

# Customers Discernment Towards Service Quality of Private Sector Banks

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## Abstract

Customers satisfaction towards banking services depends on its strategic positioning by the bank and importance given to each and every service dimensions by the bank. Contemporary customer services are more technology drive and machine managed compared to traditional banking services that were managed by manpower (human). That creates variance in customers perception and satisfaction towards services offered by the banks. Increase in SQ (service quality) automatically influence customers satisfactions. This study aims to analyse customers discernment towards SQ of private sector banks. The article is descriptive in nature as it aims to report the true experiences of private sector bank customers towards services offered to them by their bankers. The authors collected data from 250 private sector banks customers across the Tirupur District. The article used SERVQUAL model developed by Parasuraman and Zeithaml (1988), the study considered five dimensions of SERVQUAL (i.e., Empathy, Reliability, Tangibility, Responsiveness and Trust). The empirical investigation established positive association between nature cum frequency of banking services availed by the customers and their perception towards SQ of their bank. The article concludes with the note that private banks employees' sensitivity towards fulfilling their client's (customers) demand, trust build with the bank and tangible feature of bank branches greatly influences the customers perception towards the private sector banks.

**Keywords:** Banks, Service Quality, Service Quality Dimension, SERVQUAL.

## Introduction

MBS (Marketing of banking services) is more complex and completely different from other service sector. As banks have to create a service and deliver it to the at most satisfaction of their customers. Customers perception and satisfaction towards banking services are determined by the service attributes like speed of service delivery cost of service, security, ease of banking, consultancy and technology supported. These complex factors services offered differ from one bank to another. Customers benefits are prioritised by all categories of banks operating in India. Effective MBS support the banks not only in selling their product, but also building relationship with customers, being competitive and earn more profit (Nayak 2024). Banks aims to maximise their customers satisfaction through offering quality services to them. Banking service being tangible in nature measuring its efficiency is a critical task. Moreover, customers satisfaction towards banking services depends on its strategic positioning by the bank and importance given to each and every service dimensions by the bank. Contemporary customer services are more technology drive and machine managed compared to traditional banking services that were managed by manpower (human).

That creates variance in customers perception and satisfaction towards services offered by the banks. Increase in SQ automatically influence customers satisfactions (Nagabhushanam).

### **Theme of the Article**

In a highly competitive banking environment retain customers satisfied is a crucial demand of the day, as customers expect more convenient banking, techno-added automated services and safe cum transparent service. Bank should be pro-active in offering pleasant banking experience to their customers there by retaining them satisfied and loyal (Joshi and Aggarwal, 2025). Service quality dimensions (SQD) of the private sector banks greatly influences their perception towards banks, based on this conceptual understanding this study aims to analyse customers discernment towards SQ of private sector banks.

### **Literature Discussion**

Indian banking sector has experienced massive expansion reaching remote corners of the country offering different section of the society. Banks have strengthened its technology front, adoption to international standard, strong presence in global arena, enhancing SQ, attracting more foreign investment and expansion of customers' base (Kaver, 2023). Data analysis in this section assesses the customers perception towards SQD of banks and the factors that influences their perception cum satisfaction towards SQD.

Customers perception is purely determined by the ways in service are delivered by the bank (Swar, 2012). Customers perception towards SQ of banks varies among genders groups, age groups, education and occupational status and these factors influences the customers appreciate towards digitalisation of banking services (Khare, 2011, Rajput, 2015, Ganaptahi, 2016, Rout et al., 2017, Singh and Rana, 2019, Sundaralakshmi and Rajamannar,2025). Similarly, bank customers perception towards the bank services are influenced by their awareness and attitude towards value added services and its adoption (Mahalakshmi et al., 2013, Sharma & Govindaluri,2014, Srilatha & Sudhakar, 2018, Shimin, 2023). SQD of private bank is considered as superior compared to the public sector bank, as private sector banks offers technologically advances and innovative services (Manidayan and Neelamegam, 2021). Private sector bank tries to attract and retain their customers through offering customer centric services, highly technology driven, innovative and offer loyalty programmes (Kolathappilly and Kumar, 2024).

Authors identified and understood that number of factors influences the customers perception or satisfaction towards SQD of banks operating in India. It forms bases for assessing bank customers perspective towards SQD of private sector banks operating in Tirupur district.

### **Methodology and Design**

This study aims to analyse customers discernment towards SQ of private sector banks. For construct of this investigation-based study authors have applied both qualitative and quantitative research techniques. The article is descriptive in nature as it aims to report the true experiences of private sector bank customers towards services offered to them by their bankers. The authors collected data from 250 private sector banks customers across the Tirupur District. The article used SERQUAL model developed by Parasuraman and Zeithaml (1988), the study considered five dimensions of SERQUAL (i.e., Empathy, Reliability, Tangibility, Responsiveness and Trust). Bank customers perception towards SQD (16 variables-score from "Highly Appreciable to Not at all Appreciable") were measured with use Likert's five point.

