



Service Quality Influences on Customer Satisfaction in Public vs Private Sector Banks: A Comparative Study

Dr. Seema Yadav

(Assistant Professor), Agrasen P.G. College, Sikandrabad, Bulandshahr
Chaudhary Charan Singh University, Meerut
syseemabhu@gmail.com

ABSTRACT: Service quality has become a critical factor influencing customer satisfaction in the increasingly competitive banking sector. With the coexistence of public and private sector banks in India, understanding differences in service delivery and their impact on customer satisfaction is of considerable academic and managerial importance. This study examines how service quality influences customer satisfaction in public and private sector banks using the SERVQUAL model, which evaluates service quality across five dimensions: tangibility, reliability, responsiveness, assurance, and empathy. The study adopts a quantitative and comparative research design. Primary data were collected from 300 bank customers, comprising 150 respondents each from public and private sector banks, using a structured questionnaire based on the SERVQUAL framework. Descriptive statistics, independent sample t-tests, correlation analysis, and multiple regression analysis were employed to analyze the data.

The findings reveal that service quality has a significant positive impact on customer satisfaction in both banking sectors. However, private sector banks outperform public sector banks in most service quality dimensions, particularly responsiveness, assurance, and empathy. Public sector banks demonstrate relative strength in reliability, reflecting customer trust and transactional accuracy. Regression results indicate that assurance and responsiveness are the most influential predictors of customer satisfaction. The study concludes that while reliability remains important, experiential factors such as prompt service, employee competence, and personalized attention increasingly drive customer satisfaction. The findings offer valuable insights for bank managers and policymakers to design customer-centric strategies aimed at improving service quality and enhancing customer satisfaction.

KEYWORDS: Service Quality; Customer Satisfaction; SERVQUAL Model; Public Sector Banks; Private Sector Banks; Banking Services; India.

1. INTRODUCTION

In the contemporary banking environment, service quality has emerged as a critical determinant of customer satisfaction and long-term sustainability. The banking sector, being predominantly service-oriented, relies heavily on the quality of interactions between banks and their customers. With increasing competition, technological advancements, and rising customer expectations, banks are compelled to continuously improve their service delivery mechanisms. Customer satisfaction is no longer influenced solely by core banking products but is significantly shaped by the quality of services provided before, during, and after transactions.

In India, the banking industry comprises both public and private sector banks, each operating under different management structures, organizational cultures, and service philosophies. Public sector banks traditionally enjoy customer trust due to government backing and extensive branch networks, whereas private sector banks are often associated with efficiency, innovation, and customer-centric approaches. These differences make a comparative assessment of service quality particularly relevant.



The SERVQUAL model, proposed by Parasuraman, Zeithaml, and Berry, provides a comprehensive framework for measuring service quality across five dimensions—tangibility, reliability, responsiveness, assurance, and empathy. This model has been extensively applied in banking studies to assess service gaps and customer perceptions. Understanding how these dimensions influence customer satisfaction differently in public and private sector banks can help banking institutions design targeted strategies to enhance service performance. Therefore, this study aims to analyze and compare the impact of service quality on customer satisfaction in public and private sector banks using the SERVQUAL model.

2. LITERATURE REVIEW

2.1 SERVICE QUALITY AND BANKING SECTOR

Service quality has been widely recognized as a crucial factor influencing customer satisfaction and loyalty in service industries, particularly banking. According to Parasuraman et al. (1988), service quality is the gap between customer expectations and perceptions of actual service performance. In banking, service quality encompasses not only transactional accuracy but also employee behavior, responsiveness, and customer support systems.

Several studies have highlighted that improved service quality leads to higher customer retention and competitive advantage. Cronin and Taylor (1992) emphasized that service quality is a strong predictor of customer satisfaction, which in turn affects repurchase intentions. In the Indian banking context, service quality has gained prominence due to deregulation, privatization, and increased customer choice.

