	6
No. of Banks Selected (SBH, DGB & HDFC)	3
Target Groups (Farmers, Employees, Business People and SHGs)	4
No. of Respondents from each group	10
Total Sample Size (For SBH & DGB - $6*2*4*10$) + (For HDFC - $6*3*10$)	660
Note: As a private bank HDFC bank is not offering SHG Scheme	

Techniques of Analysis of Data

So, collected data was analyzed with the help of statistical tools such as averages, percentages, paired sample test

(PST) etc. The results are interpreted with the help of percentages in a meaningful manner.

Data Analysis and Study Results

A. Demographical Analysis

Variable	Category	Bank Type			Total	Percentage (%)
		SBH	DGB	HDFC		
Mandal Areas	Siricilla	40	40	20	100	15.87
	Huzurabad	40	40	22	102	16.19
	Jagitial	40	40	30	110	17.46
	Jammikunta	40	40	30	110	17.46
	Sultanabad	40	40	30	110	17.46
	Metpally	40	28	30	98	15.56
	Total	240	228	162	630	100.00
Gender	Male	173	161	159	493	78.25
	Female	67	67	3	137	21.75
	Total	240	228	162	630	100.00

Age	Less than 30	56	37	50	140	22.22
	31 - 40	83	96	68	247	39.21
	41 - 50	51	62	35	148	23.49
	51 - 60	33	22	9	64	10.16
	More than 60	17	11	0	28	4.44
	Total	240	228	162	630	100.00
Marital Status	Married	229	220	148	597	94.76
	single	11	8	14	33	5.24
	Total	240	228	162	630	100.00
Educational Qualifications	Master Degree	19	14	18	51	8.10
	Graduation	71	48	62	181	28.73
	Professional Degree	5	2	10	17	2.70
	Intermediate	34	40	29	103	16.35
	SSC	43	48	33	124	19.68
	Less Than SSC	46	44	9	99	15.71
	No Formal Education	22	32	1	55	8.73
	Total	240	228	162	630	100.00
Occupation	Farmers	60	56	42	158	25.08
	Business	60	60	60	180	28.57
	Employees	60	54	60	174	27.62
	SHGs	60	58	0	118	18.73
	Total	240	228	162	630	100.00

To collect the required data, seven hundred and twenty questionnaires were distributed to selected three (SBH, DGB and HDFC) bank customers in rural areas to know their preferences in selection of bank in selected six mandals of Karimnagar district in Andhra Pradesh state in India and six hundred and thirty returned. The response rate was 87.5 per cent. An average of 16.67 per cent of total respondents was responded from each mandal.

The results of demographic profile of the respondents under study revealed that gender was almost evenly split in the proportions of 78.25 per cent males and 21.75 per cent females. 22.22 per cent of the respondents were below the age group of 30 years. 50% were in the age group of 21-25 years, 39.21 per cent in between 31 – 40 years, 23.49 per cent of respondents in between the age group of 41 – 50 years, 10.16 per cent in between the age group of 51 – 60 and 4.44 per cent respondents belonged to above 60 years. 94.76 per cent of respondents were married and 5.24 per cent respondents were unmarried.

The highest number of respondents i.e. 28.73 per cent of the total respondents possessed the degree qualification, 19.68 per cent had 10th class qualification, 16.35 per cent respondents had completed intermediate education 15.71 per cent of respondents had possessed only formal education i.e. less than 10th class and 8.10 per cent possessed master degree qualification. The remaining 8.73 per cent of the total respondents did not have any formal education. These were illiterates and mostly belonged to farmers and SHGs categories.

