

## **Measuring Consumer Expectation in Banking Sector: A Comparative Analysis”**

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**Abstract:** *This study is intended to compare the expectations of Indian consumers from their banks with what bank actually provides. Additionally, the study helps to determine if there is any significant difference in consumers' expectations and banks' offerings between public sector and private sector banks in India. This paper reports on a quantitative study of executives working in private and public sector organizations and colleges in Northern India. The objective of this study is to determine the factors that have the significant gap between expectations and actual in terms of banks' service quality. There is not any significant difference between consumers' expectations between private and public sector banks. There is significant difference (except Tangible factor) between consumers' expectations and bank's actual offerings for Private sector banks. There is significant difference between consumers' expectations and bank's actual offerings for Public sector banks. The deviation of consumers' expectations and bank's actual offerings is more in public sector banks as compared to private sector banks.*

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### **I. Introduction:**

Banking Industry is the backbone of Indian economy. Indian banking industry is major divided into two sectors – public sector banks and private sector banks. The public sector banks have the major players like SBI, PNB, and OBC etc while the private sector is dominated by ICICI, HDFC, Citibank, Standard Chartered etc. In this competitive world, it has become very important for the banks to not only introduce the new marketing concepts but also to bring satisfaction to their customers. It is reported that 90% of bank switching in the Asian banking sector occurs due to pricing, service quality and inconvenience (Gerrard and Cunningham, 2004). Hence it is important for the banks to determine the factors that the consumers' perceive as missing in banks' offerings and try to bridge these gaps.

This study aims to compare customers expectations and banks' actual offerings for both private and public sector banks individually and then compare them to determine the factors having the significant gap. The banks' should improve these factors to retain/acquire the existing/new customers.

**Based upon above discussion, we hypothesize the following –**

- H1: There is no significant difference between customer expectations and customer perception of private banks regarding service quality.
- H2: There is no significant difference between customer expectations and customer perception of public banks regarding service quality.
- H3: There is no significant difference between the two groups of banks with respect to the expectations of the customers.
- H4: There is no significant difference between the two groups of banks with respect to the customers' perception.

### **II. Research Methodology:**

#### **Participants and procedure-**

The data for this study is collected in March, 2010 and consisted of 121 respondents, major working as middle management executives in private and public sector organizations in Northern India. The survey is also conducted on the lecturers of one of the reputed engineering and Management College in Gurgaon. The participants are chosen randomly across the organizations. Likert scale is chosen to answer the questionnaire. The same consist of both male and female participants.

#### **Measures-**

Following twenty variables are chosen initially to survey the consumers –

Your bank should have convenient branch locations/ATMs Employee's behavior

The behavior of employees of your bank develops confidence in customers. Online banking facility

- Employees of your bank should be consistently courteous with you.
- Your bank should have online banking facility.
- Your bank should provide its services at the time it promises to do so.
- Your bank should have operating hours convenient to all its customers.
- When you have a problem, your bank should show a sincere interest in solving it.
- Your bank should charge you extra penny for online services.
- Your bank should perform the service right the “first” time.
- Employees of your bank should tell you exactly when services will be performed.
- Your bank’s physical facilities should be visually appealing.
- Your bank’s employees should be neat – appearing.
- Employees of your bank should have the knowledge to answer your questions.
- Your bank should update you about the new product or interest rate on your mail id or mobile.
- Your bank should give you individual attention.
- Materials associated with the service, such as pamphlets and statements should be visually appealing at your bank.
- Employees of your bank should be always willing to help you
- When your bank promises to do something by a certain time, it should do so.
- Your bank should have modern-looking equipment
- You should feel safe in your transactions with your bank.

All the above variables are rated on a 6-point Likert scale ranging from 1(Strongly disagree) to 6(Strongly Agree). The factor analysis of above twenty variables is performed through SPSS tool. Brief description of factors and their mapping with the variables is present in Results section below.

