

## Impact of Service Quality on Customer Perception: An Empirical Study in India's Post Office Savings Banking Sector Using SERVQUAL

<sup>1</sup>\* S. VijayAnand, <sup>2</sup> M. Selvaraj

<sup>1</sup> Ministry of Information and Communication Technology, Tamilnadu, India

<sup>2</sup> Department of Management Studies, Sona College of Technology, Tamilnadu, India

Received 3 June 2014, Accepted 9 August 2014

---

### ABSTRACT:

The position of financial organization would be increasingly decisive in the next decade in view of the frightening competition. With the increasing number of businesses and growing competitions today, each organization wants to be the customer's first choice and try to satisfy them for getting loyalty for their future endurance in the market. However, it is open to ask whether the organizations are satisfying their customers through quality in their service and this is the crucial hitch for every organization in today's context. In view of this, the author conducted an empirical study to investigate the role of service quality in customer perception. For this purpose, they have considered India's Post Office Savings banking sector, a primeval fiscal sector and interviewed 106 customers through a self-administered questionnaire by convenience sampling method. Empirical results acquired through application of tools like Factor analysis, Weighing score method, and Chi-Square test and it revealed that all the SERVQUAL factors are resulted with negative value, which indicated that the sector still not meet the expectation of the customers along with the minimum gap in Competence dimension and huge service quality gap in Tangibility factor. In addition, there is no significant association found between the demographic variables taken up for consideration. Standard deviation scores also showed that there is moderate deviation existing between customer perception and expectation concerning service quality.

**Keywords:** *Post office savings bank, Service quality, Competitiveness, SERVQUAL, Perception*

---

### INTRODUCTION

Banking sector in India plays a significant role in the development of economy of the country. Due to the financial reforms initiated during 1990s, the entire banking sector including products and structure has undergone a major change. The concept of Liberalization, Globalization and Privatization has also persuaded the market to be more competitive.

Among the segment of Indian banking sector, Post Office Savings bank (POSB) sector is one of the predominant fiscal services performing its functions all around the Nation

with 1, 55,333 Post offices in Urban and Rural areas under Ministry of Communications and Information Technology, Government of India.

In the Department of Posts, Savings bank operations commenced from 1.04.1882. The object of establishing of Post Office Savings Bank was to extend banking facilities to millions of poor and middle class people living in the farthest corners of the country to accumulate and invest their saving and to use the same for economic development of the country.

### Significant of the Study

Service quality has become a very important issue in marketing and has received much attention since deregulation of service sector in India and thus increased competition among the sectors (Vanpariya and Ganguly, 2010). The above point clearly defines that every organization should think about the next rather than to be improved. Firm could have a very good growth along with the profit only if they are practicing distinctive marketing technique and appropriate strategy as there is no warranty for business companies to survive and only through the loyal customers (Kahreh and Kahreh, 2012).

In today's competition perspective, customers have to make a choice among various service providers by making a trade-off between relationship and economies (Misra, 2012). Hence, measurement of service quality with customer emotions is thus very important and the consistent delivery of superior service is the key factor for the customer satisfaction and loyalty. To upkeep these parameters, quality in service would be the pioneer in any organization. Even in this study, the primary aim is to investigate whether the quality in service is having a significant role in customer perception.

### Literature Review

(Herington and Weaven, 2007) pointed out that online service quality have no impact on customer delight and it fails to establish the direct linkage between E-S-Q and relationship strength. Customer and employee relationship should be strengthened only through good interpersonal relationship, thereby developing trust and delivering a reliable and quality service which enhance customer's trust and loyalty (Auh, 2005) in (Bojei and Alwie, 2010)

Employees' experiences and attitudes in the organization affect Customers perceptions, attitudes and intentions (Montes et al., 2003). Out of all the dimensions of SERVQUAL, Tangibility and reliability provides maximum satisfaction to customers of private as well as public sector banks (Mengi, 2009)