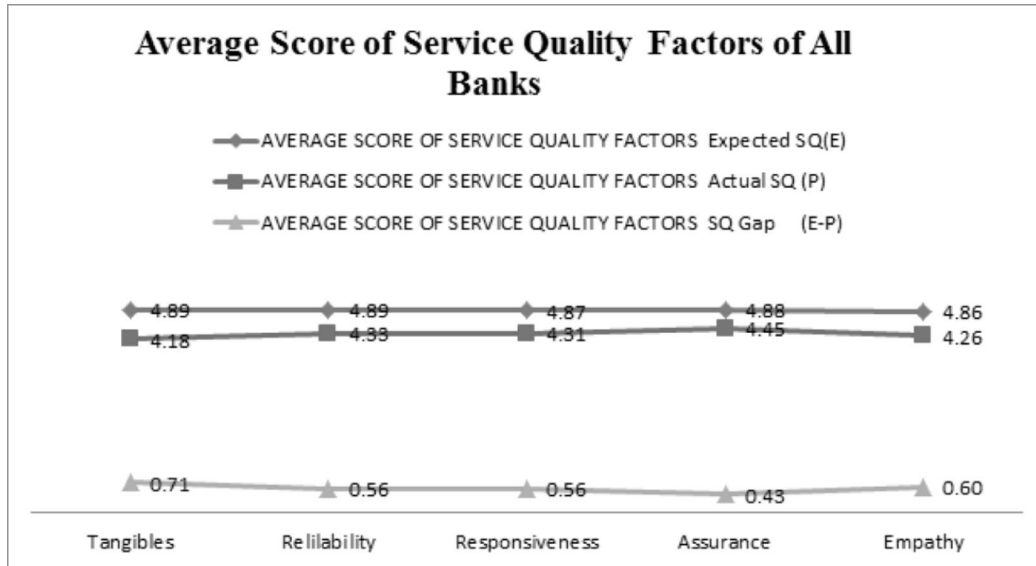
The data relating to occupation shows that 28.57 per cent of the total respondents belonged to business category, 27.62 per cent belonged to employees category, 25.08 per cent belonged to farmers category and the remaining 18.73 per cent of the total 118 in number belonged to self–help groups (SHGs) category who spread to SBH and DGB bank only. The SHGs loan linkage scheme was offered by these two public sector banks. SHGs were nil in HDFC bank as it was a private sector and did not offer SHG linkage scheme.

EVALUATION OF SERVICE QUALITY IN SELECTED BANKS IN KARIMNAGAR

ASSESSMENT OF SERVICE QUALITY IN ALL SELECTED BANKS IN KARIMNAGAR						
Sl.No.	Expected Quality (E)	Mean	Perceived Quality (P)	Mean	Gap (E-P)	% of Gap
A. TANGIBLES						
1	The Bank must possess the sophisticated and good looking infrastructure.	4.93	My Bank has the sophisticated and good looking infrastructure.	4.09	0.85	16.92
2	Physical facilities at banks should be visual and attractive.	4.91	Physical facilities at my banks are visual and attractive.	4.10	0.80	16.03
3	Bank employees have to be in neat dress and appear dignified.	4.87	My Bank employees are in neat dress and appearing dignified.	4.35	0.52	10.35
4	Materials (statements or passbook) with bank should be visual and excellent.	4.86	Materials (statements or passbook) with my bank are visual and excellent.	4.19	0.67	13.40

