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**A COMPARATIVE STUDY ON SERVICE QUALITY TOWARDS ONLINE BANKING SERVICES AMONG PUBLIC AND PRIVATE SECTOR IN BENGALURU CITY**

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**ABSTRACT**

This research investigates online banking service quality by comparing private and public-sector banks in Bengaluru, an Indian city. Against the backdrop of India's burgeoning economy and the significant contribution of the service sector, particularly banking, the research addresses the challenges posed by technological changes, heightened competition, and evolving customer expectations. As the banking sector witnesses a surge in new private banks, customer awareness becomes pivotal in influencing their choice of a financial service provider.

The literature review explores existing studies, such as Madavan and Vethirajan's investigation into e-banking services in Puducherry. It reveals that public sector bank customers perceive e-service quality dimensions less favourably than their private sector counterparts. Agrawal, Sakshi, and Kukreti identify the indispensability of e-banking in both public and private banks, emphasizing the need for customer satisfaction in this context.

The research adopts the SERVQUAL model to assess dimensions like tangibility, reliability, assurance, responsiveness, and communication. The study's findings, analyzed through statistical tools and techniques, provide insights into customer perceptions and satisfaction, offering valuable implications for enhancing online banking services in both public and private sector banks.

**INTRODUCTION**

The service sector in India accounts for 57.9 per cent of GDP and contributes to India's status as a rapidly developing economy. Financial services play an essential role in our society's service economy. It is generally agreed that a robust banking system is essential to a thriving economy. There has been steady development in the financial system in India during the last two decades. A larger population, more competitors, and more consumer expectations all challenge the industry. In addition, technical advancements provide a significant obstacle for the industry. Numerous new private-sector banks have appeared in light of the industry's rapid expansion. As a result, consumers may choose from various financial service providers. Consumers will favour financial institutions that meet minimum service requirements as they become more informed.

In this all-encompassing context, customers are very picky, and information asymmetry has long since vanished. Information regarding the prices and services offered by the different banks is promptly disseminated in today's market. As a result, modern consumers have higher expectations and knowledge. Customers will rapidly learn to distinguish between banks based on how fast and

effectively they respond to their needs. This is why "customer service" has exploded in popularity worldwide. Providing valuable services to customers is more crucial than profit margins for any banking business model to succeed. Therefore, they should improve the quality of their services to their consumers to win their contentment and keep their loyalty.

### LITERATURE REVIEW

Madhavan and Vethirajan (2020) investigated how happy Puducherry residents are with the online banking services offered by local businesses and governmental institutions. The data for this research came from primary and secondary sources, including 478 people. Non-probabilistic sampling methods, particularly purposive sampling, were employed for the research presented in their paper. This research study employs a number of statistical methods, including the independent sample t-test, analysis of variance, correlation, mean, and standard deviation. Overall, they found that clients of public sector banks rated e-service quality worse across the board than private sector banks.

In their study, Agrawal, Sakshi, and Kukreti (2017) found that electronic banking is essential for the survival of the banking industry. How much do they estimate public and private banks have utilized e-banking after doing their research? (referring to SBI and HDFC Bank) The purpose of this research is to compare the attitudes of bank personnel in the public and private sectors concerning the use of electronic banking among their respective customer bases. The research combines original and secondary sources. Customer views on service quality and staff happiness with Internet banking were revealed in the survey. This research compares SBI and HDFC Banks' management styles to those of other public and private banks.

According to Suleiman, LIM, and WEE (2017) their article aimed to provide a high-level summary of the growth of e-banking in Malaysia. We use a methodology Chung and Payter (2002) developed to examine local banks' online presence. The features of e-banking adopters were investigated after studying the various e-banking products utilized by early adopters. All 542 surveys were sent out and received, with 54% coming from early users of online banking. Most users use services like these to do routine tasks like checking their accounts, requesting a statement, or transferring money across their various accounts. Numerous early users made once-monthly energy bill payments and other routine transactions using e-banking from the comfort of their own homes or workplaces. Users and their loved ones urged one another to try out online banking. The survey also showed that people with greater earnings, higher positions, and younger ages were likelier to adopt.

