

# Impact of Service Quality on Customer Loyalty in Indian Banking Sector in Odisha

Jyoti Prasad Behera, M.Tech Scholar, Industrial Engineering And Management,  
College of Engineering and Technology, Bhubaneswar, India, jyoti.prd9@gmail.com

**Abstract:-** Objective of this study is to determine the Impact of service quality on customer loyalty in Indian banking sector in the state of Odisha, with special reference to the district of Khordha and Puri. Service quality plays an indispensable role in every organization in order to attract and to retain the customer. Banking sector plays an important role in the upliftment of economy and helps in financial inclusion. The major problems which is associated with Public and Private sector bank is that long processing method in responding to customer needs, behavior of bank employee while dealing with customer, lack of modern equipments to provide prompt service. Hence it is important for both Public and Private sector bank to provide good service quality to their customer so that customer will get satisfied with the service and to be more loyal towards the particular bank in which they are maintaining their account. In this study, five factors of service quality are being taken these are Tangibility, Reliability, Responsiveness, Empathy, and Assurance for both Public and Private sector bank and then comparing these factors between them. Responses were collected from 160 respondent and these were being analyzed with the help of one way ANOVA (Analysis of Variance) and from the findings, it showed that customers are more loyal towards the Public sector bank.

**Keywords:** Assurance, Customer Loyalty, Empathy, Reliability, Responsiveness, Service Quality, Tangibility

## I. INTRODUCTION

Service quality plays a vital role in every organization of a nation, it decides growth and survival of the organization in this hugely competitive market in the modern era. Service quality has been revealed as a key factor in search for sustainable competitive advantage, differentiation and excellence in the service sector (Jabnoun and Al Rasasi, 2005 Jun et al., 1998)[1]. In India poverty is a major issue despite India is being considered as a fastest growing economies in the world having a growth rate of 7.4% in the financial year of 2018 according to latest estimation of International Monetary Fund. In order to reduce the poverty rate Government of India has taken various initiatives and financial inclusion is one of the major initiative among them. Bank plays a major role in financial inclusion. Several things like reducing the poverty rate, increasing the employment rate, improve the over wellbeing of an individual by providing the better financial services is the main objective of the bank. And for this, both public and private sector bank need to improve their service quality on a day to day basis, so that people from various backgrounds will be benefitted and in this way, it will help in the building of a strong nation. Both Public and Private sector banks are aiming to improve their service quality by identifying the needs of the customer and trying to decrease the gap in the market as much as possible in order to retain the customer.

This study has been restricted to the districts of Puri and Khordha in the state of Odisha and applied to those

customers having their bank account with both Public and Private sector bank.

## II. LITERATURE SURVEY

### A. Service Quality

Service quality can be defined as how well a given service is conforming to the customer expectation. In today's world service quality matter a lot to the organization in order to retain the customer in order to maintain the profitability and to continue success in the business. Service quality also important in decision making process. If an organization fails to provide quality service to their customer, so it is doubtful for the organization that they will retain the trusted customer. That's why bank should take steps in order to improve the service quality as the day passes in keeping in the mind the need of customer must be fulfilled in order to compete with other banks. (Parasuraman et al., 1985) Service quality is defined as the degree of variance between the customers expectation for a given service and their perceptions regarding the service performance [2]. Gronroos (1984) stated perceived quality as an analysis process by which consumer usually compares his/her expectations with his/her service perceptions [3]. SERVQUAL was developed by Parasuraman *et.al.*, (1988), which includes responsiveness, tangibles, assurance, empathy and reliability [4]. (Reichheld and Sasser, 1990) states that if a customer stays longer with an organization, then more utility the customer generally generates [5]. (Brady & Cronin, 2001a) stated if the service quality is high then it will have a strong and positive impact on the

organization outcomes such as customer will be more loyal towards that particular organization, market share will be high, margin of profit will be increased [6].

### **B. Customer Loyalty**

Loyalty of customer towards a particular organization is an important aspect for various organization by which organization would be more profitable. Hence it is vital for a bank to handle the grievances of a customer so that customer will remain attracted towards the bank. Otherwise in this competitive world customer show their propensity to switch over to the other bank who are willing to provide better service quality. According to Bloemer & Kasper (1995), loyalty is being interpreted as a true loyalty rather than repeat purchasing behavior, which is the actual re-buying of a brand, regardless of any commitment [7]. Customer loyalty is developed in various ways such as providing the information to the customers what the organization is doing for them, communicating with the customer and trying to resolve their problems, wishing the customer on their special occasion. Zeithaml et al. (1996) states loyalty is a kind of multi-dimensional construct and it includes both positive and negative responses from a customer [8]. However, a loyal customer may not always be a satisfied customer for that organization. Fornell (1992), in his finding of Swedish consumers, observed that customer satisfaction and quality appears to be more important for all organization, satisfaction is generally more important for loyalty in industries such as railways, banks, hospitals [9]. (McDougall and Levesque 2000; Heskett and Sasser 2010, 19-29) suggest that a satisfied customer is more likely to remain loyal than a dissatisfied customer [10].

