



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Analysis Of Service Quality And Customer Satisfaction In Hdfc Bank Using Servqual Model

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ABSTRACT

Service quality is a critical factor influencing customer satisfaction and loyalty in the competitive banking sector. This study assesses the service quality of HDFC Bank utilizing the SERVQUAL model, focusing on five dimensions: reliability, responsiveness, assurance, empathy, and tangibles. Targeting the young adult demographic (18-25 years) with savings accounts, the research identifies significant gaps in service quality, particularly in reliability, assurance, and responsiveness, which substantially impact customer satisfaction. Demographic analysis reveals that 73% of respondents are male, 56% earn below ₹15,000 monthly, and 48% have been customers for less than a year. Statistical analyses indicate that reliability and assurance are the strongest predictors of satisfaction, with tangibility moderately influencing assurance. Limited engagement frequency, insufficient personalization, and underutilized tangible resources are identified as barriers to fostering customer loyalty. This study presents empirical recommendations for HDFC Bank, including enhancing reliability, improving personalization, and leveraging physical and digital resources to meet customer expectations, cultivate trust, and drive long-term satisfaction and loyalty.

Key Words: Service Quality, SERVQUAL Model, HDFC Bank, Customer Satisfaction, Young Adults, Digital Resources

INTRODUCTION OF THE STUDY

In the contemporary, highly competitive banking environment, service quality has emerged as a critical determinant of customer satisfaction and loyalty. As financial institutions endeavor to differentiate themselves, comprehending the nuances of service delivery becomes paramount. HDFC Bank, one of India's leading private sector banks, has established a significant presence in the banking sector, serving millions of customers across the country. With a diverse range of financial products and services, HDFC Bank aims to provide exceptional customer experiences that foster long-term relationships.

This study focuses on evaluating service quality and customer satisfaction at HDFC Bank utilizing the SERVQUAL model, a widely recognized framework for assessing service quality across various industries. The SERVQUAL model identifies five key dimensions of service quality: reliability, responsiveness, assurance, empathy, and tangibles. By examining these dimensions, the study aims to uncover insights into customer perceptions of HDFC Bank's service delivery and identify areas for improvement.

The significance of this study lies in its potential to provide actionable recommendations for HDFC Bank to enhance its service quality and, consequently, customer satisfaction. In an era where customer expectations are continually evolving, understanding the factors that influence customer perceptions is essential for maintaining a competitive advantage. This research not only contributes to the existing body of knowledge on service quality in the banking sector but also serves as a practical guide for HDFC Bank to refine its service strategies.

STATEMENT OF PROBLEM :

HDFC Bank, despite its position as a leader in the private banking sector, encounters challenges in meeting evolving customer expectations due to increasing competition and digital transformation. Deficiencies in service quality, including delays, inadequate responsiveness, and insufficient personalization, can result in customer dissatisfaction and diminished loyalty. Utilizing the SERVQUAL model, this study aims to identify these deficiencies and assess their impact on customer satisfaction to propose strategies for enhancement.

OBJECTIVES OF THE STUDY :

1. To evaluate service quality dimensions.
2. To examine the impact of service quality dimensions on customer satisfaction.
3. To examine the relationship between demographic factors & customer expectations of service quality.

REVIEW OF THE LITERATURE :