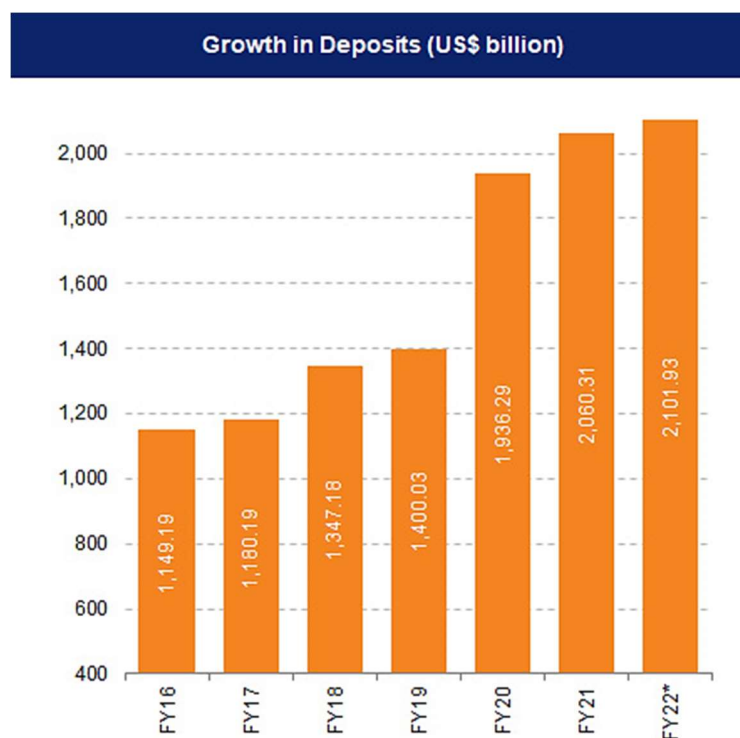
Jani (2012) examined the potential growth of e-channels in retail banking and determined the relative weight of factors affecting the strengths and weaknesses of public and private sector banks. According to the study, public and private sector bank clients had favourable impressions of technology.

Vasantha and Rani (2011) researched the influence of demographic factors on consumers' perceptions of the quality of retail services in Bangalore. The study's findings guided the direction of consumer opinion about the quality of service in retail banking and advice for improving the service offered by different businesses.

## MARKET SIZE OF INDIAN BANKING SECTOR

There are about 96,000 rural cooperative banks, 1485 urban cooperative banks, and 12 public sector banks in India. There are also 46 foreign banks, 43 rural cooperative banks, 1485 urban cooperative banks, and 46 foreign banks operating in India. There were 14,74,548 automated teller machines in India as of March 2023. In addition, there are 96,243 ATMs and CRMs outside of the building and 1,21,894 ATMs and CRMs within the building. Since 2020, a considerable rise in bank assets across all industries has been seen. There was a total of US\$ 1,553.57 billion in public banking sector assets and US\$ 901.3 billion in private banking sector assets in 2022–23. *“In 2022–23, 59.24% of all banking system assets were owned by public sector banks. Deposits at all scheduled banks grew by an impressive Rs. 1.98 lakh crore (US\$ 24.32 billion) as of May 5, 2023, or a growth rate of 10.2%, as reported in the Scheduled Banks' Statement published by the Reserve Bank of India. Loan growth is expected to hit 18.1% in 2022–23,”* according to the BCG Banking Sector Roundup Report for FY23. This would be the seventh consecutive year of double-digit growth. As of November 4, 2022, the total amount of credit extended by banks was Rs. 129.26 lakh crore (\$1,585.09 billion). According to the RBI's release on Sectoral Deployment of Bank Credit, *“non-food bank credit grew by 17.6 percentage points in November 2022, up from 7.1 percentage points a year earlier, based on solid loan demand from sectors including services, industry, individuals, and agricultural and allied activities.”*