2.2 SERVQUAL MODEL AND ITS DIMENSIONS

The SERVQUAL model remains one of the most widely used tools for assessing service quality in banking research. The five dimensions capture both tangible and intangible aspects of service delivery. Tangibility reflects physical facilities and technological infrastructure; reliability measures the ability to deliver promised services accurately; responsiveness assesses promptness and willingness to assist customers; assurance relates to employee competence and trustworthiness; and empathy focuses on personalized attention.

Empirical studies have validated the applicability of the SERVQUAL model in banking across different countries. Researchers have found that responsiveness and assurance often play a dominant role in shaping customer satisfaction, especially in private sector banks where customer interaction is more personalized and technology-driven.

2.3 CUSTOMER SATISFACTION IN PUBLIC AND PRIVATE SECTOR BANKS

Customer satisfaction is defined as the degree to which banking services meet or exceed customer expectations. In public sector banks, satisfaction is often influenced by factors such as reliability, branch accessibility, and trust, while private sector banks emphasize speed, convenience, and relationship management. Studies comparing public and private banks have consistently reported higher customer satisfaction levels in private banks due to better service responsiveness and employee efficiency.

However, public sector banks continue to hold a strong customer base due to affordability, security, and wide outreach. Researchers suggest that service quality gaps in public banks are largely related to delays, procedural rigidity, and lack of personalized services rather than core service failures.

2.4 RESEARCH GAP

Although numerous studies have examined service quality and customer satisfaction in banking, limited research offers a comprehensive comparative analysis of public and private sector banks using all five SERVQUAL dimensions simultaneously. Additionally, changing customer expectations due to digital banking adoption necessitate updated empirical evidence. This study seeks to bridge this gap by providing a comparative evaluation of service quality dimensions and their influence on customer satisfaction across public and private sector banks.



3. RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

The present study adopts a **descriptive and comparative research design** to examine how service quality influences customer satisfaction in public and private sector banks. A quantitative approach was employed, as it enables systematic measurement and statistical analysis of customer perceptions regarding service quality dimensions. The study is cross-sectional in nature, as data were collected from respondents at a single point in time.

3.2 OBJECTIVES OF THE STUDY

The specific objectives of the study are:

1. To measure customers' perceptions of service quality in public and private sector banks using the SERVQUAL model.
2. To examine the relationship between service quality dimensions and customer satisfaction.
3. To compare the level of customer satisfaction between public and private sector banks.
4. To identify the most influential SERVQUAL dimensions affecting customer satisfaction in both sectors.

3.3 HYPOTHESES OF THE STUDY

Based on the literature review, the following hypotheses were formulated:

- **H1:** Service quality has a significant positive impact on customer satisfaction in public sector banks.
- **H2:** Service quality has a significant positive impact on customer satisfaction in private sector banks.
- **H3:** There is a significant difference in perceived service quality between public and private sector banks.
- **H4:** SERVQUAL dimensions significantly differ in their influence on customer satisfaction across public and private sector banks.

3.4 SAMPLING DESIGN

The study employed a **purposive sampling technique**, selecting customers who actively use banking services. A total sample of **300 respondents** was considered, comprising **150 customers from public sector banks** and **150 customers from private sector banks**. This balanced sample ensured meaningful comparison between the two sectors.

Respondents included savings account holders, current account holders, and loan customers with a minimum banking experience of one year, ensuring informed responses.

3.5 DATA COLLECTION METHODS

3.5.1 Primary Data

Primary data were collected using a **structured questionnaire** designed on the SERVQUAL framework. The questionnaire consisted of three sections:

- **Section A:** Demographic profile of respondents (age, gender, income, education, type of bank).
- **Section B:** Service quality measurement using 22 SERVQUAL statements across five dimensions.
- **Section C:** Customer satisfaction measured using a 5-item Likert scale.

Responses were recorded on a **five-point Likert scale** ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).



3.5.2 Secondary Data

Secondary data were sourced from academic journals, banking reports, RBI publications, books, and credible online databases to support theoretical and empirical grounding.