(Maddern et al., 2007) informed that staff satisfaction and service quality are the main drivers of Customer Satisfaction. Foreign Banks provide better service quality than Private

and Public Sector Banks and Public Sector Banks have failed to adequately satisfy the customers (Debasish, 2009) Poor service quality among Indian banks is mostly because of deficiency in tangibility and responsiveness (Bhat, 2005)

Post Office savings banking sector have to adopt simplify procedure of the small savings schemes that suit the needs of illiterate and socially downtrodden people. Increase in the rate of interest small saving schemes to meet the challenges of commercial banks. In addition, it can also implement core banking, ATM Facilities, Internet banking. etc (Tamilkodi, 1983) in (Ramyadevi, 2011)

Post Office is embarking on one of its biggest marketing campaigns to date to promote its new savings product and boost its number of account holders (Precision Marketing Bulletin, 2006)

Consumers perception are much more important than knowledge of objective reality for marketers (Schiffman and Kanuk, 2008) Customer service and redress mechanism have to be highly responsive, responsible and prompt. (Subramanian, 2011)

Banks need to be more innovative and endeavor to provide more value added services to boost the satisfaction level of customers. In Banks, reliability and competitiveness have maximum impact on customer satisfaction. (Premraj and Sankaralingam, 2012). Tangibility and reliability provides maximum satisfaction to customers of Private as well as Public sector banks and bank need to focus other dimensions such as responsiveness, assurance and empathy (Mengi, 2009).

Banks were in the process of introducing internet banking as an assurance to their customers that they would be able to maintain a competitive quality of service in future (Jenkins, 2007).

Private and foreign Internet banks have performed well in offering a wider range and more advanced services of Internet banking in comparison with public sector banks and the determinants affecting the extent of Internet banking services are found to be significant. (Malhotra and Singh, 2010)

A large number of researchers for assessing service quality in banking sectors have used SERVQUAL instrument (Lewis, 1991;

Kumar et al., 2010; Vanpariya and Ganguly, 2010; Ganesh, 2012).

### Research Gap

Attempts to improve the understanding and prediction of customer with reference to service quality have become common in both marketing research and practice, but the expression of the customers towards satisfaction resulted in many ways. The relationship between customers and the fiscal sector in terms of service quality, satisfaction and loyalty was examined by the researcher through many studies conducted earlier. Although there is a considerable amount of academic literature on service quality in banking sector are available with various results, relatively a little research on the role of service quality perception in Post Office savings bank sector existed at present that too analyzed the performance of Post office savings schemes and not particularly focused on service quality. This is the actual research gap identified and the basic proposition of this study is to identify the service quality gap if any among the dimensions of SERVQUAL in terms of customer perception in Post Office Savings bank sector through measuring service quality.

### Conceptual Framework

Service quality appeared to be a rather abstruse and abstract concept that is difficult to define and measure (Sureshchandar et al., 2002) in (Dado et al., 2012). As the objective of this study is focusing the role of service quality on customer perception and in order to identify the service quality gap between perception and expectation, a well-developed instrument with five dimensions called SERVQUAL, (Parasuraman et al., 1985, 1988, 1994) have considered in this study.

In today's context, all sectors are facing fierce competition not only in the price of the products but also in service. Consequently, it is inevitable to review the performance of each firm by analyzing their competitiveness in the market. Many earlier studies measured service quality in banking services with other dimensions along with existing five dimensions of SERVQUAL (Kumar et al., 2010; Balaji et al., 2011; Premraj and Sankaralingam, 2012). This paper also attempted to study the service quality perception in Post Office Savings Bank Sector along with one additional and foreseeable dimension "COMPETENCE" to analyze whether the considered sector are also providing services on par with other competitors through a well planned questionnaire having 27 items under six SERVQUAL dimensions.