Figure 1



SOURCE: <https://www.ibef.org/industry/banking-india>

## STATEMENT OF PROBLEM

The banking industry is crucial in fostering company growth and economic development in every country. Banks serve as the central pillar of the business sector in every economy, providing essential financial resources to all commercial organizations while offering assistance to the more vulnerable sectors or organizations within a country. The pleasure of customers is the fundamental determinant of a bank's performance. In recent times, private and public sector banks have increased the number of their branches in urban and rural locations, intending to attract a more extensive client base. A branch's size, services, infrastructure, facilities, personnel, and working hours differ based on its controlling ownership and location, such as whether it is in the private sector, the public sector, or a rural or urban area. Evaluating the degree of client satisfaction at private and public sector banks is necessary.

### **DATA SOURCE**

Primary data were relied upon heavily for this analysis. To have an overarching understanding of the primary sources and questionnaire utilized to gather information on the level of satisfaction experienced by private and public banks' online banking customers in India

### **RESEARCH METHOD**

Using a literature review as a starting point, this research examines the factors affecting private and public bank customers' perceptions of service quality (SERVQUAL Model). The SERVQUAL survey evaluates the quality of service by asking respondents how they feel about five key factors. SERVQUAL is based on the expectancy-disconfirmation paradigm, which asserts that a service's quality is determined by how closely it corresponds to the customer's pre-purchase expectations. Descriptive and analytic techniques are used in this study. The eleven dimensions are also the focus of the investigation. Realizability, reassurance, response, communication, contentment, service excellence, sympathy, quickness, precision, safety, comfort, accessibility, and ease of banking and customer service

### **SAMPLING PLAN**

The above research employs random sampling, explicitly targeting 31 quality parameters previously identified as necessary by numerous studies, with a few distinctively relevant qualities. Individuals using e-banking services are regarded as a representative sample. This targeted utilization term is intended to ensure that clients may benefit from the services both commercial and state banks provide for an extended duration. This duration is sufficient to engage with electronic banking services fully.

### **SAMPLING SIZE**

This research will select 50-100 respondents based on population variance and collect 50-100 questionnaires. The questionnaires will be divided into four sections: screening questions to confirm prior experience with Internet banking, analysing factors contributing to users' satisfaction with online banking, using satisfaction levels as a dependent variable, and gathering demographic data such as gender, country of origin, monthly income, age range, frequency of online activity, industry, and employment. The questionnaires will use a categorical scale in their wording. The study aims to understand the factors affecting users' satisfaction with online banking services. The questions in sections 2 and 3 were formulated using five-point Likert scales, where one represents

"strongly disagree," 2 represents "disagree," 3 represents "moderate," 4 represents "agree," and 5 represents "strongly agree."

### **TANGIBILITY**

Almost half of the survey takers (46%) agree that the bank has incorporated modern technology, and many people are selecting one of the other available alternatives.

Regarding the bank's location, most respondents (46%) chose a particular alternative, while the remaining opted for others.

There are an adequate number of ATMs if most respondents agree, which occurs when at least 50% of respondents do so.

### **RELIABILITY**

The bank's website does not freeze once clients have entered all of their information, as 44% of respondents, considered to be a majority, agree, and the respondents progressively choose further alternatives.

The following information is supplied on the website: alternatives that respondents agree with 48% of the time are considered to be the majority, while respondents progressively select other options.

Content that is up to date: It has been determined that respondents who agree with 42 per cent of those polled constitute a majority; nevertheless, they are also steadily choosing alternative possibilities.

### **ASSURANCE**

It is assumed that bank employees have the information necessary to reply to customer queries if they agree with 49% of respondents (this constitutes a majority), and respondents progressively choose other alternatives.

