

Public and Private Sector Banks in India: A Comparative Analysis of Service Quality, Expectations and Customer Experience.

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Abstract

This study develops a comparative empirical account of service quality in public- and private-sector banks using the 600-customer evidence. The analysis compares perceived and desired service quality across nine dimensions and examines item-level differences using t-test statistics. The evidence indicates a clear private-sector advantage on many perceived service-quality dimensions, especially reliability, empathy and assurance, while public-sector banks show a relative advantage in cost effectiveness. The strongest perceived reliability difference is associated with employees performing services as committed, whereas the strongest empathy difference concerns meeting customer expectations. The paper argues that sectorial competition should be understood as a trade-off between relationship-intensive service performance and cost accessibility rather than a simple public-versus-private technology divide.

Keywords: public sector banks, private sector banks, service quality, SERVQUAL, customer experience, comparative banking.

1. Introduction

The public-private distinction remains analytically useful in banking because ownership, service orientation, operating structures and technology investment can shape customers' experiences. The supplied chapter directly tests whether differences exist between public and private banks across multiple service-quality dimensions.

The sample consists of 300 public-sector and 300 private-sector bank customers. The analysis covers perceived quality, desired quality and the resulting gap. Rather than treating sector as a descriptive label, this paper uses it as a comparative lens for identifying specific service attributes where managerial attention is required.

2. Objectives

The study has four objectives

- To compare perceived service quality across sectors
- To identify the largest sectorial differences

- To compare cost effectiveness and digital convenience
- To derive sector-specific managerial implications.

Dimension	Public perceived	Private perceived	Difference (Public-Private)
Tangibility	4.29	4.78	-0.49
Reliability	4.15	5.97	-1.82
Responsiveness	4.85	5.63	-0.78
Assurance	3.8	5.06	-1.26
Empathy	4.57	6.19	-1.62
Efficiency	4.5	5.3	-0.8
Privacy	4.7	5.4	-0.7
Easy & Convenience	3.98	4.72	-0.74
Cost Effective	3.53	3.3	0.23

The public-private figures above are the reported dimension-level values from the chapter's comparative analysis; item-level results are used for deeper interpretation.

3. Literature and theoretical positioning

Banking service-quality research increasingly compares conventional service quality with digital and technology-mediated delivery. SERVQUAL provides a useful common framework because the dimensions can be examined across organizational forms. Contemporary digital-banking studies additionally emphasize reliability, privacy, security, convenience and risk.

A recent systematic review of SERVQUAL applications in Indian banking notes continued research potential, particularly in under-examined banking contexts. Recent Indian and international studies also suggest that service quality remains linked to satisfaction and loyalty even as delivery channels become increasingly digital.

4. Comparative framework

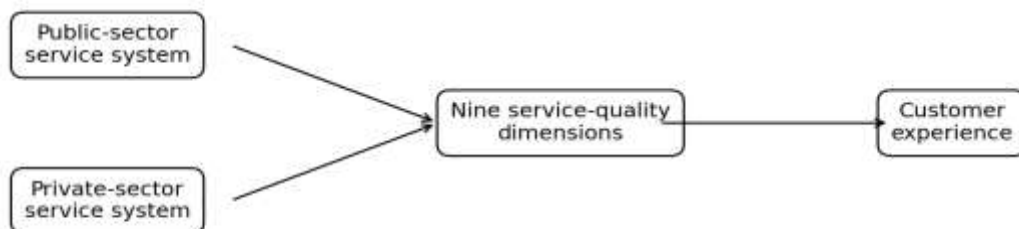


Figure 1. Comparative sectoral framework for banking service quality.

5. Methodology

The paper uses the chapter's primary-data results. Each sector contributes 300 respondents. Perceived and desired service quality were measured using the reported nine-point scale and nine broad dimensions. Item-level public-private differences were tested using t statistics. The analysis is descriptive-comparative and is supplemented by the chapter's factor and CFA evidence.

6. Perceived service quality: sectorial pattern

The comparative results show higher private-sector perceived scores on reliability, responsiveness, assurance, empathy, efficiency, privacy, easy and convenience, and tangibility. Public-sector banks show a relative advantage in cost effectiveness. The reliability dimension is especially notable: the private-sector average reported in the comparative table against 4.15 for public-sector banks.