1. **Raj, M., & Bansal, S. (2019):** This study explores customer satisfaction in the banking sector with a focus on HDFC Bank. The authors identify critical factors such as responsiveness, reliability, and assurance as key determinants of customer satisfaction. The research highlights gaps in service quality and provides insights into how banks can improve customer satisfaction through personalized services and enhanced responsiveness.
2. **Siddiquei, M. I., & ACET, A. (2015):** This comparative study evaluates the service quality of SBI and HDFC Bank using the SERVQUAL model. The findings reveal that HDFC Bank outperforms SBI in dimensions such as tangibility, responsiveness, and assurance. However, it also highlights areas for improvement, particularly in empathy and customer engagement, for both banks to enhance overall satisfaction.
3. **Gupta, S., & Jain, S. (2012):** This paper focuses on customer perception of service quality in Indian private banks, with a specific focus on the Moradabad region. The findings reveal that factors such as reliability, assurance, and tangibility significantly influence customer satisfaction. The study underscores the need for private banks to invest in customer-centric approaches to build trust and loyalty.
4. **Prasad, E. H., & Prasad, G. B. (2016):** This study examines the impact of service quality on the performance of banks, emphasizing that high service quality leads to better customer satisfaction and loyalty. The authors identify reliability and assurance as key drivers of performance, recommending that banks focus on these dimensions to achieve a competitive edge.
5. **Joseph, S. T., & Frederick, A. J. (2020):** This comparative study assesses the role of customer satisfaction in resource management and productivity for HDFC Bank and SBI. The findings reveal that HDFC Bank has a stronger focus on customer-centric strategies, leading to higher satisfaction levels. The study emphasizes the need for efficient resource management to maintain high service quality and productivity.
6. **Lenka, U., Suar, D., & Mohapatra, P. K. (2009):** This paper investigates the relationship between service quality, customer satisfaction, and loyalty in Indian commercial banks. It highlights that customer satisfaction acts as a mediator between service quality and loyalty. The study stresses the importance of improving all SERVQUAL dimensions to retain customers and build long-term relationships.

RESEARCH METHODOLOGY :

1. Research Design

- Research design defines the structure or framework within the research is conducted.
- This study employs a descriptive research design to analyze service quality and customer satisfaction with HDFC bank using the SERVQUAL model.

Area of study:

This study focuses on service quality and customer satisfaction with HDFC bank in Coimbatore district.

2. Data collection

- This study data is collected based on primary data.
- The relevant and require data are collected through a questionnaire which is completed by respondents via google forms.

1. Primary data

The primary data have been collected through a structured questionnaire focusing on service quality and customer satisfaction with HDFC bank.

2. Secondary data

The secondary data are collected from various sources which include journal, website, and related projects.

3. Sample size

A Total of 100 respondents are included in the customer samples.

4. Statistical tools

- Percentage analysis
- Regression
- ANNOVA
- Correlation

ANALYSIS AND INTERPRETATION :

7.1 PERCENTAGE ANALYSIS

TABLE:7.1.1.DEMOGRAPHIC PROFILE

Demographic profile	Particulars	No.of respondents	Percentage
Age	18-25	76	76%
	25-35	18	18%
	36-50	4	4%
	above 50	2	2%
	Total	100	100%
Gender	Female	27	27%
	Male	73	73%
	Total	100	100%
Monthly income	Below 15000	56	56%
	15000-30000	20	20%
	30000-50000	21	21%
	Above 50000	3	3%
	Total	100	100%
educational qualification	Diploma	3	3%
	Graduate	70	70%
	No formal education	6	6%
	Post graduate	11	11%
	School level	10	10%
	Total	100	100%
Account type	Savings Account	75	75%
	Current Account	11	11%
	Salary Account	14	14%
	Total	100	100%
How long have you been a customer of HDFC Bank	Less than 1year	48	48%
	1-3 year	40	40%
	More than 3years	12	12%
	Total	100	100%
How frequently to you interact with HDFC Bank	Daily	10	10%
	Weekly	22	22%
	Monthly	43	43%
	Rarely	25	25%
	Total	100	100%

INTERPRETATION:

The demographic analysis reveals that HD73FC bank primary clientele comprises young adults aged 18-25(76%) and is predominantly male (%). A majority of customers have a monthly income below Rs.1500/- (56%) and possess a graduate – level education (70%). Savings accounts represent the most prevalent account type (75%) and approximately off of the respondents (48%) have maintained their accounts for less than a year, indicating a substantial influx of new customer. The frequency of customers interactions demonstrates that 43% engage with a bank on a monthly bases while 25% interact in frequently. These finding underscore the bank's appeal to younger, lower-income demographics and suggest potential opportunities for enhancing customer engagement and retention strategies.

