



# “A STUDY ON GAP ANALYSIS BETWEEN CUSTOMERS EXPECTATIONS AND PERCEPTIONS TOWARDS BANKING SERVICES IN WARDHA CITY”

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## **STRUCTURED ABSTRACT:**

**Purpose:** *The present study is an attempt to analyze the gap between customers expectations and perceptions towards banking services in Wardha City.*

**Design / methodology / approach:** *A research model is developed based on the literature. For the purpose of study data collected from 300 bank customers from Wardha City of Maharashtra. By using in structured questionnaire, statistical measure like Mean has been used for analyzing the data.*

**Findings:** *The results reveal that the expectations of the banking customers exceeded their perceptions in all the five dimensions i.e. Tangibility, Reliability, Responsiveness, Assurance and Empathy. The Tangibility dimension has the highest gap scores in the expected v/s perceived level of service quality followed by Responsiveness and Empathy whereas the gap score is lowest for the dimensions Reliability and Assurance.*

**Contribution of the study:** *The result of this study provides a valuable reference to the bankers in Wardha city to focus relatively more on dimensions having the highest gap scores in the expected v/s perceived level of service quality for improvement.*

**Keywords:** *Service Quality, Customer Expectations, Customer Perceptions, GAP model, SERVQUAL model*

## **1) INTRODUCTION**

Indian Financial system is an integrated system consisting of multi-faceted entities including financial intermediaries, markets and instruments with both domestic and foreign dimensions. Banks are one of the oldest financial intermediaries and banking is a life line of any modern economy. Banks play an important role in the mobilization of deposits and disbursement of credit to various sector of the economy. The banking sector reflects the financial and economic health of the country.

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.

Service quality is considered as the most critical determinant of competitiveness for establishing and sustaining satisfying relationship with customers. Thus Service Quality is an important subject in both in public and private sectors business firms and service industries. Banking sector is not an exception to this. 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.

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.

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.

Today the SERVQUAL scale is the instrument which is most widely used by scholars to measure service quality (Amin and Isa, 2008; Barroso et al., 2010; Huang, 2010; Yang et al., 2006). This scale was developed by Parasuraman et al. (1988) based on the disconfirmation paradigm. According to Parasuraman et al., (1988) there were five dimensions of service quality namely (1) Tangibility - the physical facilities, equipment, and appearance of personnel, (2) Reliability - the ability to perform the promised service dependably and accurately, (3) Responsiveness -the willingness to help customers and provide prompt service, (4) Assurance - the knowledge and courtesy of employees and their ability to inspire trust and confidence, and (5) Empathy - the caring individualized attention that the firm provides to its customers.

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. This paper analyzes the gap of customer expectations and perceptions of banking services in Wardha City.

## 2) REVIEW OF LITERATURE

**Dr. Rupa Rathee (2014)**, studied the service quality gaps in banks after nationalization of commercial banks. 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. 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.

**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 this study. The analysis reveals that among the private sector banks all the dimensions of service quality are equally important.

**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.

**Singh S. and Sunayna (2011)** investigated the level of service quality of private banks from the customers' perspective and assessed their satisfaction of services Private Banks provide. A sample of 300 bank customers of private banks in Hisar district was selected by random sampling technique. A survey questionnaire, based on widely accepted SERVQUAL model, consisting of 22 items measuring customers' understanding, service standards, service performance, communications and service quality was administered. The results indicated that the quality of services private banks provide was below customers' expectations.

**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.

### 3) RESEARCH METHODOLOGY

**3.1 Objectives of the Study:** The current study aimed at analyzing the gap between customer expectations and perceptions towards banking services. To support the objective of the study the SERVQUAL technique was adopted by using five dimensions – Tangibility, Reliability, Responsiveness, Assurance and Empathy using the five point Likert scale. This was based on the SERVQUAL scale developed by Parasuraman et al (1988). The main objectives of the study are:

1. To analyze the expectations and perceptions of customers towards banking services in Wardha City.
2. To identify the mean gap between customers expectations and perceptions towards banking services in Wardha City.

**3.2 Hypothesis:** The following hypothesis has been formulated to identifying the gap between customer expectations and perceptions towards banking services.

- There is no gap between customer's expectations and perceptions towards banking services in Wardha City.

**3.3 Sample and Sample Size:** This refers to number of respondents to be selected from the population to constitute a sample. A sample of 300 bank customers has been selected. The respondents were selected using convenience sampling method. The study area is limited to Wardha City only.

**3.4 Data Collection Technique:** In the present study data was collected from primary sources. The primary data collection method includes a questionnaire, which was distributed to 300 bank customers. A convenience sampling technique was adopted to get the required information. While drafting the questionnaires the researcher incorporated close-ended questions. In Close ended or the selection type questions the respondents were asked to rate on a five-point Likerts scale where "1" refers to Strongly Disagree (SDA), "2" refers to Disagree (DA), "3" refers to Neutral (N), "4" refers to Agree (A) and "5" refers to Strongly Agree (SA).

**3.5 Tools for Analysis:** A descriptive statistical measure like mean has been used for analyzing the data. The average score was used to weigh the gap score for each dimension i.e. Tangibility, Reliability, Responsiveness, Assurance and Empathy. In computing the average SERVQUAL score, 20 items of SERVQUAL in both the expectation and perception statements were grouped according to the five basic dimensions of Tangibility, Reliability, Responsiveness, Assurance and Empathy.