### III. Results and Discussions:

#### Factor Analysis:

Following is the result of factor analysis performed on the data collected of twenty variables based upon consumers’ expectations.

**Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.574	22.872	22.872	4.574	22.872	22.872	2.566	12.831	12.831
2	2.055	10.275	33.147	2.055	10.275	33.147	2.293	11.465	24.296
3	1.494	7.469	40.616	1.494	7.469	40.616	2.122	10.610	34.906
4	1.264	6.319	46.935	1.264	6.319	46.935	1.728	8.642	43.548
5	1.195	5.973	52.909	1.195	5.973	52.909	1.479	7.396	50.944
6	1.189	5.944	58.853	1.189	5.944	58.853	1.311	6.555	57.499
7	1.038	5.189	64.041	1.038	5.189	64.041	1.309	6.543	64.041
8	.933	4.664	68.705						
9	.901	4.507	73.212						
10	.789	3.944	77.156						
11	.756	3.778	80.934						
12	.697	3.483	84.417						
13	.580	2.902	87.319						
14	.525	2.627	89.946						
15	.456	2.278	92.224						
16	.412	2.058	94.282						
17	.346	1.731	96.014						
18	.303	1.514	97.528						
19	.264	1.322	98.850						
20	.230	1.150	100.000						

Extraction Method: Principal Component Analysis.

Figure 1 - Factor Analysis

**Rotated Component Matrix**

	Component						
	1	2	3	4	5	6	7
18. When your bank promises to do something by a certain time, it should do so.	.818						
20. You should feel safe in your transactions with your bank.	.713						
17. Employees of your bank should be always willing to help you	.607		.410				
13. Employees of your bank should have the knowledge to answer your questions.	.593						
10. Employees of your bank should tell you exactly when services will be performed	.395						
12. Your bank’s employees should be neat – appearing.		.815					
11. Your bank’s physical facilities should be visually appealing.		.762					
19. Your bank should have modern-looking equipment.		.724					
14. Your bank should update you about the new product or interest rate on your mail id or mobile.		.504					
6. Your bank should have operating hours convenient to all its customers.			.665				
1. Your bank should have convenient branch locations/ATMs.			.654				
3. Employees of your bank should be consistently courteous with you.			.637				
16. Materials associated with the service, such as pamphlets and statements should be visually appealing at your bank.			.568				
5. Your bank should provide its services at the time it promises to do so.				.798			
4. Your bank should have online banking facility .				.642			
7. When you have a problem, your bank should show a sincere interest in solving it.	.399		.442	.495			
2. The behavior of employees of your bank develops confidence in customers.					.760		
15. Your bank should give you individual attention.					.554		.469
8. Your bank should charge you extra penny for online services.						.876	
9. Your bank should perform the service right the “first” time.							.750

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.  
 a. Rotation converged in 11 iterations.

Figure 2 - Factory - Variable Mapping

Following is the analysis of the above results –

Twenty items were reduced to seven factor dimensions which explained 64.041% of the overall variance. Following Seven factors identified with their mapping variables

**Responsiveness**

- When your bank promises to do something by a certain time, it should do so.
- Employees of your bank should tell you exactly when services will be performed.
- You should feel safe in your transactions with your bank.
- Employees of your bank should be always willing to help you
- Employees of your bank should have the knowledge to answer your questions.

**Tangible**

- Your bank’s employees should be neat – appearing.
- Your bank’s physical facilities should be visually appealing.
- Your bank should have modern-looking equipment
- Your bank should update you about the new product or interest rate on your mail id or mobile.

**Empathy**

- Your bank should have operating hours convenient to all its customers.
- Your bank should have convenient branch locations/ATMs Employee’s behavior
- Employees of your bank should be consistently courteous with you.
- Materials associated with the service, such as pamphlets and statements should be visually appealing at your bank.