Regarding the politeness and friendliness of the personnel, respondents agreed with 46 per cent of poll takers, making this a majority choice. Respondents are progressively choosing other choices.

The staff members are always prepared to provide a helping hand. As a result of the fact that 46% of respondents are in agreement, this has been accepted as the majority opinion, and respondents are increasingly opting for alternative possibilities.

### **RESPONSIVENESS AND COMMUNICATION**

Electronic banking services are provided around the clock. They have been selected as a majority, according to 41% of the respondents, while the respondents are progressively voting for other choices.

41% of respondents believe that e-banking services provide a rapid response to the demands made by customers, while the remaining respondents are progressively opting for alternative solutions.

As of now, 41% of respondents agreeing is considered a majority, and other options are steadily gaining support amongst voters, so help is close at hand in the case of a crisis.

### **SATISFACTION AND QUALITY OF SERVICE**

I am satisfied with the transaction processing facilitated by e-banking services. I agree that 41% of the participants have chosen adoption as the prevailing choice, while the remaining respondents are increasingly selecting other alternatives. I believe I made the prudent choice to use electronic banking services. I concur that 41% of the participants embraced them as the prevailing choice,

while the other respondents progressively selected them. I am delighted with the e-banking services. I concur with 41% of the participants who have chosen e-banking as their primary choice, while the respondents are progressively selecting other alternatives.

### **EMPATHY**

Regarding the time-bound work of workers, 41% of respondents agree, making it the majority opinion. The other respondents progressively made different choices. According to 43% of respondents, help desks and contact centres at banks are widely accepted, while other alternatives are being chosen gradually. Specific requirements acknowledged: a majority of 53% of respondents agree, while the remaining respondents progressively choose different solutions.

### **CUSTOMER SERVICE**

47% of respondents believe the bank has established a customer-friendly atmosphere, while the remaining are steadily choosing choices.

Customer feedback services have gained majority adoption, with 47% of respondents agreeing, while participants increasingly choose other alternatives.

Most respondents, accounting for 46%, believe the issues are resolved effectively. The remaining respondents progressively chose different solutions.

*i) Analyzing the amount of tangibility of private and public sector banks' e-banking services across demographics using a chi-square test.*

The computed Chi-square value of 0.998 is more than the significance level of 0.05. Therefore, we take  $H_0$  to be true. Electronic banking is equally accessible to people of all ages.

Statistical Analysis Method: Chi-square

Degree of freedom: 3; P value: 0.05

Computed result: 0.998

*ii) Conducting a chi-square analysis to examine the relationship between different age groups and the level of trustworthiness of e-banking services offered by both commercial and public sector banks*

Statistical Analysis Method: Chi-square

Degree of freedom: 3; P value: 0.05

Result: 0.995

A Chi-square test yields a result of 0.995, which is statistically significant. Thus,  $H_0$  is recognized as the actual hypothesis. The trustworthiness of commercial and public sector banks' online banking services does not seem to be related to customers' ages.

*iii) Conducting a chi-square analysis to examine the relationship between age groups and the level of responsiveness and communication of e-banking services offered by private and public sector banks*

Statistical Analysis Tool: Chi-square

Number of degrees of freedom: 3; P-value: 0.05

Result: 0.779

The Chi-square value of 0.779 exceeds the p-value, indicating acceptance of the null hypothesis (H0). There is no substantial correlation between age group and the responsiveness and communication of e-banking services offered by commercial and public sector banks.

*iv) conducting a chi-square study to examine the relationship between employment status and customer service quality of e-banking services offered by private and public sector banks.*

Statistical Instrument: Chi-square

Number of degrees of freedom: 3

The p-value is 0.05.

Computed result: 0.770

The Chi-square value obtained is 0.770, above the p-value. Therefore, the null hypothesis (H0) is accepted. There is no discernible correlation between job position and customer service in the context of e-banking services offered by both commercial and state institutions.

