

**AN ASSESSMENT OF SERVICE QUALITY OF  
COMMERCIAL BANKS IN ANDHRA PRADESH  
(With Special Reference to ICICI, Chittoor)**

**P. Gurumurthy, M.B.A., (Ph.D.),**  
Research Scholar, Dept. of Business Management, SV University, Tirupati, A.P., India  
**E-mail: sriguru.eaims1@gmail.com**

**Prof. B. Sudhir,**  
Dept. of Business Management, SV University, Tirupati, A.P., India

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**Abstract**

*In dynamic global market, the most competitive advantage lies in delivering high quality service to the customers everywhere in every organization. The need to achieve customer satisfaction lies in its ability to deliver better quality products and services to the customers. Like many other financial services industries now it is facing a rapidly changing market situation with new technologies, economic uncertainties, fierce competition, and especially more demanding customers. Now, the existing situation has created various challenges and opportunities for Indian Commercial Banks. The changing climate has presented an unprecedented set of challenges. Service quality is one integral part of any facet of banking and it defines future of any banking organization. Since, foreign banks are playing in Indian market, the number of services offered has increased and banks have laid emphasis on meeting the customer expectations. So, it is very much important to point out the key success factors in the banking industry, in terms service quality with the help of five dimensions of SERVQUAL model viz. keeping assurance, reliability, responsiveness, physical facilities and empathy, keeping in view the increasing market tendency and the fierce competition. The study basically aims to analyze the service quality of commercial banks in India. SERVQUAL scale is used to determine the service quality. The findings show that the 'Reliability', 'Responsiveness' and 'Empathy' are three most important dimensions determining the service quality of commercial banks in India.*

**Key Words:** *SERVQUAL, tangible, assurance, reliability, responsiveness and empathy etc.*

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**Introduction**

The banking industry is highly competitive, with banks not only competing among each other; but also, with non-banks and other financial institutions. All the services and facilities provided by the commercial banks play a very important role for measuring the level of the banking service quality along with the banking performance. In this research, we tried to analyze the expectations and perceptions of the customers of ICICI, availing the services of commercial banks by using the service quality model. The whole study is carried

out by using SERVQUAL on the basis of the five dimensions i.e. tangibility (physical facilities), reliability, responsiveness, assurance, and empathy. Major focus of the study is to identify the service quality gaps between consumer's expectations and perceptions of ICICI in Chittoor district. The study found that what the consumer's expectations are much more than their perception view.

**AP Banking Sector: An Overview**

Challenges coming from several fronts (e.g. structural, regulatory and customer-related)

make the banking landscape in Andhra Pradesh more competitive than ever before. Structurally, the banking system in Andhra Pradesh is a universal banking system in that the banks offer a wide range of services ranging from retail banking to corporate banking and asset management. As per RBI survey there are 34 Scheduled Commercial Banks with 1410 branches and 9 Regional Rural Banks. Besides these, there are 316 branches of Andhra Pradesh state. The state has a fairly well spread structure of banks with one branch of commercial bank for around 17 thousand persons on an average. Therefore, this research also focused on the measurement of customer satisfaction through delivery of different dimensions of service quality in the different branches of ICICI, Chittoor district. Bank managers we interviewed during the course of the study are keenly aware that in today's market what they firmly believe that the success in the future will rest on delivering excellent service to customers that will determine the performance of the banks for which they need higher & developed infrastructure. Nowadays banks are also facing a lot of competition and need a high market share and provide better services to their customers so that they can attract the new customers and old customers do not try to leave them.

### Dimensions of Service Quality

SERVQUAL was originally developed by Parasuraman (1985). The model consists of ten components. SERVQUAL provides a technology for measuring and managing service quality (SQ). SERVQUAL fills a gap between what the customer expects by way of SQ and what he is actually getting. SQ is presented as a multi-dimensional construct. In the original formulation Parasuraman et. al (1985) identified ten components of SQ. In their 1988 work these ten dimensions were reduced to five dimensions as follows:

- (A) Tangibles
- (B) Assurance
- (C) Reliability
- (D) Empathy
- (E) Responsiveness

SERVQUAL are widely used in a large no of studies including higher education, banking and public services etc.

Parasuraman et al. (1985; 1988) initially described five dimensions of service quality: reliability, tangibles, responsiveness, assurance and empathy. Parasuraman et al. (1991a) argued that reliability was mainly concerned with the outcome of service whereas tangibles, responsiveness, assurance and empathy were concerned with the service delivery process. The customers not only judge the accuracy and dependability (i.e. reliability) of the delivered service but they also judge the other dimensions as the service is being delivered (Parasuraman et al., 1991a).