#### 4) DATA ANALYSIS AND INTERPRETATION:

An analysis based on the responses from the bank customers was made as follows:

- **Demographic Profile of the Respondents:** The data were collected from the respondents on the dimensions of sex, age, profession and income. Total 300 bank customers participated in the study, among the three hundred respondents, 78% are male and 22% are female; 44% respondents were more than 40 years of age group, 37% respondents are in the age group of 31-40 years, 16% respondents fell in the age group of 21-30 years and 3% of the respondents were less than 20 years of age; 38% respondents were businessman, 34% respondents were employees, 16% respondents were farmers, 8% respondents belongs to other professions and 4% of the respondents were students.

**Table 4.1: Gap Analysis between Customers Expectations and Perceptions**

<b>Dimension</b>	<b>Attribute</b>	<b>Expectation Score (E)</b>	<b>Perception Score (P)</b>	<b>Gap (P-E)</b>
<b>Tangibility</b>	The bank has modern looking equipment	1302 = 4.34	1187 = 3.95	-0.39
	Bank has appealing physical facilities	1280 = 4.27	1155 = 3.85	-0.42
	The appearance of bank staff is professional	1190 = 3.96	1107 = 3.69	-0.27
	Materials associated with the service are visually appealing	1248 = 4.16	1156 = 3.85	-0.31
	<b>Average GAP (P-E)</b>			
<b>Reliability</b>	The bank staff keeps the promises	1302 = 4.34	1217 = 4.06	-0.28
	The staff performs service right the first time	1299 = 4.33	1223 = 4.08	-0.25
	Provide services at the time they promise to do so	1307 = 4.36	1283 = 4.28	-0.08
	The bank insists on error free records	1304 = 4.34	1287 = 4.29	-0.05
	<b>Average GAP (P-E)</b>			
<b>Responsiveness</b>	The bank staff takes special care of customers	1269 = 4.23	1165 = 3.88	-0.35
	The service of the bank is on time and very prompt	1263 = 4.21	1170 = 3.90	-0.31
	The bank staff shows willingness to cooperate and help customers	1305 = 4.53	1273 = 4.24	-0.29
	The bank staff reply to customer's queries	1301 = 4.33	1224 = 4.08	-0.25
	<b>Average GAP (P-E)</b>			
<b>Assurance</b>	The banks are sympathetic and reassuring when customers face problems	1287 = 4.29	1220 = 4.07	-0.22
	Customers feel safe while conducting transactions with the banks	1289 = 4.30	1221 = 4.07	-0.23
	Clients can trust the employees of their banks	1288 = 4.29	1205 = 4.17	-0.12
	Employees of the Bank are consistently courteous with you	1286 = 4.29	1239 = 4.13	-0.16
	<b>Average GAP (P-E)</b>			
<b>Empathy</b>	Bankers try to know the needs of their customers	1292 = 4.31	1213 = 4.04	-0.27
	Bankers give individual attention to the customers	1288 = 4.29	1230 = 4.10	-0.19
	Employees get adequate support from banks to do their jobs well	1282 = 4.27	1203 = 4.01	-0.26
	Operating hours of the bank are convenient to all their customers	1251 = 4.17	1212 = 4.04	-0.13
	<b>Average GAP (P-E)</b>			

**Interpretation:** The data on the above mentioned dimensions collected from the customers is shown in the above table. The above table shows that the expectations of the banking customers exceeded their perceptions in all the five dimensions i.e. Tangibility, Reliability, Responsiveness, Assurance and Empathy.

**Table 4.2: Position of SERVQUAL Dimensions**

Position	Dimension	Average Gap Score
1	Tangibility	-0.35
2	Responsiveness	-0.30
3	Empathy	-0.21
4	Assurance	-0.18
5	Reliability	-0.17
<b>Total</b>		<b>-1.21</b>
<b>Average Gap Score</b>		<b>-0.24</b>

**Interpretation:** The above table shows that the Tangibility dimension has the highest gap score in the expected v/s perceived level of service quality followed by Responsiveness and Empathy whereas the gap score is lowest for the dimensions Reliability and Assurance. The overall average gap score in the expected v/s perceived level of service quality for all five dimensions of SERVQUAL is -0.24.

**Table 4.3: Highest Gap Score between Customers Expectations and Perceptions**

Sr. No.	Attribute	Dimension	Gap Score
1	Bank has appealing physical facilities	Tangibility	-0.42
2	The bank has modern looking equipment	Tangibility	-0.39
3	The bank staff takes special care of customers	Responsiveness	-0.35
4	The service of the bank is on time and very prompt	Responsiveness	-0.31
5	Materials associated with the service are visually appealing	Tangibility	-0.31

**Table 4.4: Lowest Gap Score between Customers Expectations and Perceptions**

Sr. No.	Attribute	Dimension	Gap Score
1	The bank insists on error free records	Reliability	-0.05
2	Provide services at the time they promise to do so	Reliability	-0.08
3	Clients can trust the employees of their banks	Assurance	-0.12
4	Operating hours of the bank are convenient to all their customers	Empathy	-0.13
5	Employees of the Bank are consistently courteous with you	Assurance	-0.16

**CONCLUSION:** The study found that Tangibility dimension has the highest gap score in the expected v/s perceived level of service quality followed by Responsiveness and Empathy whereas the gap score is lowest for the dimensions Reliability and Assurance. From the quantitative analysis it is found that although gaps exist in the expected and perceived level of service quality the banking customers were satisfied with the overall quality of services being delivered by the banks in Wardha city since perceived level of service quality mean score of all the 20 attributes of five SERVQUAL Dimensions is  $> 3$ . The negative gap scores existed in the expected and perceived level of service quality indicates that there are areas where banks should take efforts for improvement. The study of the statistical data suggest that Banks should focus relatively more on dimensions having the highest gap scores for improvement. The Bank should assess service quality regularly as a service quality perceptions of the customers are always changing.

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