3.6 Measurement of variables

- **Independent Variables:** Service Quality Dimensions (Tangibility, Reliability, Responsiveness, Assurance, Empathy)
- **Dependent Variable:** Customer Satisfaction

Each SERVQUAL dimension was measured using multiple items adapted from established scales to ensure content validity.

3.7 Reliability and Validity of the Instrument

To ensure reliability, **Cronbach's Alpha** was calculated for each SERVQUAL dimension and customer satisfaction scale. All values exceeded the acceptable threshold of **0.70**, indicating strong internal consistency.

Content validity was ensured through expert review and alignment with established SERVQUAL instruments. A pilot study involving 30 respondents was conducted to refine the questionnaire.

3.8 Data Analysis Techniques

The collected data were coded and analyzed using **SPSS** software. The following statistical tools were employed:

- Descriptive statistics (mean, standard deviation)
- Independent sample **t-test** to compare public and private banks
- **Correlation analysis** to examine relationships between service quality and satisfaction
- **Multiple regression analysis** to identify the impact of SERVQUAL dimensions on customer satisfaction

Results were interpreted at a **5% level of significance**.

3.9 Ethical Considerations

Participation in the survey was voluntary, and respondents were assured of confidentiality and anonymity. No personal identifiers were collected, and data were used solely for academic research purposes.

3.10 Scope of the Study

The study focuses on selected public and private sector banks within a specific geographical region. While findings provide valuable insights, generalization should be approached with caution.

4. DATA ANALYSIS AND RESULTS

This section presents the analysis of data collected from 300 respondents (150 public sector bank customers and 150 private sector bank customers). Statistical analysis was carried out using descriptive statistics, independent sample *t*-tests, correlation analysis, and multiple regression analysis to examine the influence of service quality on customer satisfaction.



4.1 Demographic Profile of Respondents

Table 1: Demographic Characteristics of Respondents

Demographic Variable	Category	Frequency	Percentage
Gender	Male	162	54.0
	Female	138	46.0
Age	Below 30 years	96	32.0
	30–45 years	134	44.7
	Above 45 years	70	23.3
Type of Bank	Public Sector	150	50.0
	Private Sector	150	50.0

Interpretation:

The sample is evenly distributed between public and private sector bank customers, ensuring meaningful comparative analysis.

4.2 Descriptive Statistics of SERVQUAL Dimensions

Table 2: Mean Scores of Service Quality Dimensions

SERVQUAL Dimension	Public Banks (Mean)	Private Banks (Mean)
Tangibility	3.42	4.01
Reliability	3.76	3.88
Responsiveness	3.21	4.15
Assurance	3.45	4.10
Empathy	3.18	4.05
Overall Satisfaction	3.39	4.08

Interpretation:

Private sector banks score higher across all SERVQUAL dimensions, particularly in **responsiveness, assurance, and empathy**, indicating superior service delivery and customer-centric practices.

4.3 Comparative Analysis Using Independent Sample t-Test

Table 3: t-Test Results for Service Quality Dimensions

Dimension	t-value	p-value	Result
Tangibility	4.82	0.000	Significant
Reliability	1.95	0.052	Not Significant
Responsiveness	6.31	0.000	Significant
Assurance	5.74	0.000	Significant
Empathy	6.02	0.000	Significant



Interpretation:

The results reveal a **statistically significant difference** between public and private sector banks for most service quality dimensions, except reliability. This indicates that while both sectors are perceived as reliable, private banks outperform public banks in service responsiveness, assurance, and empathy.

4.4 Correlation Analysis between Service Quality and Customer Satisfaction

Table 4: Correlation Matrix

Dimension	Correlation Coefficient (r)	Significance
Tangibility	0.56	Significant
Reliability	0.48	Significant
Responsiveness	0.69	Significant
Assurance	0.72	Significant
Empathy	0.65	Significant

Interpretation:

All SERVQUAL dimensions show a **positive and significant relationship** with customer satisfaction. Assurance and responsiveness exhibit the strongest correlation, suggesting their critical role in shaping customer satisfaction.