## **III. METHODOLOGY**

### **A. Selection of Respondent**

The selected respondent for this study were the people from Khordha and Puri district of Odisha having their accounts in different public and private sector bank. And the total sample size is 160. The respondent were from different section and different geo demographic area having their account with different Public sector bank such as State Bank of India, Union bank of India, Indian Bank, UCO Bank, Bank Of Baroda, Punjab National Bank and Private sector bank such as ICICI, AXIS, HDFC, Karnataka bank.

### **B. Sampling Method**

The sampling method which we used in this research is "Random Sampling". This study is based upon the primary data, where a set of questionnaire is being developed and it is being distributed among the respondents those who are having their account with different public and private sector bank. Also electronically google forms were being created and the given link is being sent to the willing respondent those who want to participate in this research process.

### **C. Designing of Questionnaire**

To understand the bank preference between public or private, a set of questionnaire is being developed which is being showcased in Appendix and different respondents from different age group, genders, qualification, profession were being asked to mark their preference on a 5 point Likert scale. The set of questionnaire is being divided into 17 factors which affect the service quality and have an impact on the customer loyalty towards the bank. These factors are being divided into 6 major groups such as – Tangibility, Reliability, Responsiveness, Empathy, Assurance and Customer loyalty.

### **D. Analysis of Data**

A total 194 questionnaire were being distributed among the respondent and out of which 160 have given their response to it. By mathematically it gives a response rate of 82.47%. Again 160 samples are being classified into two categories of 80 sample size each for both Public and Private sector bank. And then the data were being analyzed by the help of SPSS 23 version in order to check the reliability of likert scale. One way ANOVA technique is used to compare the service quality which is being provided by Public and Private sector bank and to draw the inference out of it.

### **E. Hypotheses Development**

Following hypotheses are being developed to understand the relationship between the service quality and customer loyalty.

#### *For Public Sector Bank*

- H1a:** Tangibility will have a positive impact on customer loyalty
- H1b:** Tangibility will not have a positive impact on customer loyalty
- H2a:** Reliability will have a positive impact on customer loyalty
- H2b:** Reliability will not have a positive impact on customer loyalty
- H3a:** Responsiveness will have a positive impact on customer loyalty
- H3b:** Responsiveness will not have a positive impact on customer loyalty
- H4a:** Empathy will have a positive impact on customer loyalty
- H4b:** Empathy will not have a positive impact on customer loyalty
- H5a:** Assurance will have a positive impact on customer loyalty
- H5b:** Assurance will not have a positive impact on customer loyalty
- H6a:** Customer will be loyal towards the bank if service quality provided by the bank is good
- H6b:** Customer will not be loyal towards the bank if service quality provided by the bank is not good

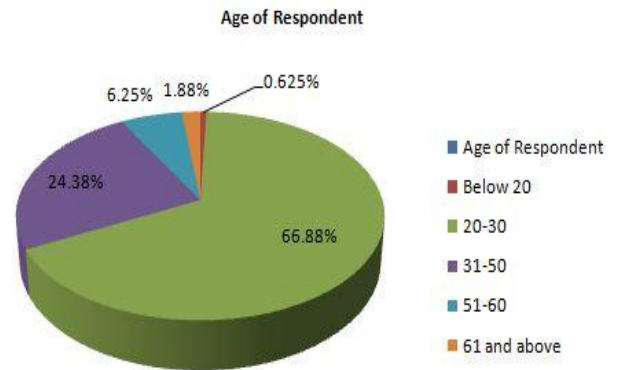
#### *For Private Sector Bank*

- H7a:** Tangibility will have a positive impact on customer loyalty
- H7b:** Tangibility will not have a positive impact on customer loyalty
- H8a:** Reliability will have a positive impact on customer loyalty
- H8b:** Reliability will not have a positive impact on customer loyalty
- H9a:** Responsiveness will have a positive impact on customer loyalty
- H9b:** Responsiveness will not have a positive impact on customer loyalty
- H10a:** Empathy will have a positive impact on customer loyalty
- H10b:** Empathy will not have a positive impact on customer loyalty
- H11a:** Assurance will have a positive impact on customer loyalty
- H11b:** Assurance will not have a positive impact on customer loyalty
- H12a:** Customer will be loyal towards the bank if service quality provided by the bank is good
- H12b:** Customer will not be loyal towards the bank if service quality provided by the bank is not good

From above Pie Chart 1 it is observed that Male respondent were 118 in numbers as compared to the Female who are 42 in total.