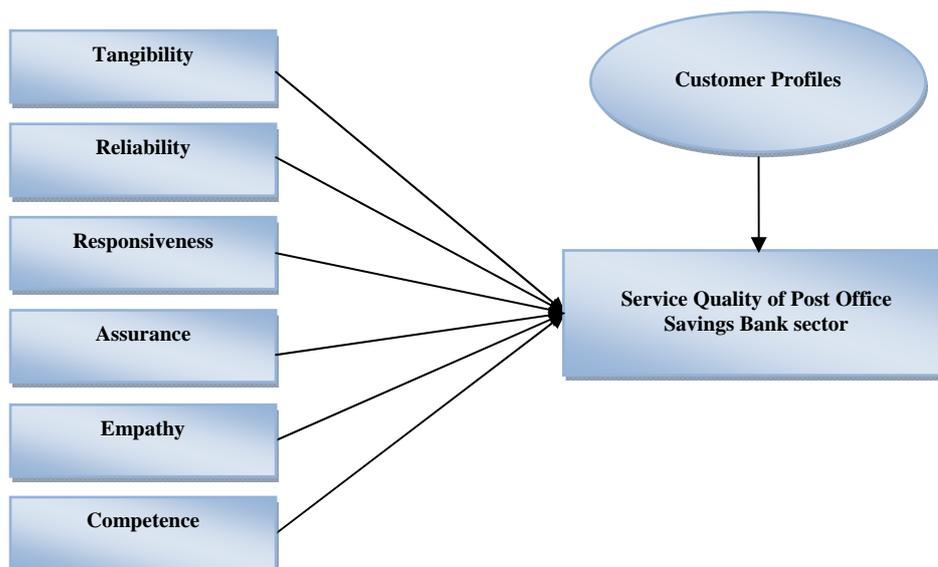


Figure 1: Conceptual framework diagram

### Research Objectives

- 1) To exhibit the profile of the Customers.
- 2) To study the variance in the variables constructed for this study using factor analysis.
- 3) To study Customer Perception on six-service quality dimensions of SERVQUAL scale.
- 4) To analyze the association between the demographic and service quality variables.
- 5) To identify the Service quality gap between customers expectation and perception using SERVQUAL scale.

### RESEARCH METHOD

This is a primary data based empirical research collected through a well-designed questionnaire and through quantitative methods. To accomplish the aforementioned research objectives, 27 service quality variables were included in the questionnaire and data collected personally by conducted survey with 106 customers in various post office savings bank branches of Salem District in Tamilnadu State. All the Customers were informed about the purpose of survey and asked to evaluate the service quality experienced through their banks together with their expectation and perception. Customers' expectation and perception about service quality were measured through six dimensions of SERVQUAL scale rated with 5-point Likert-type scale ranging from 1- Strongly Disagree to 5- Strongly Agree.

### Demographic Profile of the Sample Respondents

As the demographic information plays a vital role in service quality, important variables related to the present scenario were considered and results extracted through percentage analysis for each category were computed below based on the information collected from the respondents concerned. Table 1 shows the various demographic profile of the respondents considered in this study and their percentage of participation in the interview.

From table 1 it was observed that out of 106 respondents, 54.72% of customers were residing in urban area, and 35.85% of

customers were in rural area and 9.43% of customers in Semi-Rural area. From this result, it was clear that maximum respondents had their habitation in urban area.

Regarding the age proportion, it was seen that 0.94% of customer were found under the age up to 20 years: 32.08% under 21-40 years: 55.66% of the respondents had the age found between 41-60 years and 11.32% were above 60 years.

Gender category included 55.66% of Male customers and 44.34% of female customers. Hence, it was observed that maximum utilization of services provided by the Post office savings bank was made only by Male customers.

In the demographic character, occupation played a very important role and in this study, it was found that 13.21% of customers were found under the category of agriculture work: 25.47% were under Business category: 28.30% of respondents were worked under Public sector: 21.70% were worked in Private sector and 11.32% of respondents were carried out other type of occupation.

Regarding income category, it was observed that 0.94% of customers came under the category of no income and 20.75% of customers had income below 5000/=

It was also noted that 38.68% of customers had a range of 5001-10000/= income per month: 28.30% of customers had a range of 10001-30000/= income per month and 11.32% of customers had income of more than 30000/= per month.

### Behavioral Information of respondents with Post Office Savings Bank

In this section, the behavioral pattern of the respondents with Post Office savings bank sector was considered with a view that how they have utilized the services elaborately.