7.2 REGRESSION ANALYSIS

Table:7.2.1.Regression Analysis

Regression Statistics	
Multiple R	0.544
R Square	0.296
Adjusted R Square	0.259
Standard Error	0.712
Observations	100

ANOVA

	Co-efficient	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95%	Upper 95%
Intercept	1.881	0.542	3.469	0.0007	0.804	2.958	0.804	2.958
Tangibility	0.113	0.074	1.531	0.128	-0.033	0.260	-0.033	0.260
Reliability	0.317	0.094	3.353	0.001	0.129	0.505	0.129	0.505
Responsiveness	0.140	0.089	1.576	0.118	-0.036	0.317	-0.036	0.317
Assurance	-0.083	0.103	-0.809	0.420	-0.288	0.121	-0.288	0.121
Empathy	-0.296	0.092	-3.203	0.001	-0.479	-0.112	-0.479	-0.112

	Df	SS	MS	F	Significance F
Regression	5	20.136	4.027	7.935	2.84525E-06
Residual	94	47.703	0.507		
Total	99	67.84			

INTERPRETATION:

The R-value represents the correlation between the dependent and independent variables. In this case, the value indicates a moderate correlation. The R-square value (29.68%) shows that 29.68% of the variations in the dependent variable can be explained by the independent variables. The adjusted R-square (25.94%) accounts for the generalization of the model, and the difference between the R-square and adjusted R-square is minimal, which indicates that the model fits well with the data. Therefore, the results of the model summary are satisfactory and appropriate for proceeding to the next steps of analysis.

Table:7.2.2. Regression Analysis

Regression Statistics	
Multiple R	0.585
R Square	0.342
Adjusted R Square	0.307
Standard Error	0.742
Observations	100

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-0.017	0.289	-0.061	0.950	-0.592	0.556	-0.592	0.556
Tangibility	-0.135	0.109	-1.230	0.221	-0.353	0.083	-0.353	0.083
Reliability	0.320	0.085	3.731	0.0003	0.150	0.491	0.150	0.491
Responsiveness	0.205	0.137	1.495	0.138	-0.067	0.477	-0.067	0.477
Assurance	0.246	0.107	2.283	0.024	0.032	0.460	0.032	0.460
Empathy	0.190	0.126	1.501	0.136	-0.061	0.441	-0.061	0.441

ANOVA

	df	SS	MS	F	Significance F
Regression	5	27.015	5.403	9.800	1.46462E-07
Residual	94	51.824	0.551		
Total	99	78.84			

INTERPRETATION:

The R-value of 0.585 indicates a moderate correlation between the dependent and independent variables, suggesting a reasonable linear relationship between them. The R-squared value of 0.343 shows that approximately 34.3% of the variance in the dependent variable is explained by the independent variables, which demonstrates moderate explanatory power. The Adjusted R-squared value of 0.308 adjusts for the number of predictors and reflects that the model explains about 30.8% of the variance in a more generalized manner. The difference between R-squared and Adjusted R-square is about 4.1%, which is acceptable, indicating the model is not complex. In summary, the model appears reliable and ready for further exploration.

7.3 ANOVA :

Table:7.3.1 ANOVA

Groups	Count	Sum	Average	Variance
Tangibility	100	223	2.23	0.683
Reliability	100	160	1.6	0.848
Responsiveness	100	191	1.91	0.385
Assurance	100	216	2.16	0.842
Empathy	100	222	2.22	0.658

ANOVA	SS	Df	MS	F	P-value	F crit
Between Groups	29.212	4	7.303	10.679	2.61676E-08	2.389
Within Groups	338.5	495	0.683			
Total	367.712	499				

INTERPRETATION:

P-value/ Sig value: Generally, a 95% confidence interval or 5% significance level is chosen for the study. Thus, the P-value should be less than 0.05. In the above table, the P-value is 2.61676E-08, which is much smaller than 0.05. Therefore, the result is highly significant, indicating that there are statistically significant differences between the groups.

7.4 Correlation:

Table:7.4.1 ANOVA

	Gender	Age group	Educational qualification	Monthly income	The bank provides up-to-date equipment (e.g., ATMs, online portals)	How frequently do you face service errors or delays?	How is customer support via phone or online?	The employees are courteous and professional in their communication.	Does the bank offer personalized solutions based on your financial needs?
Gender	1								
Age group	-0.057	1							
Educational qualification	-0.110	-0.379	1						
Monthly income	-0.179	0.332	0.081	1					
Tangibility	0.105	-0.019	0.139	-0.021	1				
Reliability	-0.048	0.086	-0.135	-0.155	0.042	1			
Responsiveness	-0.142	-0.103	0.022	0.035	-0.052	0.180	1		
Assurance	0.022	-0.180	0.242	0.020	0.366	-0.065	-0.190	1	
Empathy	0.018	-0.103	-0.017	-0.134	-0.059	0.105	0.232	0.045	1