### Findings

The findings show that customers have access to various flexible e-banking services. When opening an account, the vast majority of public and private consumers are already familiar with the basics of online banking. Respondents from the private sector are more knowledgeable about e-banking than those from the public sector. Bills may be paid, account balances checked, statements retrieved, tickets booked, debit and credit cards requested, chequebooks ordered, funds transferred between accounts, and a number of additional services are all available via commercial and public banks' online banking platforms. Core banking solutions, primary accounts, and demat accounts are only some of the characteristics that can be found in today's banking services.

A questionnaire was used to assess consumer impressions using the following dimensions:

- The critical factors for a superior banking experience include
- tangibility, which refers to the physical aspects of the service;
- reliability, ensuring consistent and dependable service;
- assurance, instilling confidence in the customer;
- responsiveness and communication, promptly addressing customer needs and maintaining clear communication;
- satisfaction and quality service, ensuring customer contentment and delivering high-quality service;
- empathy, understanding and addressing customer emotions and concerns;
- efficiency, providing service in a timely and effective manner;
- accuracy, ensuring precision and correctness in transactions;
- security, safeguarding customer information and transactions;
- easy and convenient banking, offering user-friendly and accessible banking services and
- customer service, providing excellent support and assistance to customers.

Accessibility and infrastructure of technology, sector-specific Internet banking concerns, and other socioeconomic factors affect both private and public banks. The numbers show that the banks can't rely on introducing a new service alone to ensure its success. Access to the required infrastructure

is a prerequisite for using the service, and having it available in one's own house may be a crucial factor.

To transition financial service clients to using e-delivery channels, such as the Internet, it is necessary to have both time and confidence.

*The services were compared between the private and public Banks.*

## CONCLUSION

The primary focus of the research was to examine consumer views of e-banking services in relation to both public and commercial banks. The questionnaire serves to gather data for four primary goals. The data was examined using percentages and the chi-square test. The questionnaire was structured around many characteristics: tangibility, dependability, assurance, responsiveness, communication, contentment, quality service, empathy, efficiency, correctness, security, simple and convenient banking, and customer service.

According to the results, 77% of individuals aged 21–30 and 19% aged 31–40 responded to the survey. Additionally, 55% of male and 45% of female respondents participated. Furthermore, 45% of respondents pursued postgraduate studies, while 41% pursued undergraduate degrees. Among the respondents, 41% were employed professionals, and 31% were students. Regarding monthly income, 32% earned between Rs. 10,000 and 25,000, and 30% earned between Rs. 25,000 and 40,000. The Chi-Square test yielded the following results: tangibility (0.998), assurance (0.999), responsiveness and communication (0.779), satisfaction (0.723), reliability (0.995), empathy (0.786), efficiency (0.959), accuracy (0.968), security (0.976), easy and convenient banking (0.516), and customer service (0.770). The test mentioned above indicates a value greater than 0.05, leading to the acceptance of the null hypothesis.

## SUGGESTIONS

ATMs: It is critical to increase ATM availability; ATMs are deficient in serving the public; ATMs need more frequent cash replenishment; ATMs must always have cash on hand. Withdrawing money from an ATM without using a card Improved productivity and quality of service are goals of every customer care department. The flexibility, quality, and availability of Internet banking services must be enhanced, and clients must be taught the importance of financial literacy. Banks must focus on better customer service by responding faster to client needs and answering frequently asked questions. Cooperative behaviour among bank employees and efficient use of technology are both desirable goals. Customers who access their accounts using mobile devices, such as cell phones, are being charged extra for the convenience of accessing these e-services. All nationalized and private banks must swiftly remove it to simplify customer transactions and other critical purposes. Lending institution website: Considering the frequent interruption of bank servers, online transactions are preferable. Fixing server issues is critical for improving financial transaction safety. Consumers should be offered up-to-date training on the use of Internet banking technology.



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