**Table 2: Classification of Respondents on The Basis of Age**

Age	Frequency	Percentage
Below 20	1	0.625
20-30	107	66.88
31-50	39	24.38
51-60	10	6.25
61 and above	3	1.88



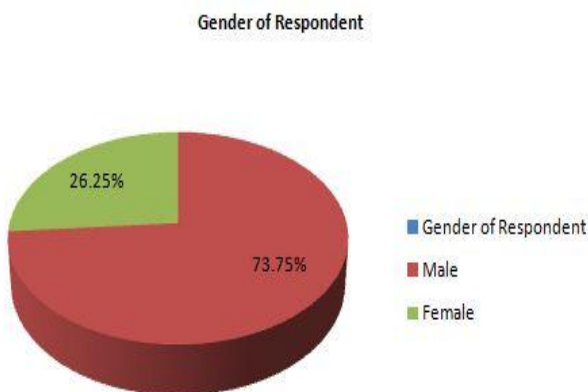
#### IV. DATA ANALYSIS AND INTERPRETATION

In this part results of different data's which are being taken during this research work are being analyzed and are being presented in this section. The statistical tool Analysis of Variance is being used to compare the service quality between both Public and Private sector bank which is being offered to the customers.

##### A. Demographic Characteristics of Respondents (Sample Size = 160)

**Table 1: Classification of Respondents on The Basis of Gender**

Gender	Frequency	Percentage
Male	118	73.75
Female	42	26.25



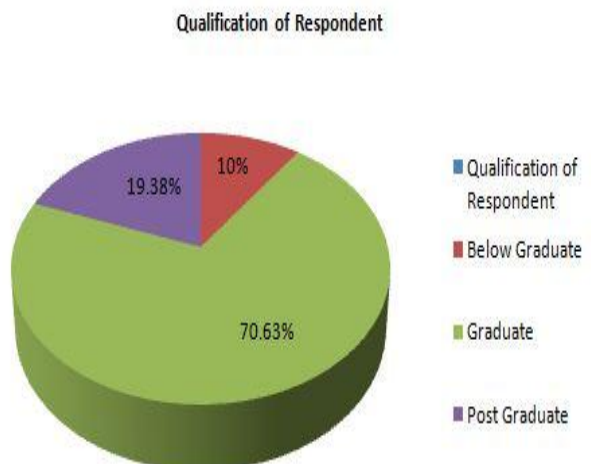
**Pie Chart Number-1**

**Pie Chart Number-2**

The above pie chart shows us that most of the respondent were from the age group between 20-30 years, and least respondent were from the age group below 20 years.

**Table 3: Classification of Respondents on The Basis of Qualification**

Qualification	Frequency	Percentage
Below Graduate	16	10.00
Graduate	113	70.63
Post Graduate	31	19.38

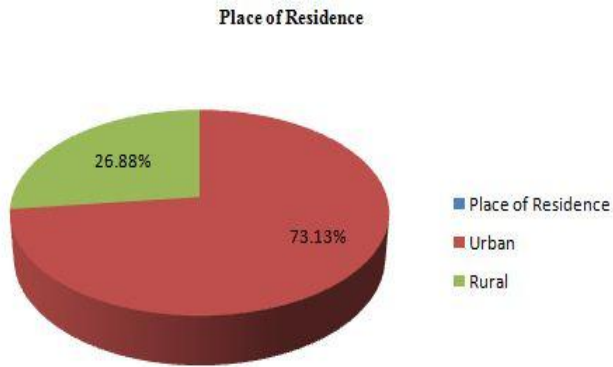


**Pie Chart Number-3**

Pie Chart 3 shows that around 70.63% of respondent were graduate, then it is followed by post graduate and below graduate respectively.