	Total	19.56	Total	16.73	2.83	
	Average	4.89		4.18	0.71	14.17
B. RELIABILITY						
5	If the bank promises something, it will do.	4.87	If my bank promises something, it will certainly do.	4.22	0.65	13.08
6	If customers have problems, the bank has to show sincere interest in solving them.	4.89	If customers have problems, my bank will show sincere interest in solving it.	4.33	0.56	11.24
7	The bank ought to perform the services at right time.	4.90	My bank performs the services at right time. As per time mentioned.	4.34	0.57	11.33
8	The bank should provide service at the time it promises to do so.	4.89	My Bank provides service at the time it promises to do so.	4.28	0.61	12.25
9	The Bank should keep accurate/error-free records.	4.88	My Bank keeps accurate/error-free records.	4.50	0.38	7.68
	Total	24.44	Total	21.66	2.78	
	Average	4.89		4.33	0.56	11.12
C. RESPONSIVENESS						
10	Employees of the bank ought to inform customers exactly when service will be performed.	4.83	Employees of my bank inform customers exactly when service will be performed.	3.98	0.86	17.17
11	The Bank employees ought to give excellent service to its customers	4.88	My Bank employees give excellent service to its customers	4.43	0.45	8.92
12	The Bank employees must be willing to help the customers.	4.87	My Bank employees are always willing to help customers.	4.42	0.45	8.95
13	The Bank employees should be always ready to respond to customers' requests.	4.89	Bank employees always ready to respond to customers' requests.	4.41	0.48	9.52
	Total	19.47	Total	17.24	2.23	44.57
	Average	4.87		4.31	0.56	11.14
D. ASSURANCE						
14	The Bank employees should always try to infuse confidence in the customers.	4.85	My Bank employees always try to instill confidence in customers.	4.42	0.43	8.67
15	Customers (you) have to feel safe in transactions with the Bank's employees.	4.89	Customers (me) always feel safe in transactions with my bank's employees.	4.49	0.40	8.00
16	The Bank employees always ought to be courteous and polite with customers.	4.91	My Bank employees always courteous and polite with customers.	4.53	0.37	7.49
17	The Bank must possess employees have complete knowledge to answer queries of customers.	4.89	My Bank employees have complete knowledge to answer queries of customers.	4.37	0.53	10.54
	Total	19.54	Total	17.80	1.73	
	Average	4.88		4.45	0.43	8.67
E. EMPATHY						
18	The Bank has to give individual attention to customers.	4.85	My Bank gives individual attention to customers.	4.10	0.75	14.98
19	The Bank operating hours must be convenient to all customers.	4.86	My Bank operating hours is convenient to all the customers.	4.48	0.38	7.68
20	Bank employees ought to understand the specific needs of their customers.	4.87	Bank employees understand the specific needs of customers.	4.19	0.68	13.59
	Total	14.59	Total	12.77	1.81	
	Average	4.86		4.26	0.60	12.08

AVERAGE SCORE OF SERVICE QUALITY FACTORS OF ALL BANKS					% of Gap
Sl. No.	Categories	Expected SQ(E)	Actual SQ (P)	SQ Gap (E-P)	
1	Tangibles	4.89	4.18	0.71	14.20
2	Reliability	4.89	4.33	0.56	13.20
3	Responsiveness	4.87	4.31	0.56	13.20
4	Assurance	4.88	4.45	0.43	8.60
5	Empathy	4.86	4.26	0.60	12.00
	Total	24.39	21.53	2.86	
	Average	4.88	4.31	0.57	11.40



The above tables and graph reveal that the level of expectation of the service quality of the customers for dimensions namely tangibles, reliability, responsiveness, assurance and empathy are rated between 4 and 5 points implies that the respondents rated these dimensions in between 'agree and strongly agree'. The level of perceived quality regarding the above five dimensions also rated by respondents between 4 – 5 implies 'agree to strongly agree' for the services provided by the all selected banks in

Karimnagar district. The gap score is very less in 'Assurance' reveals that customers are highly satisfied with the assurance aspects associated with the service. According to the SERVQUAL, the higher the gap score is the higher dissatisfaction level. Tangibles and empathy dimensions have the greater average gap score 0.71 and 0.60 respectively than others dimensions, implying dissatisfaction of customers towards these dimensions.