INTERPRETATION :

The correlation analysis reveals that gender has minimal impact on other variables due to weak correlations. Age group shows a moderate negative correlation with educational qualification (-0.3795), indicating that older individuals may have slightly lower education levels, while it has a weak positive correlation with monthly income (0.3323), suggesting higher income among older age groups. Educational qualification has a weak positive correlation with assurance (0.2427), implying that individuals with higher education perceive greater assurance. Monthly income is weakly correlated with age group (0.3323) and shows minimal impact on reliability, responsiveness, and empathy. Tangibility has a moderate positive correlation with assurance (0.3665), indicating that better tangibility is associated with higher assurance. Lastly, reliability and responsiveness are weakly correlated (0.1804), suggesting slight interdependence between these factors. Overall, the correlations are generally weak, with a few significant relationships.

FINDINGS

- Age Group: Majority (76%) of respondents are aged 18-25 years.
- Gender: Majority (73%) of respondents are male.
- Monthly Income: Majority (56%) of respondents earn below ₹15,000.
- Education: Majority (70%) hold a graduate degree.
- Account Type: Majority (75%) hold a savings account.
- Bank Tenure: Majority (48%) have been customers of the bank for less than a year.
- Interaction Frequency: (43%) of respondents interact with the bank monthly, while 25% rarely engage.

Regression Analysis

- Model Fit: The R-squared value shows the model explains 34.3% of the variance in the dependent variable.
- Key Predictors: Reliability and assurance significantly impact customer satisfaction.

ANOVA Analysis

- Significance: The P-value (2.61676E-08) indicates statistically significant differences between tangibility, reliability, responsiveness, assurance, and empathy.

Correlation Analysis

- Gender: Minimal impact on other variables.
- Age and Income: Positive correlation (0.3323) between age group and monthly income.
- Education and Assurance: Positive correlation (0.2427) between educational qualification and assurance.
- Tangibility and Assurance: Moderate positive correlation (0.3665), showing the importance of tangible resources.
- Reliability and Responsiveness: Weak positive correlation (0.1804), indicating slight interdependence.

SUGGESTIONS

- Customer service isn't just about reacting to problems—it's about anticipating needs and building trust. Bank officials should actively connect customers to the right representatives without delay, ensuring a smooth and satisfying experience. By answering questions with care and addressing individual needs thoughtfully, banks can build meaningful relationships and create a lasting positive impact.
- Conduct regular SERVQUAL surveys to assess customer expectations and perceptions.
- Implement AI-driven chatbots for faster query resolution and personalized customer assistance.
- Use feedback systems like surveys and suggestion boxes to continuously monitor service quality.
- Ensure accuracy and timeliness in service delivery, especially for loan processing, account-related queries, and issue resolution.
- Regularly compare HDFC Bank's service quality metrics with industry benchmarks and competitors to identify areas for improvement.
- Increase transparency by providing clear information about fees, policies, and product offerings to customers.
- Enhance the user experience of mobile apps and online banking platforms by improving interface design, speed, and reliability.
- Empower customers with the knowledge to make informed decisions, which can enhance their trust and satisfaction with the bank.
- Develop a proactive approach to detect and address potential issues early, preventing them from turning into complaints. Empower staff with the tools and authority needed to resolve customer concerns efficiently.

CONCLUSION

This study highlights how service quality plays a crucial role in shaping customer satisfaction at HDFC Bank, especially among younger customers aged 18-25 with savings accounts. The SERVQUAL model uncovered key areas where the bank falls short, particularly in reliability, assurance, and responsiveness—factors that significantly influence customer satisfaction. Challenges such as a lack of personalization, slower response times, and underutilized tangible resources are affecting customer loyalty. With nearly half of the customers having been with the bank for less than a year, building long-term relationships has proven difficult.

To stay ahead, HDFC Bank needs to focus on being more reliable, creating personalized customer experiences, and leveraging its resources effectively to build trust, strengthen satisfaction, and foster lasting loyalty.

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