Nature and frequency of service availed in the bank 12 variables are grouped into three factors such as: BASE-Basic Services (branch services, ATM and loan facilities), DISE-Digital Services (internet banking, digital banking, smart card, mobile banking and electronic banking) and ADSE-Advanced Services (system decision support, investment related services, insurance services and other services). Bank customers perception towards SQD (16 variables) were grouped under five heads i.e., bank staff's empath towards customers (4 variables), reliability on bank service (3 variables), tangibility feature of bank branch (3 variables), employee's responsiveness (3 variables) and trust with the bank (3 variables).

### Results and Discussion

Empirical data collected from 250 had equal proportion of men and women private bank customers. The samples were radically distributed in different age groups, of which majority i.e., 67 per cent were aged between 25 to 35 years, 56.32 per cent were post-graduates, 54.25 per cent were employed in public or private sector organisation and their monthly income varied between ₹.40,001-₹.60,000. As far as their banking details it was inferred that samples hold their accounts in ICICI Bank (26.44 per cent), Indusland Bank and Karur Vysya Bank (24.52 per cent, each). Remaining are customers of: City Union Bank, CSB Bank, Federal Bank (6.13 per cent) and in IDBI Bank (6.13 per cent). The investigation sketched that 95.85 per cent of bank customers operate saving account. Customers selected the banks based on the criterion like: convenience of operating account, influences by the bank reputation, service features, bank's focus on customers demand/expectation and long-term associations with the bank. Majority of the bank customers get themselves digital connect than frequently visiting to the bank branch i.e., through visiting to ATM centers (87.33 per cent), connected with internet banking (72.11 per cent) and electronic banking services (71.26 per cent), operating through mobile banking (90.10 per cent) and rely on digital banking (79.43 per cent). Just 62.80 per cent of the customers frequently visit their bank branches. The investigation inferred that 88.17 per cent of the customers mostly avail basic banking services (i.e., operating saving account and borrowing loans). Over 81.76 per cent of the customers prefer using various digitalised services very frequently and 89.71 per cent of the customers avail advanced services offered by their banks (like: availing investment services, subscription to insurance and other services).

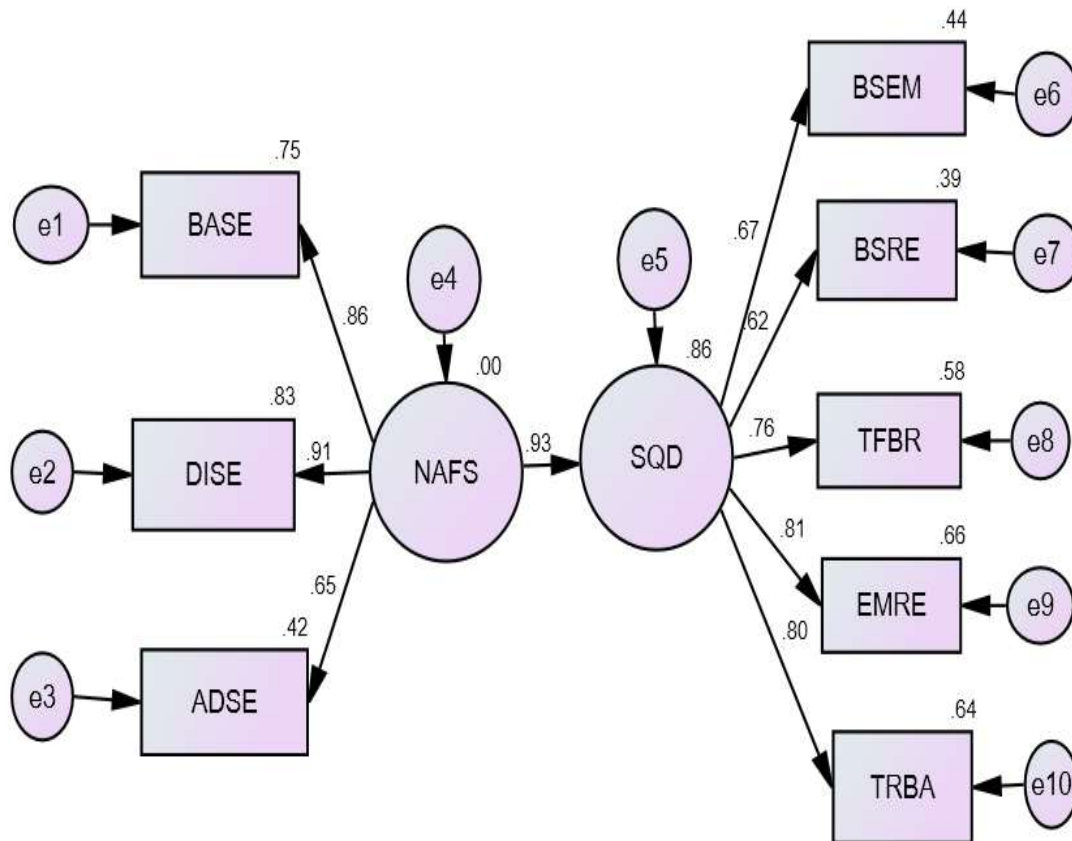
Based on the primary descriptive analysis and literature background authors constructed a SEM-model to measure the perception of private sector bank customers on SQD. The SEM was construction drawing association between two set of variables i.e., nature cum frequency of serviced availed in the banks and their level of perception on SQD.