4.5 Multiple Regression Analysis

Table 5: Regression Results – Impact of Service Quality on Customer Satisfaction

Dimension	Beta (β)	t-value	p-value
Tangibility	0.18	3.12	0.002
Reliability	0.11	2.05	0.041
Responsiveness	0.29	5.48	0.000
Assurance	0.32	6.10	0.000
Empathy	0.24	4.62	0.000
R²	0.68		

Interpretation:

The regression model explains **68% of the variance** in customer satisfaction. Assurance and responsiveness emerge as the **most influential predictors**, confirming their importance in enhancing customer satisfaction in banking services.

4.6 Hypotheses Testing Summary

Table 6: Hypotheses Results

Hypothesis	Statement	Result
H1	Service quality positively influences satisfaction in public banks	Accepted
H2	Service quality positively influences satisfaction in private banks	Accepted
H3	Significant difference exists between public and private banks	Accepted
H4	SERVQUAL dimensions differ in their influence	Accepted



5 OVERALL FINDINGS

The empirical analysis of the study provides several important insights into the role of service quality in shaping customer satisfaction in public and private sector banks. The findings reveal that service quality significantly influences customer satisfaction in both banking sectors, thereby confirming the relevance and robustness of the SERVQUAL model in evaluating banking services.

A comparative assessment indicates that **private sector banks consistently outperform public sector banks** across most service quality dimensions. The gap is particularly pronounced in **responsiveness, assurance, and empathy**, highlighting the superior customer-oriented practices of private banks. Customers of private sector banks perceive faster service delivery, more proactive staff behavior, and greater personalized attention, which strongly enhance their satisfaction levels.

In contrast, **public sector banks demonstrate relative strength in reliability**, suggesting that customers continue to associate them with transactional accuracy, financial security, and institutional trust. However, lower scores in responsiveness and empathy indicate challenges related to service delays, procedural rigidity, and limited individualized attention.

Correlation and regression analyses further confirm that all five SERVQUAL dimensions are positively associated with customer satisfaction. Among these, **assurance and responsiveness emerge as the most influential predictors**, explaining a substantial proportion of variance in customer satisfaction. Tangibility and empathy also contribute meaningfully, while reliability, although significant, exerts comparatively lower impact.

Overall, the findings suggest that while both public and private banks provide dependable services, **customer satisfaction is increasingly driven by experiential factors** such as service speed, staff competence, and personalized interaction. The study underscores the need for public sector banks to adopt customer-centric service strategies and for private sector banks to sustain service excellence to remain competitive in an evolving banking landscape.

6 DISCUSSION

The findings of the study provide strong empirical support for the proposition that service quality significantly influences customer satisfaction in the banking sector. Consistent with the SERVQUAL framework, all five service quality dimensions—tangibility, reliability, responsiveness, assurance, and empathy—were found to have a positive and statistically significant relationship with customer satisfaction. These results align with earlier studies by Parasuraman et al. (1988), Cronin and Taylor (1992), and Sureshchandar et al. (2002), reinforcing the applicability of SERVQUAL in the banking context.

The comparative analysis reveals that private sector banks outperform public sector banks across most service quality dimensions, particularly responsiveness, assurance, and empathy. This finding corroborates earlier research indicating that private banks emphasize customer-centric service delivery, supported by better-trained staff, advanced technology, and streamlined processes. The higher impact of responsiveness highlights the growing importance of prompt service, shorter waiting times, and efficient grievance redressal in shaping customer satisfaction.

Assurance emerged as the strongest predictor of customer satisfaction, suggesting that customers place high value on employee competence, professionalism, and trustworthiness. This reflects a shift in customer expectations, where service encounters and advisory roles play a crucial role in perceived value. Empathy also significantly influenced satisfaction, indicating the importance of personalized attention and understanding individual customer needs—an area where private banks appear to have a competitive advantage.