The demographic profile of the respondents along with their behavioral information about the savings activities in Post office savings banking sector is elaborately furnished in table 2.

**Table 1: Demographic profile of the respondents**

S. No	Demographic Variables	Number of respondents (n=106)	Percentage
<b>Status of the Residential Area:</b>			
1.	Rural	38	35.85%
	Urban	58	54.72%
	Semi Rural	10	9.43%
<b>Age:</b>			
2.	Up to 20	1	0.94%
	21-40	34	32.08%
	41-60	59	55.66%
	Above 60	12	11.32%
<b>Gender</b>			
3.	Male	59	55.66%
	Female	47	44.34%
<b>Marital Status</b>			
4.	Unmarried	93	87.73%
	Married	13	12.26%
<b>Educational Qualification</b>			
5.	Uneducated	1	0.94%
	1-5 <sup>th</sup> std	1	0.94%
	6-12 <sup>th</sup> std	66	62.26%
	Degree	26	24.53%
	Postgraduate and above	12	11.32%
<b>Type of family</b>			
6.	Single	62	58.49%
	Joint	44	41.51%
<b>Dependents in Family</b>			
7.	1-2	24	22.64%
	3-4	52	49.06%
	5 & above	30	28.30%
<b>Occupation</b>			
8.	Agriculture	14	13.21%
	Business	27	25.47 %
	Public	30	28.30%
	Private	23	21.70%
	Others	12	11.32%

<b>Income</b>			
9.	No Salary	1	0.94%
	Below 5000	22	20.75%
	5001-10000	41	38.68%
	10001-30000	30	28.30%
	Above 30000	12	11.32%

Source: Calculation based on primary data

**Table 2: Demographic profile with Behavioral information of respondents in post office savings bank**

S. No	Knowing Information about the POSB Schemes	No. of respondents (n=106)	Percentage
01.	Newspaper	5	4.72%
	Media	5	4.72%
	Agents	55	51.89%
	Direct visit	41	38.68%
<b>Type of account:</b>			
02.	SB	53	50.0%
	RD	35	33.02%
	FD	18	16.98%
<b>Minimum investment</b>			
03.	Up to 5000	50	47.17%
	5001- 10000	23	21.70%
	10001- 50000	23	21.70%
	50001-100000	10	9.43%
<b>Frequency of visit</b>			
04.	Everyday	7	6.60%
	1-2 times/week	20	18.87%
	1-2 times/fortnight	15	14.15%
	1-2 times/Month	38	35.85%
	Rarely	26	24.53%

Source: Calculation based on primary data

From table 2, it is clearly seen that 51.89% of the respondents have known the schemes of Post Office Savings Bank sector only through Agents appointed by the State Government: 38.68% of customers have come to know through Direct visit and rest of the customers came to know through newspaper and media with 4.72% respectively.

Savings habit played a significant role for the growth of the economy of the country. Hence, in this study also, "Type of account" opened by the customer was taken into account and from the result, it was seen that 50% of customers had savings bank account: 33.02% of customers had Recurring Deposit (RD) account and 16.98% of customers had Fixed Deposit (FD) account.

Minimum investment made by the customers in the Post Office savings banking sector revealed that 47.17% of customers had the minimum investment of up to Rs.5000/= and 9.43% of customers had their investment to the range from 50001-100,000/=0

Frequency of visit to Post office bank played an important role for evaluating the service quality. From the above table, it was observed that 35.85% of customers were visiting Post office once or twice in a month and 24.53% were visiting post office rarely.

**DATA ANALYSIS AND RESULTS**

Data collected through the questionnaire were analyzed through the statistical techniques like factor analysis, Chi-Square analysis, Weighted score method and SERVQUAL scale with the level of significance of 0.05%. All the analysis was done through SPSS 16.0 package.

**Chi-Square Analysis**

Chi-Square is a statistical measure used in the context of sampling analysis for comparing a variance to a theoretical variance. The sampling distribution of the test statistic is a chi-square distribution when the null hypothesis (H0) is true or any in which this is asymptotically true in a test.