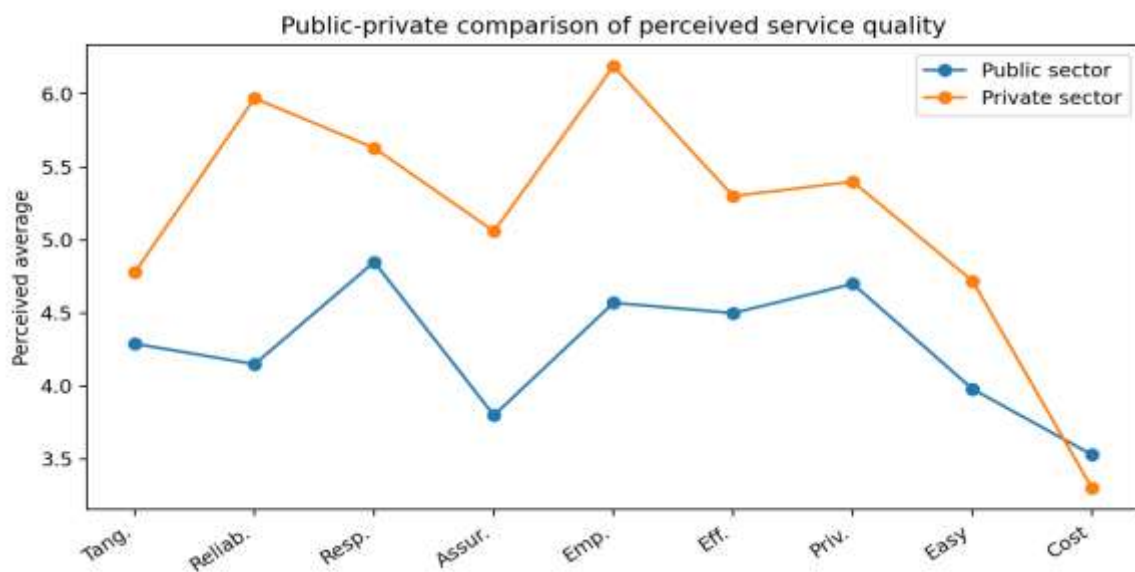


Figure 2. Sectorial comparison of perceived service quality.

The item-level analysis indicates that the largest perceived reliability difference is for employees performing services as committed (-4.04), followed by accurate first-time service (-2.07) and service as promised (-2.61). □

7. Reliability and assurance: the strongest comparative signals

Item	Public	Private	Difference	t value
Employees provide service as promised	3.67	6.27	-2.61	-1.95
Employees solve customer problems	5.07	7.07	-2.00	-1.66
Accurate service first time	4.87	6.93	-2.07	-2.10
Service performed as committed	2.23	6.27	-4.04	-3.17

Item	Public	Private	Difference	t value
Employees insist on error-free record	5.27	6.93	-1.65	-1.27
Employees have sufficient knowledge	3.27	5.93	-2.67	-1.43
Customers feel safe in transaction	4.67	6.67	-2.00	-1.27

The chapter interprets the negative differences as better private-sector perceived performance for these items. The largest assurance difference concerns employees' knowledge to answer customer questions (-2.67).

8. Empathy and responsiveness

Empathy also shows a substantial private-sector advantage. The strongest item difference is service meeting customer expectations (-2.93), followed by individual care and personal attention (-1.87 each). Responsiveness is also higher in the private sector, with the largest item difference for employees not being too busy to respond (-1.07).

9. Cost effectiveness and convenience: the public-sector advantage

The comparative pattern changes for cost effectiveness. All reported perceived cost-effectiveness differences are positive, indicating that public-sector customers perceive these services as more cost effective. The overall difference is 0.23. The difference is zero for price on interest rate and clearing charges, while fund-transfer transaction charges and ATM switching charges each show a 0.40 difference.

Cost item	Public	Private	Difference
Commission for fund transfer / transaction charges	3.80	3.40	0.40
Charges for switching ATM	3.70	3.30	0.40
Fees for processing, bill collection and payment	3.50	3.40	0.10
Interest rate and clearing charges	3.10	3.10	0.00
Overall cost effectiveness	3.53	3.30	0.23

This result creates an important strategic distinction: private banks demonstrate stronger perceived service performance across many relationship and process dimensions, while public banks retain an advantage on cost-related perceptions. □ □

10. Desired service quality and the strategic challenge

The desired-level comparison indicates that sectoral differences persist in customer expectations. In the reliability dimension, the public-private desired difference is -1.54 overall, with the largest item difference of -2.53 for employees being keen to solve customers' problems. This implies that private-sector customers also articulate higher desired performance on several reliability attributes.

The result matters because a bank may improve perceived quality without fully closing the expectation gap. Therefore, sectoral benchmarking should examine both what customers receive and what they demand.

Strategic area	Public-sector implication	Private-sector implication
Reliability	Strengthen commitment and accuracy	Protect reliability advantage
Empathy	Increase individualized attention	Institutionalize customer-care practices
Assurance	Improve employee knowledge and confidence building	Maintain competence and complaint handling
Convenience	Improve digitalization and language support	Continue usability improvements
Cost effectiveness	Protect pricing advantage	Review charges and perceived value

11. Discussion

The findings reject a simplistic assumption that one sector dominates every dimension. The private-sector advantage is broad in perceived service quality, but the public sector retains a meaningful cost-effectiveness position. This suggests that customer experience is multidimensional and that competitive advantage can arise from different value propositions.

The evidence also supports the wider literature's emphasis on reliability. In digital banking research, reliability, efficiency, security and privacy repeatedly appear as central constructs. The present comparative evidence adds organizational ownership as a contextual variable and shows how sectoral differences can coexist with common customer expectations.

A key managerial implication is that public banks need not imitate private banks in every respect. Instead, they can combine their cost-value proposition with stronger reliability, responsiveness and digital convenience. Private banks, meanwhile, should avoid weakening their relational advantages through excessive charges or inconsistent service.

12. Conclusion

This comparative study shows that public and private banks occupy different positions in the customer-experience landscape. Private-sector banks are perceived more strongly on most service-quality dimensions, particularly reliability and empathy, whereas public-sector banks are perceived as more cost effective. The findings indicate that competition is not one-dimensional: banks compete simultaneously on dependability, human attention, convenience, security and price.

Limitations and future research

The study is constrained to the variables and empirical outputs contained in the supplied chapter. Future research should use larger multi-region samples, test measurement invariance across sectors, and examine whether digital-channel usage moderates the sectorial differences. Longitudinal research would also clarify whether observed advantages are stable or reflect changing customer expectations.

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