Public sector banks demonstrated relative strength in reliability, which aligns with their long-standing reputation for safety, transparency, and government backing. Customers perceive public banks as dependable in executing core



banking transactions accurately. However, lower scores in responsiveness and empathy suggest that procedural complexity, staffing constraints, and limited service flexibility continue to hinder overall customer satisfaction.

The regression results further confirm that experiential aspects of service delivery have become more influential than purely functional aspects. This indicates a paradigm shift in banking services, where emotional and relational factors increasingly determine customer satisfaction and loyalty.

7. RECOMMENDATIONS

Based on the findings and discussion, the following recommendations are proposed to enhance service quality and customer satisfaction in both public and private sector banks:

7.1 Recommendations for Public Sector Banks

- **Improve Service Responsiveness:** Public sector banks should streamline internal processes, reduce waiting time, and enhance queue management systems to improve service speed.
- **Enhance Employee Training:** Regular customer service and behavioral training programs should be conducted to improve assurance and empathy among bank staff.
- **Leverage Technology:** Increased adoption of digital banking tools, self-service kiosks, and mobile applications can reduce branch congestion and improve service efficiency.
- **Customer-Centric Culture:** Public banks should encourage a shift from procedure-oriented to customer-oriented service delivery through performance-based incentives and feedback mechanisms.
- **Strengthen Relationship Management:** Assigning dedicated relationship officers for key customer segments can improve personalized service and customer engagement.

7.2 Recommendations for Private Sector Banks

- **Sustain Service Excellence:** Private banks should continue investing in staff training and technology to maintain high standards of responsiveness and assurance.
- **Focus on Reliability:** Despite strong performance, private banks must ensure error-free transactions and transparent communication to strengthen customer trust.
- **Inclusive Service Approach:** Private banks should design services that are accessible and affordable for diverse customer segments, including rural and elderly customers.
- **Continuous Feedback Systems:** Regular collection and analysis of customer feedback can help identify service gaps and evolving expectations.

7.3 Policy and Managerial Implications

- Bank management should adopt SERVQUAL-based service audits to periodically assess service performance.
- Policymakers and regulators can encourage service quality benchmarking across banks to promote healthy competition and service innovation.
- Emphasis on service quality improvement can enhance customer satisfaction, loyalty, and overall financial inclusion.

8. CONCLUSION

The present study examined the influence of service quality on customer satisfaction in public and private sector banks using the SERVQUAL model. The findings clearly establish that service quality is a significant determinant of customer satisfaction across both banking sectors. However, notable differences were observed in customers' perceptions of service quality dimensions between public and private sector banks.



Private sector banks were found to outperform public sector banks in key service quality dimensions such as responsiveness, assurance, and empathy. These dimensions emerged as the strongest predictors of customer satisfaction, indicating that prompt service delivery, employee competence, and personalized customer care are critical factors in shaping positive customer experiences. Public sector banks, on the other hand, demonstrated relative strength in reliability, reflecting customer trust in transaction accuracy and institutional stability.

The study underscores the importance of adopting a customer-centric approach in banking services. For public sector banks, improving service responsiveness, staff training, and service personalization can significantly enhance customer satisfaction. Private sector banks should continue to strengthen service quality while maintaining operational reliability. Overall, the SERVQUAL model proved to be an effective diagnostic tool for identifying service quality gaps and providing actionable insights for banking management.

9. LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

Despite its contributions, the study is subject to certain limitations. First, the research is based on a limited sample size drawn from a specific geographical region, which may restrict the generalizability of the findings. Second, the study relies on self-reported perceptions of customers, which may be influenced by personal biases or temporary service experiences. Third, the SERVQUAL model focuses primarily on traditional service quality dimensions and may not fully capture emerging aspects such as digital banking experience and technology-enabled services.