**Reliability**

- Your bank should provide its services at the time it promises to do so..
- Your bank should have online banking facility.
- When you have a problem, your bank should show a sincere interest in solving it

**Assurance**

- The behavior of employees of your bank develops confidence in customers.
- Your bank should give you individual attention.

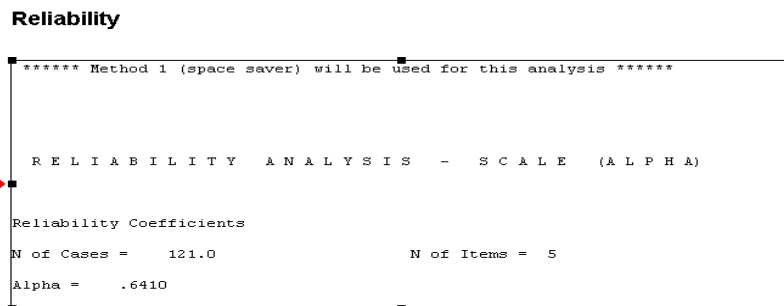
**Cost to consumers**

- Your bank should charge you extra penny for online services.

**Quality of Service**

- Your bank should perform the service right the “first” time.

**Reliability Test**



**Figure 3 - Reliability Test**

When the reliability test was performed on the above seven factors, the reliability was less than 0.6 hence last two factors (Cost to Consumers and Quality of Service) dropped to increase the reliability of the factors. Additionally, the two dropped factors have a single variable mapped hence not very significant.

**T-Test – Pvt. Banks Expectations vs. Actual**

Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Pvt. Responsiv eness Expect	5.5367	109	.3658	3.504E-02
	Pvt. Responsiv eness Actual	4.7243	109	.6852	6.563E-02
Pair 2	Pvt. Tangible Expect	4.7615	109	.6917	6.625E-02
	Pvt. Tangible Actual	4.7943	109	.6097	5.840E-02
Pair 3	Pvt. Empathy Expect	5.1189	110	.5326	5.078E-02
	Pvt. Empathy Actual	4.6280	110	.6466	6.166E-02
Pair 4	Pvt. Reliability Expect	5.6468	109	.4713	4.514E-02
	Pvt. Reliability Actual	4.9664	109	.6510	6.235E-02
Pair 5	Pvt. Assurance Expect	5.1101	109	.6249	5.986E-02
	Pvt. Assurance Actual	4.5183	109	.7933	7.598E-02

**Figure 4 – Pvt. Banks’ Expectations vs. Actual - Paired Samples Stats**

**Paired Samples Test**

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Pvt. Responsiveness Expect - Pvt. Responsiveness Actual	.8124	.7630	7.308E-02	.6675	.9572	11.116	108	.000
Pair 2	Pvt. Tangible Expect - Pvt. Tangible Actual	-3.29E-02	.7984	7.647E-02	-.1845	.1187	-.430	108	.668
Pair 3	Pvt. Empathy Expect - Pvt. Empathy Actual	.4909	.7770	7.409E-02	.3441	.6377	6.626	109	.000
Pair 4	Pvt. Reliability Expect - Pvt. Reliability Actual	.6804	.7752	7.425E-02	.5333	.8276	9.164	108	.000
Pair 5	Pvt. Assurance Expect - Pvt. Assurance Actual	.5917	.8530	8.170E-02	.4298	.7537	7.243	108	.000

**Figure 5 - Pvt. Banks' Expectations vs. Actual - Paired Samples Test**

Following is the analysis of the above results –

**H1:** Null hypothesis is rejected. There is significant difference in all factors (except Tangible) between expectations and actual of private sector banks.

Following is list of factors showing the service quality gap (descending order)

- Assurance
- Empathy
- Reliability
- Responsiveness

The service quality gap is lesser as compared to public sector banks (refer next section).