**Table 4: Classification of Respondents on The Basis of Place of Residence**

Place of Residence	Frequency	Percentage
Urban	117	73.13
Rural	43	26.88

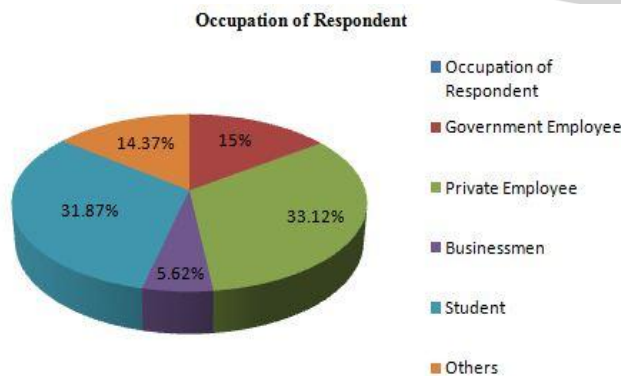


**Pie Chart Number-4**

From above pie chart it indicates that most of the respondent are from Urban areas as compared to that of Rural areas where accessibility is little bit difficult as compared to that of the Urban areas. Another reason is that most of the people who resides in urban area educated and open minded, and for this data collection was easier as compared to rural areas.

**Table 5: Classification of Respondents on The Basis of Occupation**

Occupation	Frequency	Percentage
Govt. Employee	24	15
Private Employee	53	33.12
Businessmen	9	5.62
Student	51	31.87
Others	23	14.37

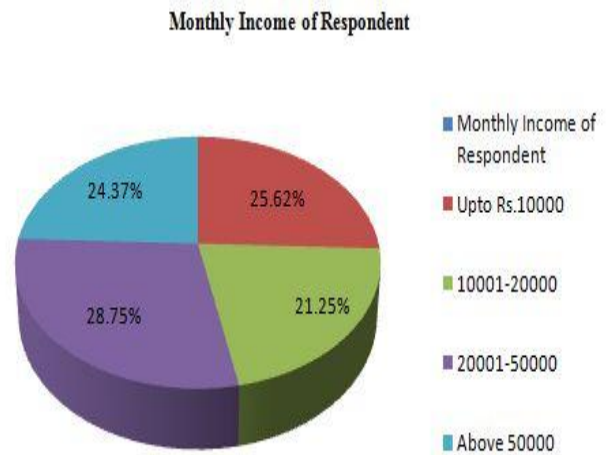


**Pie Chart Number-5**

It was found that out of total respondent, Private employee and Student constitute a total percentage of 64.99 out of 100.

**Table 6: Monthly Income of Respondents**

Monthly Income	Frequency	Percentage
Upto Rs.10000	41	25.62
10001-20000	34	21.25
20001-50000	46	28.75
Above 50000	39	24.37



**Pie Chart Number-6**

As the pie chart indicates that 46 respondent having their monthly income in between slab of Rs.20001-50000. Which is followed by 41 respondent having their monthly income upto Rs.10000, 39 respondent having their monthly income above Rs.50000 and lastly 34 respondent having their monthly income between Rs.10001-20000.

**B. Reliability Analysis**

It has been found that Cronbach's alpha is found to be 0.919 for 29 items, which shows the strong internal consistency among the set of items. And also it measures the reliability of scale. So it means 91.90% of the variability in composite score is considered to be internally reliable variance.

Table 7: Cronbach alpha Value

Cronbach's alpha	N of Items
0.919	29

Table 8: ANOVA for Public Sector Bank

Service Quality Factors	Source of Variation	Sum of Square	Degrees of freedom	Mean Square	F values	P values	F Critical
Tangibility	Between Groups	1726	4	431.5	4.8230	0.01057	3.05556
	Within Groups	1342	15	89.4666			
	Total	3068	19				
Reliability	Between Groups	1326	4	331.5	2.9527	0.05523	3.05556
	Within Groups	1684	15	112.266			
	Total	3010	19				
Responsiveness	Between Groups	1355	4	338.75	4.5408	0.0640	5.19216
	Within Groups	373	5	74.6			
	Total	1728	9				
Empathy	Between Groups	1229	4	307.25	2.1486	0.21170	5.1921
	Within Groups	715	5	143			
	Total	1944	9				
Assurance	Between Groups	743	4	185.75	2.2487	0.19888	5.1921
	Within Groups	413	5	82.6			
	Total	1156	9				
Customer Loyalty	Between Groups	1252	4	313	3.4471	0.05117	3.47804
	Within Groups	908	10	90.8			
	Total	2160	14				

Above values are being analyzed at 5% significance level. If value of  $P \leq 0.05$ , Hypotheses is rejected and if value of  $P > 0.05$ , then Hypotheses is accepted.