#### A. Tangibility/ Physical Facilities

It means that the things, which are physically observed by the customers in the bank branch including large ATM network, personnel, physical facilities, materials and appearance. Able and skilled personnel, the quality of banking products and services, brochures and cards may represent tangibles. These qualities provide concrete cues for customers to evaluate the capability of the service provider. Basically, it refers to the physical facilities which mean 'representing service physically'. It includes the modern looking equipment that visually appeals the physical facilities like the goods pamphlets or proformas and statements etc. It helps the consumers to evaluate the service quality level of the banks.

#### B. Reliability

Reliability refers to the trust in bank's ability of performing service in a proper

way, such as acting according to promises and declarations. A reliable service means the banker is able to provide Internet connection that is working at desired level throughout the day without significant failures; banker should not misuse the cardholder information and there should be frequent update of new technologies. It means 'delivering of promises' by the bank to its customers accurately and timely. Customers take a keen interest on those who keep their promises in time.

### **C. Responsiveness**

It refers to service provider's "willingness to help customers" and provide prompt service. It can be measured by the amount of time needed to deal with customers' reported problems and the response duration once the customer filed a service request. Responsiveness can be defined as employees willing to help the customers and giving the services promptly and within time. It puts emphasis on promptness and attentiveness while dealing with customers.

### **D. Assurance**

Assurance is related to the knowledge and courtesy of employees and their ability to inspire trust and confidence. Bankers may demonstrate assurance to the customers by courteous behaviour and by providing essential knowledge to guide the customer's problems. Assurance refers to the 'inspiring trust and confidence'. It is defined as knowledge of the employees about the organization. Customers want to do transaction only when they feel safe. For that employees must win the trust and confidence of the customers.

### **E. Empathy**

It refers to the caring; individualized attention the service provider gives to its customers. Furthermore, customers in the bank may come from different social background and hence the banker should emphasize personalized attention on

customers and understand specific needs of customers based on their requirements. Empathy can be defined as 'treating individually' or when the organization (or firm) gives individual attention to the customers. The employees should understand each particular need of their customers.

### **Objective of the Study**

This research paper aims to evaluate the service quality in ICICI, AP. It also analyzes the customer satisfaction or dissatisfaction that is related to the expected and actual service quality of the commercial banks.

### **Data Collection Method & Sampling**

The study is based both on primary as well as on secondary data. Primary data has been collected from those persons who are having their accounts in different branches of ICICI in AP, Chittoor district, by filling up a well-structured questionnaire and through direct personal interview with the bank customers. Secondary data is collected from the banking journals, magazines, bank's website and from different RBI publications. The sample population used for this study consists of any person having the account in the concerned bank. The total sample is consisting of 250 respondents. Out of 250, some people refused to take part in this research as they show a negative interest in such a topic. So, our calculation mainly based on 200 respondents.

### **Research Approach**

'Survey research approach' is followed for the collection of primary data and a direct personal interview of the respondent is conducted by filling up a proper arranged questionnaire form for the communication purpose. Research instrument A five-point Likert scales have been used in case of close ended questions.

### Limitations of the Study

The following limitations are observed during the research on finding the impact of service quality towards the Customer Satisfaction.

1. The study is limited to commercial banks i.e. ICICI Chittoor district with local exposure. So the findings may not be applicable to other private sector and foreign banks.
2. Due to time and cost factor only 220 customers were surveyed.
3. The information gathering was carried out through specific bank customers mainly at head office branches of the selected banks within Chittoor district
4. The study is limited to the Banking industry of Chittoor. So, the findings of the research cannot be applicable to other industries.

### Analysis & Interpretation of Data

*Insert Table 1 and figure 1*

It is clear from the Table1, that only a few i.e. about 60%, respondents are satisfied with the services provided by the ICICI bank where as 40% are dissatisfied with the services offered by ICICI bank.

*Insert table 2 and figure 2*

From the table 2, it is noted that, 80.22% as against 60.25% actual rate. About 86.55% are satisfied with the reliability of bank employees, whereas the actual rate is 70.22%. Likewise, the rate of other types of expected and actual service qualities are 87.25% and 74.56% in case of responsiveness, 78.46% and 62.23% in case of assurance and finally, 75.58% and 62.87% in case of empathy.

*Insert table 3 and figure 3*

From the table 3, it is found that, most of the dissatisfied customers about 87.55%

consider responsiveness as the main dimension of services quality that they expect from the bank, but in actual case the percentage is very less i.e. 62.56%. Again, the expected and actual service qualities assumed by the dissatisfied customers on tangible is 80.27% and 57.21%, in case of reliability it is 85.55% and 56.22%, in case of assurance it is 80.46% and 64.23%, where as in case of empathy it is 85.58% and 56.87%.

### Discussion

It is clear from the respondents regarding the overall satisfaction or dissatisfaction with the ICICI banking services quality, that most of the customers i.e. about 60% are satisfied with the banking service quality provided by the bank, while very less nearly 40% customers are not satisfied only. Important is that, customers who were dissatisfied consider the reliability, responsiveness and empathy to be more important than any other service quality dimensions. Next to responsiveness they are considering empathy as one of the important factor also for the banking performance. However, on over all basis of the services quality, ICICI bank performance was good as observed from the survey.