PAIRED SAMPLE TEST (REPEATED MEASURES T -TEST)									
TANGIBLES									
Paired Variables	Paired Differences					t	df	Sig. (2-tailed) @ 0.05	
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference					
				Lower	Upper				
Pair 1	EQ1 - PQ1	.846	.796	.032	.784	.908	26.693	629	.000
Pair 2	EQ2 - PQ2	.802	.763	.030	.742	.861	26.369	629	.000
Pair 3	EQ3 - PQ3	.517	.681	.027	.464	.571	19.085	629	.000
Pair 4	EQ4 - PQ4	.670	.873	.035	.602	.738	19.260	629	.000
RELIABILITY									
Pair 1	EQ5 - PQ5	.654	.967	.039	.578	.730	16.969	629	.000
Pair 2	EQ6 - PQ6	.562	.869	.035	.494	.630	16.228	629	.000
Pair 3	EQ7 - PQ7	.567	.920	.037	.495	.639	15.455	629	.000
Pair 4	EQ8 - PQ8	.613	.924	.037	.540	.685	16.636	629	.000
Pair 5	EQ9 - PQ9	.384	.768	.031	.324	.444	12.553	629	.000
RESPONSIVENESS									
Pair 1	EQ10 - PQ10	.859	1.035	.041	.778	.940	20.815	629	.000
Pair 2	EQ11 - PQ11	.446	.779	.031	.385	.507	14.372	629	.000
Pair 3	EQ12 - PQ12	.448	.829	.033	.383	.512	13.561	629	.000
Pair 4	EQ13 - PQ13	.476	.824	.033	.412	.541	14.504	629	.000
ASSURANCE									
Pair 1	EQ14 - PQ14	.433	.820	.033	.369	.497	13.268	629	.000
Pair 2	EQ15 - PQ15	.400	.758	.030	.341	.459	13.249	629	.000
Pair 3	EQ16 - PQ16	.375	.783	.031	.313	.436	12.009	629	.000
Pair 4	EQ17 - PQ17	.527	.869	.035	.459	.595	15.220	629	.000
EMPATHY									
Pair 1	EQ18 - PQ18	.749	1.051	.042	.667	.831	17.898	629	.000
Pair 2	EQ19 - PQ19	.384	.766	.031	.324	.444	12.587	629	.000
Pair 3	EQ20 - PQ20	.679	.929	.037	.607	.752	18.349	629	.000

Hypothesis:

1. There is no significant difference in Service Quality Gap of selected SBH, DGB and HDFC banks.
2. There is significant difference in Service Quality Gap of selected SBH, DGB and HDFC banks.

According to the PST, 't' value greater than the significance value at 0.05. It is clear that there is a significant difference in opinions of the customers in the expected and perceived service quality variables of selected banks in the rural areas of the Karimnagar district.

Gap Score Between Expected and Perceived Service Quality of Selected Banks

An attempt was also made to find out the service quality level in the selected banks under study. A comparative statement is prepared with the gap scores of selected banks and compared with the overall average gap score to know the quality level in the selected three banks. Lower gap score against the overall average gap score indicates higher quality level and vice versa. That means lower the gap score higher the quality level and higher the gap score lower the quality level.

AVERAGE SCORE OF SERVICE QUALITY FACTORS										
Sl. No.	Categories	SBH			DGB			HDFC		
		Expected SQ(E)	Actual SQ(P)	SQ Gap (E-P)	Expected SQ(E)	Actual SQ(P)	SQ Gap (E-P)	Expected SQ(E)	Actual SQ(P)	SQ Gap (E-P)
1	Tangibles	4.90	4.09	0.81	4.83	4.02	0.81	4.90	4.09	0.81
2	Reliability	4.88	4.02	0.86	4.83	4.5	0.33	4.88	4.03	0.85
3	Responsiveness	4.88	3.92	0.96	4.79	4.46	0.33	4.90	3.92	0.98
4	Assurance	4.90	4.10	0.80	4.82	4.65	0.17	4.90	4.10	0.80
5	Empathy	4.89	4.00	0.89	4.77	4.41	0.36	4.90	4.00	0.90
	Total	24.45	20.13	4.32	24.04	22.04	2	24.48	20.14	4.34
	Average	4.89	4.03	0.86	4.808	4.408	0.4	4.90	4.03	0.87