**T-Test - Public Banks Expectations vs. Actual**

**Paired Samples Statistics**

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Pub. Responsiveness Expect	5.5400	10	.4719	.1492
	Pub Responsiveness Actual	3.2000	10	1.2754	.4033
Pair 2	Pub. Tangible Expect	4.7500	10	.4410	.1394
	Pub Tangible Actual	3.1000	10	.8266	.2614
Pair 3	Pub. Empathy Expect	5.2000	10	.5503	.1740
	Pub Empathy Actual	3.0417	10	.8573	.2711
Pair 4	Pub Reliability Expect	5.5667	10	.5890	.1863
	Pub Reliability Actual	3.6000	10	1.0750	.3399
Pair 5	Pub. Assurance Expect	4.2500	10	1.5501	.4902
	Pub Assurance Actual	2.6500	10	1.2483	.3948

**Figure 6 - Pub Banks Expectations vs. Actual - Paired Samples Stats**

**Paired Samples Test**

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Pub. Responsiveness Expect - Pub Responsiveness Actual	2.3400	1.5693	.4963	1.2174	3.4626	4.715	9	.001
Pair 2	Pub. Tangible Expect - Pub Tangible Actual	1.6500	1.0750	.3399	.8810	2.4190	4.854	9	.001
Pair 3	Pub. Empathy Expect - Pub Empathy Actual	2.1583	1.2079	.3820	1.2943	3.0224	5.650	9	.000
Pair 4	Pub Reliability Expect - Pub Reliability Actual	1.9667	1.0824	.3423	1.1924	2.7410	5.746	9	.000
Pair 5	Pub. Assurance Expect - Pub Assurance Actual	1.6000	1.8379	.5812	.2853	2.9147	2.753	9	.022

**Figure 7 - Pub Banks Expectations vs. Actual - Paired Samples Test**

Following is the analysis of the above results –

**H2:** Null hypothesis is rejected. There is significant difference in all factors between expectations and actual of public sector banks.

Following is list of factors showing the service quality gap (descending order)

- Assurance

Responsiveness  
Empathy  
Reliability  
Tangible

The service quality gap is more as compared to private sector banks (refer last section).

**T-Test – Pvt. Banks Expectations vs. Public Banks Expectations**

**Group Statistics**

	Bank Type	N	Mean	Std. Deviation	Std. Error Mean
Responsiveness Expect	Private	111	5.5306	.3809	3.615E-02
	Public	10	5.5400	.4719	.1492
Tangible Expect	Private	111	4.7725	.6954	6.600E-02
	Public	10	4.7500	.4410	.1394
Empathy Expect	Private	111	5.1269	.5368	5.095E-02
	Public	10	5.2000	.5503	.1740
Reliability Expect	Private	111	5.6411	.4774	4.531E-02
	Public	10	5.5667	.5890	.1863
Assurance Expect	Private	111	5.0946	.6726	6.384E-02
	Public	10	4.2500	1.5501	.4902

**Figure 8 - Pvt. Banks Expectations vs. Public Banks Expectations - Group Stats**

**Independent Samples Test**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Responsiveness Expect	Equal variances assumed	1.246	.267	-.073	119	.942	-9.369E-03	.1283	-.2633	.2446
	Equal variances not assumed			-.061	10.085	.953	-9.369E-03	.1535	-.3511	.3323
Tangible Expect	Equal variances assumed	2.649	.106	-.100	119	.920	2.252E-02	.2243	-.4217	.4667
	Equal variances not assumed			-.146	13.430	.886	2.252E-02	.1543	-.3097	.3547
Empathy Expect	Equal variances assumed	.038	.847	-.412	119	.681	-7.312E-02	.1776	-.4247	.2785
	Equal variances not assumed			-.403	10.603	.695	-7.312E-02	.1813	-.4740	.3278
Reliability Expect	Equal variances assumed	1.204	.275	.463	119	.644	7.447E-02	.1607	-.2437	.3927
	Equal variances not assumed			.389	10.094	.706	7.447E-02	.1917	-.3521	.5010
Assurance Expect	Equal variances assumed	15.243	.000	3.303	119	.001	.8446	.2557	.3383	1.3509
	Equal variances not assumed			1.709	9.308	.121	.8446	.4943	-.2680	1.9572

**Figure 9 - Pvt. Banks Expectations vs. Public Banks Expectations - Independent Samples Test**

Following is the analysis of the above results –

**H3:** Null hypothesis is accepted. There is no significant difference between consumers’ expectations from private sector banks and private sector banks.

