

# A Comparative Study on Perception of Customers towards Service Quality of Canara and ICICI Bank

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## ABSTRACT

Quality of service is very important, especially for the growth and development of service sector enterprises. Due to the increasing importance of the service sector in the economy, the measurement of service quality became important. The banking sector is facing challenges with stiff competition and advancement of technology. It becomes imperative for service providers to meet the target customers' satisfaction with quality of services expected by them. Delivering high quality services is a prerequisite for achieving customer satisfaction and only through customer satisfaction can any organization gain customer retention. The main objective of the study is to analyze the perception of the customers towards quality of banking services of CANARA and ICICI bank. A sample of 60 customers has been selected. Out of this 30 respondents are the customers of Canara bank and remaining 30 respondents are customers of ICICI Bank. Data have been collected through questionnaires designed on a five point Likert scale. Independent sample t-test has been used as the statistical tool to measure the difference in service quality on the variables, namely tangibility, responsiveness, reliability, assurance and empathy. The analysis of data revealed that a significant difference exists in service quality on the perception of customers in Canara bank and ICICI bank.

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## 1. Introduction

The bank system is facing challenges with stiff competition and advancement of technology. It becomes imperative for service providers to meet or exceed the target customers' satisfaction with quality of services expected by them. Each bank has a variety of services. Services are intangible in nature which could not be compared. The concept of customer satisfaction and service quality is interrelated with each other. Moreover the satisfaction of customer depends upon the quality of services provided by the banks. Due to the introduction of Electronic banking quality of service has been improved a lot as compared to traditional banking services. Mobile banking, internet banking, electronic fund transfer, automated teller machine has totally changed the way of providing services by the banks. The main objective of this study is to make a comparative study on service quality of Canara and ICICI Bank with a special reference in Ponnani Taluk.

Canara Bank is one of the largest and oldest public sector banks owned by the Government of India. Canara Bank first acquisition took place in 1961 when it acquired Bank of Kerala. The second bank that Canara bank acquired was SEASIA Midland bank, which had been established on 26 July 1930 and had seven branches at the time of its takeover. The government of India nationalized Canara bank, along with 13 other major commercial banks of India, on 19th July 1969. In 1976 Canara bank inaugurated its 1000<sup>th</sup> branch. In 1985 Canara bank acquired Lakshmi commercial Bank in a rescue. This brought Canara bank some 230 branches in northern India. In 1996 Canara bank become the first Indian bank to get ISO certification for a total for "Total Branch Banking" for its

SESHODRIPURAM branch in Bangalore. Canara bank has now stopped opting for ISO certification of branches.

ICICI Bank was established by the industrial credit and investment corporation of India an Indian financial institution, as a wholly owned subsidiary in 1994. The parent company was formed in 1955 of the joint venture of the World Bank. The bank was initially known as the Industrial Credits and Investment Corporation of India Bank, before it changed the name to the abbreviated ICICI Bank. The parent company was later merged with the bank. ICICI's shareholding in ICICI Bank was reduced to 46 percent, through a public offering of shares in India in 1998, followed by an equity offering in the form of American depositary receipts on the NYSE. The present study is designed to help the banks to know and analyze the perception of the customers towards quality of banking services.

## 2. Objectives of the study

- To compare the Canara and ICICI banks on the basis of customer perception towards quality of services.
- To identify the degree of importance attached to various dimensions of service quality such as tangibility, reliability, responsiveness, empathy, and assurance.

## 3. Literature Review

**Al-Jazzazi and Sultan (2017)** determined difference in banking service quality perceptions across demographic subgroups of Islamic and conventional bank customers in Jordan. The study found that banking service quality perceptions significantly differ based on demographic variables, however the variables of age and income do not impact customers' perception.

**Lone et al, (2017)** explored the level of customer satisfaction between Islamic and conventional bank customers through comparative study in Saudi Arabia. The study found an equal level of satisfaction among both bank customers from different regions in the country. A similar comparative study on customer satisfaction between fully fledged Islamic and conventional banks in Pakistan was administrated by Lone and Rehman (2017). The study measured and compared service quality adopting the SERVQUAL model. The study found that fully fledged Islamic bank customers have positive service quality perception and satisfaction compared to banks with Islamic banking windows. The study found Islamic bank customers possess higher service quality expectations towards tangibles, empathy and responsiveness.