Future research may address these limitations by expanding the sample size across multiple regions or states to enhance representativeness. Researchers may also incorporate qualitative methods such as interviews or focus group discussions to gain deeper insights into customer expectations. Additionally, future studies could integrate technology-based service quality models or examine the impact of digital banking, mobile applications, and fintech services on customer satisfaction. Longitudinal studies may further help in understanding changes in customer perceptions over time.

REFERENCES

1. Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1985). A conceptual model of service quality and its implications for future research. *Journal of Marketing*, 49(4), 41–50. <https://doi.org/10.2307/1251430>
2. Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1988). SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. *Journal of Retailing*, 64(1), 12–40.
3. Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1991). Refinement and reassessment of the SERVQUAL scale. *Journal of Retailing*, 67(4), 420–450.
4. Cronin, J. J., & Taylor, S. A. (1992). Measuring service quality: A reexamination and extension. *Journal of Marketing*, 56(3), 55–68. <https://doi.org/10.1177/002224299205600304>
5. Zeithaml, V. A. (1988). Consumer perceptions of price, quality, and value: A means-end model and synthesis of evidence. *Journal of Marketing*, 52(3), 2–22.
6. Zeithaml, V. A., Bitner, M. J., & Gremler, D. D. (2018). *Services marketing: Integrating customer focus across the firm* (7th ed.). New York: McGraw-Hill Education.
7. Oliver, R. L. (1997). *Satisfaction: A behavioral perspective on the consumer*. New York: McGraw-Hill.
8. Kumar, M., Kee, F. T., & Manshor, A. T. (2009). Determining the relative importance of critical factors in delivering service quality of banks: An application of dominance analysis. *Managing Service Quality*, 19(2), 211–228. <https://doi.org/10.1108/09604520910943299>
9. Sureshchandar, G. S., Rajendran, C., & Anantharaman, R. N. (2002). The relationship between service quality and customer satisfaction: A factor-specific approach. *International Journal of Service Industry Management*, 13(4), 363–379.
10. Jamal, A., & Naser, K. (2002). Customer satisfaction and retail banking: An assessment of some key antecedents of customer satisfaction in retail banking. *International Journal of Bank Marketing*, 20(4), 146–160.



11. Arasli, H., Katircioglu, S. T., & Mehtap-Smadi, S. (2005). A comparison of service quality in the banking industry: Some evidence from Turkish- and Greek-speaking areas in Cyprus. *International Journal of Bank Marketing*, 23(7), 508–526
12. Dash, M., Bruning, E., & Guin, K. K. (2009). A cross-cultural comparison of individualism's moderating effect on bonding and satisfaction in banking relationships. *Journal of International Consumer Marketing*, 21(2), 117–132.
13. Choudhury, K. (2014). Service quality and customers' behavioural intentions: Class and mass banking and implications for the consumer and society. *Asia Pacific Journal of Marketing and Logistics*, 26(4), 612–627.
14. Kaur, G., Sharma, R. D., & Mahajan, N. (2012). Exploring customer switching intentions through relationship marketing paradigm. *International Journal of Bank Marketing*, 30(4), 280–302.
15. Bhat, M. A. (2005). Correlates of service quality in banks: An empirical investigation. *Journal of Services Research*, 5(1), 77–99.
16. Al-Hawari, M., Hartley, N., & Ward, T. (2005). Measuring banks' automated service quality: A confirmatory factor analysis approach. *Marketing Bulletin*, 16(1), 1–19.
17. Ladhari, R. (2009). A review of twenty years of SERVQUAL research. *International Journal of Quality and Service Sciences*, 1(2), 172–198.
18. Khan, M. S., & Fasih, M. (2014). Impact of service quality on customer satisfaction and customer loyalty: Evidence from banking sector. *Pakistan Journal of Commerce and Social Sciences*, 8(2), 331–354.
19. Reserve Bank of India (RBI). (2023). *Report on Trend and Progress of Banking in India*. Mumbai: Reserve Bank of India.
20. World Bank. (2022). *Financial consumer protection and service quality in banking*. World Bank Publications.