**T-Test – Pvt. Banks Actual vs. Public Banks Actual**

**Group Statistics**

	Bank Type	N	Mean	Std. Deviation	Std. Error Mean
Responsiveness Actual	Private	109	4.7243	.6852	6.563E-02
	Public	10	3.2000	1.2754	.4033
Tangible Actual	Private	109	4.7943	.6097	5.840E-02
	Public	10	3.1000	.8266	.2614
Empathy Actual	Private	110	4.6280	.6466	6.166E-02
	Public	10	3.0417	.8573	.2711
Reliability Actual	Private	109	4.9664	.6510	6.235E-02
	Public	10	3.6000	1.0750	.3399
Assurance Actual	Private	109	4.5183	.7933	7.598E-02
	Public	10	2.6500	1.2483	.3948

**Figure 10 - Pvt. Banks Actual vs. Pub Banks Actual - Group Stats**

**Independent Samples Test**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Responsiveness Actual	Equal variances assumed	11.597	.001	6.173	117	.000	1.5243	.2469	1.0353	2.0134
	Equal variances not assumed			3.730	9.482	.004	1.5243	.4086	.6071	2.4416
Tangible Actual	Equal variances assumed	2.515	.115	8.152	117	.000	1.6943	.2078	1.2827	2.1060
	Equal variances not assumed			6.326	9.919	.000	1.6943	.2679	1.0969	2.2918
Empathy Actual	Equal variances assumed	2.008	.159	7.222	118	.000	1.5864	.2197	1.1514	2.0214
	Equal variances not assumed			5.706	9.953	.000	1.5864	.2780	.9665	2.2062
Reliability Actual	Equal variances assumed	10.020	.002	5.968	117	.000	1.3664	.2289	.9130	1.8197
	Equal variances not assumed			3.954	9.615	.003	1.3664	.3456	.5921	2.1406
Assurance Actual	Equal variances assumed	5.437	.021	6.755	117	.000	1.8683	.2766	1.3206	2.4161
	Equal variances not assumed			4.648	9.678	.001	1.8683	.4020	.9686	2.7681

**Figure 11 - Pvt. Banks Actual vs. Pub Banks Actual - Independent Samples Test**

Following is the analysis of the above results –

**H4:** Null hypothesis is rejected. There is significant difference in all factors between private sector banks actual offerings versus public sector banks actual offerings.

**Findings –**

Following are the key findings of this study –

There is not any significant difference between consumers’ expectations between private and public sector banks. There is significant difference between private and public sector banks’ actual offerings.

There is significant difference (except Tangible factor) between consumers’ expectations and bank’s actual offerings for Private sector banks. There is significant difference between consumers’ expectations and bank’s actual offerings for Public sector banks. The deviation of consumers’ expectations and bank’s actual offerings is more in public sector banks as compared to private sector banks.

**IV. Conclusions:**

There is significant difference in consumers’ expectations from their private sector banks and the extent to which their bank is engaged in the above practices.

There is significant difference in consumers’ expectations from their public sector banks and the extent to which their bank is engaged in the above practices.

There is no significant difference in consumers’ expectations from private sector and public sector banks.

There is significant difference in the private and public sector banks actual offerings to their consumers.

Public sector banks has more gap in expectations vs. actual as compared to private sector banks.

Following are the factors showing the significant service quality gap in private sector banks –

Assurance, empathy, reliability, responsiveness.

Following are the factors showing the significant service quality gap in public sector banks –

Assurance, Responsiveness, Empathy, Reliability, Tangible

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