COMPARITIVE ASSESSMENT OF SERVICE QUALITY OF SELECTED BANKS						
Sl. No.	Gap Score of Service Quality (E - P)	SBH	DGB	HDFC	Total	
A. TANGIBLES						
1	My Bank has the sophisticated and good looking infrastructure.	0.89	1.04	0.90	0.85	
2	Physical facilities at my banks are visual and attractive.	0.87	0.89	0.87	0.80	
3	My Bank employees are in neat dress and appearing dignified.	0.62	0.56	0.62	0.52	
4	Materials (statements or passbook) with my bank are visual and excellent.	0.84	0.74	0.84	0.67	
	Total	3.22	3.24	3.22	2.83	
	Average	0.81	0.81	0.81	0.71	
B. RELIABILITY						
5	If my bank promises something, it will certainly do.	0.96	0.38	0.96	0.65	
6	If customers have problems, my bank will show sincere interest in solving it.	0.86	0.32	0.86	0.56	
7	My bank performs the services at right time. As per time mentioned.	0.91	0.36	0.91	0.57	
8	My Bank provides service at the time it promises to do so.	0.93	0.43	0.93	0.61	
9	My Bank keeps accurate/error-free records.	0.63	0.19	0.63	0.38	
	Total	4.29	1.68	4.29	2.78	
	Average	0.86	0.34	0.86	0.56	
C. RESPONSIVENESS						
10	Employees of my bank inform customers exactly when service will be performed.	1.26	0.68	1.26	0.86	
11	My Bank employees give excellent service to its customers	0.85	0.19	0.84	0.45	
12	My Bank employees are always willing to help customers.	0.85	0.18	0.85	0.45	
13		0.86	0.26	0.83	0.48	
	Total	3.82	1.31	3.90	2.23	
	Average	0.96	0.33	0.98	0.56	
D. ASSURANCE						
14	My Bank employees always try to instill confidence in customers.	0.86	0.11	0.85	0.43	
15	Customers (me) always feel safe in transactions with my bank's employees.	0.75	0.13	0.72	0.40	
16	My Bank employees always courteous and polite with customers.	0.75	0.11	0.74	0.37	

17	My Bank employees have complete knowledge to answer queries of customers.	0.82	0.36	0.78	0.53
Total		3.18	0.71	3.20	1.73
Average		0.80	0.18	0.80	0.43
E. EMPATHY					
18	My Bank gives individual attention to customers.	1.17	0.46	1.15	0.75
19	My Bank operating hours is convenient to all the customers.	0.55	0.18	0.52	0.38
20	Bank employees understand the specific needs of customers.	0.97	0.43	0.96	0.68
Total		2.68	1.07	2.71	1.81
Average		0.89	0.36	0.90	0.60

GAP SCORE OF SELECTED BANKS IN KARIMNAGAR					
Sl. No.	Categories	SBH	DGB	HDFC	Total
1	Tangibles	0.81	0.81	0.81	0.71
2	Reliability	0.86	0.33	0.85	0.56
3	Responsiveness	0.96	0.33	0.98	0.56
4	Assurance	0.80	0.18	0.80	0.43
5	Empathy	0.89	0.36	0.90	0.6
Total		4.32	2.00	4.34	2.86
Average		0.86	0.40	0.87	0.572

The above tables show the service quality gap for selected three types of banks in six mandals in Karimnagar district. Overall gap score of these three selected banks stands at 0.572. The gap score of DGB (0.40) is low compared to the SBH (0.86) and HDFC bank (0.87). This indicates that customers rated high and were well satisfied with the service quality given by the DGB against SBH and HDFC bank. Individual factors' gap score is concerned, DGB has the low gap score, against the other two banks under study, for four factors namely 'Reliability', 'Responsiveness', 'Assurance' and 'Empathy'. In the 'Tangibles' all the three banks have the high gap score (0.81) against the average gap score (0.71).

Proper attention of the officials of SBH and HDFC bank is required to improve the bank service quality, in respect of the above said five factors, to satisfy the customers.

Conclusion

Service quality should be used as a strategic tool to get a competitive advantage over the competitors. With the increasing levels of globalization of the Indian banking industry, and adoption of universal banks, the competition in the banking industry has intensified. Any where' and 'any time banking now become a reality Recognition of service quality now acts as a competitive weapon.

The SERVQUAL model was used to assess and compare the service quality delivered by three major banks operating in rural areas of Kaimnagar district. Analysis of gap score reveals that the highest gap score in the dimension 'Responsiveness' in the case of HDFC (0.98) and SBH (0.96) indicates poor service quality.

The results of the analysis show that the customers rated the three banks rated in between good and very good on all the five dimensions of service quality. In order to stay competitive, three banks needs to improve on their service quality especially in the identified areas 'Responsiveness', 'Empathy', 'Reliability', and 'Tangibility' which are the major responsible factors for customer satisfaction regarding the services provided by SBH and HDFC. Banks need to be more responsive to its customers while SBH and HDFC banks need to train its staff how to show empathy to their customers. The overall service quality obtained shows that, although the customers are satisfied with the three banks, still proper attention is require to improve the service quality to retain the existing customers and to attract new customers.

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