**Khan (2016)** in his study examined the perception of customers towards the service provided by the public and private sector banks in India. The researcher has taken a sample of 116 customers from districts of Uttar Pradesh like Aligarh, Agra, Hathras, Mathura, Meerut, and Muzaffarnagar and collected data through questionnaires designed on a five point Likert scale. State Bank of India, Punjab National Bank, and Allahabad Bank have been selected from public sector and ICICI Bank, HDFC Bank and Axis Bank have been selected from private sector banks. The analysis of the data revealed that a significant difference exists in service quality in customer's perception on the variables tangibles, responsiveness, assurance, and ATM service quality. However, it has been revealed that significant difference does not exist in service quality on the variable reliability in the perception of customers in public and private sector banks.

**Qureshi and Bhatt (2015)** in their study entitled, "An Assessment of Service Quality, Customer Satisfaction and Customer Loyalty in Life Insurance Corporation of India with Special Reference to Srinagar District of Jammu and Kashmir" analyzed the customers' expectations and perceptions towards service quality provided by LIC in Srinagar district of Jammu and Kashmir. The data has been collected from 273 LIC customers from Srinagar and analyzed with the help of statistical techniques including cronbach alpha, Pearson correlation and ANOVA. The findings of the study indicate that there is a service quality shortfall i.e. perceptions are lower than expectations in all the six service quality dimensions used in the study.

**Anjor et.al. (2014)** in the research titled, "Service Quality Assessment: A Study of Consumer Satisfaction in Indian Insurance Sector" examined the customers' perception and expectation towards life insurance service quality and the relationship between customer expectation and perception of service quality. The data has been collected from 500 customers from the five cities of Uttar Pradesh. It has been found that the expectation is higher than perception in terms of service quality in the insurance sector. Communication gap and service delivery aspect is an important factor in terms of customer expectation. It has been analyzed that seven factors are from customer perception and six factors are for customer expectation. The research resulted in the development of a reliable and valid instrument for assessing customer perceived service quality of life insurance services. The results confirm

that service quality is crucial to acquire loyal consumers and consumer loyalty.

**Akhtar and Zaheer (2014)** identified the key dimensions of Islamic banks service quality based on customer perception of United Arab Emirates and Saudi Arabian banks. The Carter service quality model was adopted to explore and identify the key dimensions. The findings revealed that reliability, assurance and empathy significantly impact customers' perceptions and satisfaction, whereas, responsiveness negatively impact customers' satisfaction.

#### 4. Research Methodology

Descriptive research design is used for the study. The present study deals with the perception of customers towards service quality offered by Canara and ICICI banks. Hence the present study is purely descriptive in nature. The required data for the study has been collected from primary and secondary data sources. Primary data were collected with the help of structured questionnaire schedule from 60 respondents from Ponnani Taluk. Out of this 30 people are the customers of Canara bank and remaining 30 people are customers of ICICI Bank. The secondary data has been collected from various research articles, reports, leading newspapers, magazines, Journals, standard text books and websites. The sample was selected on the basis of convenience sampling method. The collected data were analyzed by keeping in view the objectives of the study. For the purpose of analysis 't' test is used for measuring the service quality of banks. The present study has been undertaken to study the customers' perception towards service quality of Canara and ICICI banks.

#### 5. Analysis and Discussion

The researcher asked to the respondents about their opinion by using a five point scale ranging from strongly agree to strongly disagree.

Tangibility = (total points received for all questions about Tangibility/ Maximum Score) \*100

Reliability = (total points received for all questions about Reliability/ Maximum Score) \*100

Responsiveness = (total points received for all questions of Responsiveness/Maximum Score) \*100

Assurance = (total points received for all questions about Assurance/ Maximum Score)\*100

Empathy = (total points received for all questions of Empathy/ Maximum Score) \*100

Where Maximum Score = (Number of question x Maximum points)

Here maximum point is 5.

**Table 1**  
Perception of customers towards service quality of Canara bank and ICICI bank

Bank	N	Mean	Standard Deviation
<b>Tangibility:</b>			
Canara Bank	30	85.5000	10.69563
ICICI Bank	30	95.000	4.35494
<b>Reliability</b>			
Canara Bank	30	81.6667	12.95439

ICICI Bank	30	92.6667	4.86602
<b>Responsiveness</b>			
Canara Bank	30	78.1667	12.49023
ICICI Bank	30	86.1667	6.90868
<b>Assurance</b>			
Canara Bank	30	83.1667	8.95230
ICICI Bank	30	94.5000	4.01506
<b>Empathy</b>			
Canara Bank	30	80.3333	11.73951
ICICI Bank	30	94.0000	5.31751