**Ho: There exists association between nature and frequency of banking services availed by the customers and their perception towards SQD of their bank.**

**EXHIBIT: 1**

**CONFIRMATORY FACTOR ANALYSIS**

**ASSOCIATION BETWEEN FREQUENCY OF SERVICED AVAILED IN THE BANKS AND LEVEL OF PERCEPTION ON SQD**



Note: BASE- Basic Services, DISE- Digital Services, ADSE- Advanced Services, BSEM- Bank Staff’s Empathy, BSRE- Banking Service Reliability, TFBR- Tangibility Features of Bank Branch, EMRE- Employees Responsiveness, TRBA- Trust with the Bank, NAFS- Nature of Frequency Services and SQD.

**TABLE: 1  
GOODNESS OF FIT STATISTICS**

Goodness of Fit Statistics		Results
Absolute fit	Chi square ( $\chi^2$ ) of the Estimate model	55.381
Incremental fit	RMSEA	.002
	TLI	.965
	IFI	.942
	CFI	.941
Parsimonious fit	Parsimony fit ( $\chi^2 / df$ )	2.915

Level of Significance: 5 per cent

For hypothesis testing, the proposed model with all measurement items from the CFA was estimated. The results in Table 1 revealed acceptable fit indices of the model;  $\chi^2 = 55.381$ ,  $p < 0.001$ , degrees of freedom =19; parsimony fit ( $\chi^2/df$ ) = 2.915; GFI = 0.918; AGFI = 0.956; CFI =0.941; IFI = 0.942; RMSEA = 0.002.

**TABLE: 2**  
**STRUCTURAL MODEL RESULTS**

Hypothesis	Path			Standardized Estimates	C.R	Relationship
Association between nature and frequency serviced availed from the bank vs level of perception on SQD	SQD	<---	NAFS	.925	8.810	Significant
The intercorrelation of nature and frequency serviced availed from the bank	ADSE	<---	NAFS	.645	4.523	Significant
	DISE	<---	NAFS	.913	11.487	Significant
	BASE	<---	NAFS	.865	11.413	Significant
The intercorrelation of level of perception on SQD	BSEM	<---	SQD	.665	10.632	Significant
	BSRE	<---	SQD	.624	8.982	Significant
	TFBR	<---	SQD	.763	10.615	Significant
	EMRE	<---	SQD	.814	10.698	Significant
	TRBA	<---	SQD	.797	10.670	Significant

- Association between nature and frequency serviced availed from the bank vs level of perception on SQD: SQD vs NAFS ( $\beta=.925$ ,  $p=.000$ ) is positively correlated and found to be significant.
- Intercorrelation of nature and frequency serviced availed from the bank: ADSE vs NAFS ( $\beta=.645$ ,  $p=.000$ ), DISE vs NAFS ( $\beta=.913$ ,  $p=.000$ ) and BASE vs NAFS ( $\beta=.865$ ,  $p=.000$ ) are positively correlated and found to be significant.
- Intercorrelation of level of perception on SQD: BSEM vs SQD ( $\beta=.665$ ,  $p=.000$ ), BSRE vs SQD ( $\beta=.624$ ,  $p=.000$ ), TFBR vs SQD ( $\beta=.763$ ,  $p=.000$ ), EMRE vs SQD ( $\beta=.814$ ,  $p=.000$ ) and TRBA vs SQD ( $\beta=.797$ ,  $p=.000$ ) are positively correlated and found to be significant.

The hypotheses framed stands accepted and it has been concluded that there exists association between nature cum frequency of banking services availed by the customers and their perception towards SQD of their bank.

### Findings and Conclusion

Measuring the SQD of private sector banks support the researcher in judging the performance of bank, the area of excellence and preeminence the bank has compared to its competitor. The empirical investigation established positive association between nature cum frequency of banking services availed by the customers and their perception towards SQD of their bank i.e., as per the opinion of 92.50 per cent of the customers perspective. Influences of SQD were noted as: BSEM (66.50 per cent), BSRE (62.40 per cent),

TFBR (76.30 per cent), EMRE (81.40 per cent) and TRBA (79.70 per cent). The article concludes with the note that private banks employees' sensitivity towards fulfilling their client's (customers) demand, trust build with the bank and tangible feature of bank branches greatly influences the customers perception towards the private sector banks.

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