From above observation for Public Sector bank it has been observed that H2a, H3a, H4a, H5a, H6a factors are being supported and H1b factor which is Tangibility is not supported. Hence it is important for the Public Sector Bank to focus more on improving the service such as Premises of the bank, particularly in the rural area. Where the equipments are not up to the mark and the basic facilities are absent up to some extent. Next factor is behavior and presentation of the bank employee, where the bank employee must be cordial with their customer and must be willing to help those people those who have not basic knowledge about the banking system. By which customer can be more loyal towards the bank.

**Table 9: ANOVA for Private Sector Bank**

Service Quality Factors	Source of Variation	Sum of Square	Degrees of freedom	Mean Square	F values	P values	F Critical
Tangibility	Between Groups	967.5	4	241.875	2.7268	0.06899	3.05556
	Within Groups	1330.5	15	88.7			
	Total	2298	19				
Reliability	Between Groups	1545.5	4	386.375	3.6302	0.02922	3.05556
	Within Groups	1596.5	15	106.433			
	Total	3142	19				
Responsiveness	Between Groups	903	4	225.75	3.7750	0.08882	5.19216
	Within Groups	299	5	59.8			
	Total	1202	9				
Empathy	Between Groups	1027	4	256.75	3.9258	0.08301	5.19216
	Within Groups	327	5	65.4			
	Total	1354	9				
Assurance	Between Groups	1255	4	313.75	4.6550	0.06124	5.19216
	Within Groups	337	5	67.4			
	Total	1592	9				
Customer Loyalty	Between Groups	1658	4	414.5	4.5549	0.02362	3.47805
	Within Groups	910	10	91			
	Total	2568	14				

Above values are being analyzed at 5% significance level. If value of  $P \leq 0.05$ , Hypotheses is rejected and if value of  $P > 0.05$ , then Hypotheses is accepted.

For Private Sector bank H7a, H9a, H10a and H11a factors are being supported in a positive manner and these factors will have a positive impact towards the loyalty of a customer. However, the factors such as H8b and H12b support the result in a negative sense as the hypotheses is rejected, because the value of P is less than 0.05. Hence the Private bank needs to be more Reliable and Trustworthy in a continuous manner in order to retain their loyal customer by focusing more upon service such as quality of service, providing the service in a stipulated

time and to fulfill the wishes of customer according to their needs.

## V. CONCLUSION

From the above result and analysis part of ANOVA, it is observed that customer those who are having their account with the Public sector bank are more loyal towards it. As Reliability and Empathy plays an important role for the customer to retain their bank account with public sector. Because Public sector bank are better in perceived service quality factors such as Reliability and Empathy. Where in case of Private sector bank, they are not up to the mark with the perceived service quality factor such as Reliability in order to win the customer's heart, if they improve service quality factor such as Reliability then the

customer will be more loyal towards them. Hence Public and Private sector bank need to focus more on the service quality factor such as Tangibility and Reliability in the coming days so that customer will not show any propensity to switch to other banks.

### VI. SCOPE FOR FURTHER RESEARCH

This study has been restricted to the districts of Khordha & Puri in Odisha. In the future study, other demographic

areas in Odisha need to be considered, so that it can be analyzed what other service factors are affecting the customer to be more loyal towards them. Also, the researcher can consider the service quality of foreign sector bank, Cooperative bank and then compare it with the public and private sector bank in order to determine the impact of service quality on customer loyalty.

### APPENDIX

#### IMPACT OF SERVICE QUALITY ON CUSTOMER LOYALTY IN INDIAN BANKING SECTOR IN ODISHA

Service Quality Factor	Very Satisfied	Satisfied	Neutral	Dissatisfied	Very Dissatisfied
A. Tangibility					
1. Behavior and presentation of bank staff					
2. Your bank has up to date equipment					
3. Your bank's physical facilities are visual appealing					
4. Your bank's employees are well dressed					
B. Reliability					
1. Quality of service provided to you according to your expectations					
2. Your need is fulfilled or not according to your expectation					
3. Are you satisfied with the bank, which provides the service at the time they promised					
4. Are you satisfied with the operating working hours of bank					
C. Responsiveness					
1. Time taken by the bank to provide the service to you in stipulated time					
2. Are you satisfied with the willingness of bank employee to help customers					
D. Empathy					
1. Are you satisfied with the overall service quality provided by bank to you					
2. Does bank employee					

give you individual attention					
E. Assurance					
1. Employees of your bank are polite					
2. When you have problems, your bank is sympathetic and reassuring					
F. Customer Loyalty					
1. Will you consider this bank as your preferred bank					
2. Will you advise other people to open their account with this bank					
3. Will you say the positive things about this bank to others					

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