Source: primary data

Service Quality is measured using the below formula;

$$\text{Service Quality} = (\text{Tangibility} + \text{Reliability} + \text{Responsiveness} + \text{Assurance} + \text{Empathy}) / 5$$

**Table 2**  
Overall Service Quality of Canara bank and ICICI bank

Bank	N	Mean	Std. Deviation	Std. Error Mean
Service Quality of Canara Bank	30	81.7667	8.35705	1.52578
ICICI Bank	30	92.4667	3.39100	.61911

Source: primary data

The mean score of ICICI bank (92.4667) is more than the mean score of Canarabank (81.7667). The less standard deviation (3.39100) shows the respondents have the same opinion about the service quality of ICICI bank That means the service quality of ICICI bank is more than that of Canara Bank.

### Testing of Hypothesis

H0 = Service Quality is same among two Banks

H1= Service Quality is not same among two Banks

Test Statics used: Independent Sample t-Test

The researcher use independent sample test for equity of means. The P value is less than .05 thus we reject the null hypothesis.

Note: P value means "sig" Value. The rule is if the P value is less than .05 so we reject the null hypothesis. Is there a significant difference in the service quality of Banks. Reason for selecting an independent sample test: there are only two respondents Group, that is two Banks.

### 6. Findings of the study

The Qualitative and quantitative methods were used to measure multidimensional factors in banking sector consisting of SERVQUAL and Gap model propounded by the Parasuraman. As SERVQUAL replication studies raised questions on dimensionality and generic nature of it, the original ten dimensions proposed by Parasuraman et al. (1985) was used for the initial item generation process. On the basis of qualitative study various independent variables have been identified to measure the satisfaction and benchmarking of bank services.

**Tangibility:** This is the one of the important factor that affects the service quality. Tangibility is defined by whether the

physical facilities and materials associated with the service are visually appealing at the bank. These are all factors that customers notice before or upon entering the bank. The factors covered here are: equipment, instrument and physical facilities of banks, employee's appearance, etc. Both banks are good nevertheless average mean score of tangibility of ICICI bank (95) is more than the average tangibility of Canara bank (85.5). The same is supported by relatively less standard deviation.

**Reliability:** Another important factor that affects the service quality is reliability. Reliability means Ability to perform the promised service dependably and accurately. Comparatively reliability scores of ICICI bank is more than the average reliability score of Canara bank.

**Responsiveness:** Third important factor is responsiveness. It means willingness to help customers and provide prompt service. The factors covered here are: Bank is very prompt in solving all problems, Provide prompt services to the customers, Employees are very helpful to customers and ready to resolve their request, special care to special customers etc. The average score of responsiveness is high on ICICI bank (86.1667) compared to Canara bank (78.1667). The responsiveness of CANARA bank is very low compared to other dimensions of service quality.

**Assurance:** One of the important factor that affects the service quality is assurance. Assurance means knowledge and courtesy of employees and their ability to convey trust and confidence. Comparatively assurance is high in ICICI bank.

**Empathy:** This is the last but one of the most important factor. Empathy is required for better customer services. It includes caring, individual attention the firm provides its customers. The average score of empathy is high on ICICI bank compared to Canara bank.

### 7. Suggestions

- Expectations of the customers are on the increase, especially young customers. Hence, banks have to revisit their traditional practice and adapt digital technology and design user friendly interfaces. These banks need to strengthen their mobile services also.
- Compared to other dimensions of service quality, responsiveness should be improved by Canara and ICICI bank. Banks need to improve their customer service by properly training their staff and enhancing their skills. Increase the awareness level of bankers regarding modern banking facilities by providing aggressive awareness programs.
- Both banks need to establish that trust on the customer through their services so that the customer feels safe and protected while dealing with them.

### 8. Conclusion

The bankers offer equal service quality to their customers. They don't make any discrimination on nationality, religion, financial and social status and gender. However, differentiation was rising from the determination of target market, organizational structures and product ranges or different approaches to high-risk customers, should not be constructed

as an evidence of prejudice or categorizations among customers. Customers are the most important assets of any business. The success and failure of any business depend upon how far they satisfy the expectation of their customers. Banks are an important social organization rendering various financial services to its customers. Realizing the importance of customer service in banks, recommendations are made by

various committees to improve the service quality of Banks. Customer satisfaction is improved when the service provided surpasses the perceived value of customers. In this study both banks are performing at a higher average level. All the customers are satisfied with the service quality of ICICI bank (92.4667) is more than the service quality of Canara bank (81.7667).

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