### Conclusion

The dissatisfied customers find reliability, responsiveness and empathy dimensions as the importance dimensions, where ICICI is lacked. So far as the satisfied customers are concerned, there exist a small gap between the expected service quality (what type of services the customers expect exactly from the bank) and actual service quality (what type of services are getting from bank in real sense). The suggestion of the customers is that the bank should generate a strong confidence among the customers that its primary objective can be achieved through

the provision of a good SQ level accurately and timely with a strong performance.

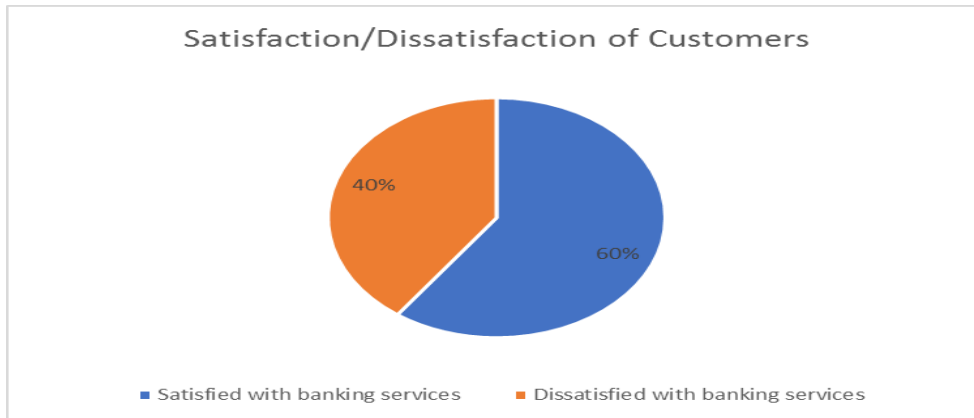
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**Table 1:** Overall Satisfaction and Dissatisfaction of the Customers towards ICICI

S. No.	Response	No. of Respondents	Percentage (%)
1	Satisfied with banking services	120	60%
2	Dissatisfied with banking services	80	40%
	<b>Total</b>	<b>200</b>	<b>100%</b>

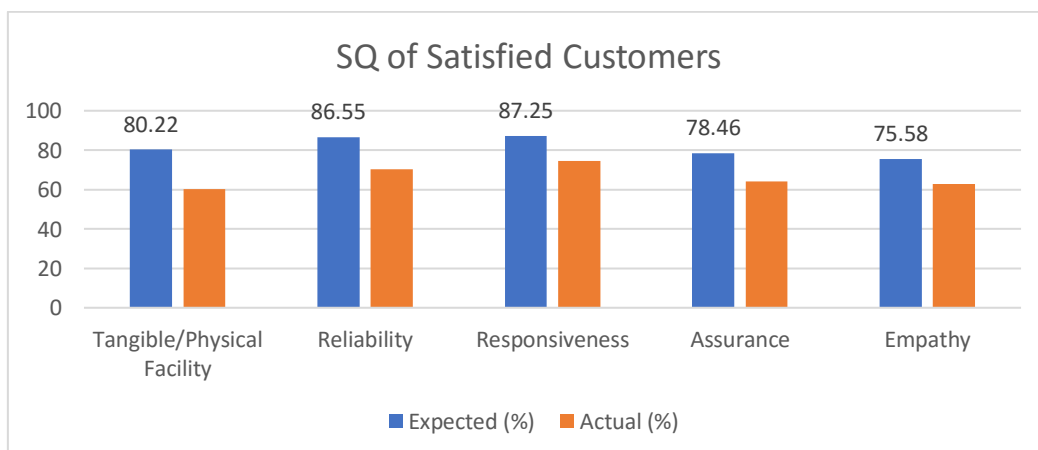
**Figure:1:** Overall satisfaction and dissatisfaction of the customers towards the ICICI



**Table 2:** Measurement of Service Quality of Satisfied Customers

S. No.	Service Quality Dimension	Expected (%)	Actual (%)
1	Tangible/Physical Facility	80.22	60.25
2	Reliability	86.55	70.22
3	Responsiveness	87.25	74.56
4	Assurance	78.46	64.23
5	Empathy	75.58	62.87

**Figure 2:** Measurement of Service Quality of Satisfied Customers



**Table 3:** Measurement of Service Quality of Dissatisfied Customers

S. No	Service Quality Dimension	Expected (%)	Actual (%)
1	Tangible/Physical Facility	80.27	57.21
2	Reliability	85.55	56.22
3	Responsiveness	87.25	62.56
4	Assurance	80.46	64.23
5	Empathy	85.58	56.87

**Figure 3:** Measurement of Service Quality of Dissatisfied Customers