As customers’ nature of account, minimum investment, frequency of visit to post office and rate of interest for the deposit schemes playing a significant role on service quality, the association between these demographic variables were analyzed using Chi-square analysis by

formulating the following hypothesis:

**Association between the Nature of the Account and Frequency of Visit to Post Office**

H<sub>0</sub>: There is no significant relationship between the nature of the account and frequency of visit to post office.

H<sub>1</sub>: There is a significant relationship between the nature of the account and frequency of visit to post office.

In order to check the association between the Nature of the account and Frequency of visit to Post Office, Chi-Square analysis was carried out and the result obtained is detailed in table 3.

By applying Pearson Chi-Square test, it was observed from the above table that the chi-square value is 12.511 and Asymp. Significant value was 0.130 which was found greater than the critical value for this study (p=0.05). Hence, H<sub>0</sub> was accepted and revealed that there was no significant relationship between the nature of the account and frequency of visit to post office.

**Association between the Minimum Investment and Rate of Interest for the Accounts**

H<sub>0</sub>: There is no significant relationship between the minimum investment and Rate of interest for the accounts:

H<sub>1</sub>: There is a significant relationship between the minimum investment and Rate of interest for the accounts:

In order to check the association between the Minimum Investment and Rate of Interest for the accounts in the Post Office, Chi-Square analysis was carried out and the result obtained is detailed in table 4.

**Table 3: Association between the nature of the account and frequency of visit to post office**

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.511 <sup>a</sup>	8	0.130
Likelihood Ratio	14.136	8	0.078
Linear-by-Linear Association	6.076	1	0.014
N of Valid Cases	106		

a. 7 cells (46.7%) have expected count less than 5. The minimum expected count is 1.19.

Source: Calculation based on primary data

**Table 4: Association between the minimum investment and rate of interest for the accounts**

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.095 <sup>a</sup>	12	0.695
Likelihood Ratio	9.539	12	0.656
Linear-by-Linear Association	0.136	1	0.0713
N of Valid Cases	106		

a. 12 cells (60.0%) have expected count less than 5. The minimum expected count is 0.75.

Source: Calculation based on primary data

By applying Pearson Chi-Square test, it was observed from the above table that the chi-square value was 9.095 and Asymp. Significant value was 0.695 which was found greater than the critical value for this study ( $p=0.05$ ). Hence,  $H_0$  was accepted and revealed that there was no significant relationship between the minimum investment and rate of interest for the accounts.

#### Reliability Statistics

After identifying the dimensions for the study, a scale to measure each factor was selected and scale reliability was checked by Cronbach's alpha coefficient which declared as the best method to find the internal consistency of scale. The internal consistency generally increases as the intercorrelations among test items increase and indirectly indicate the degree to which a set of items measures a single unidimensional latent construct.

Table 5 shows the Reliability statistics for the variables considered in this study obtained through Reliability analysis along with the Cronbach's Alpha values for expectation and perception of SERVQUAL Scale.

Instrument used in basic research have reliability of about 0.70 or better. For important decisions about the fate of individuals was made based on test scores, reliability should be at least 0.90, preferably 0.95 or better. (Nunnally, 1978). The instrument considered for this study satisfied the requirement of content validity with the result expectation (0.954) and Perception (0.867) found agreed with the theoretical

concept explained by the earlier studies.

#### Factor Analysis

Factor Analysis is an exploratory technique attempts to identify groupings among variables (or cases) based on relationships represented in a correlation matrix. It is a powerful tool for better understanding the structure of the data, and used to simplify analysis of a large set of variables by replacing them with composite variables.

In order to test the validity of sampling adequacy collected for the study, Kaiser-Meyer-Olkin measure of sampling adequacy together with the Bartlett's test of Sphericity and chi-square analysis were conducted for checking the validity factor analysis. Table 6 below elaborates the result obtained through factor analysis.

Kaiser-Meyer-Olkin measure of sampling adequacy (0.863), a supportive data for factor analysis showed that the factor analysis established suitability since the value found with the range from 0.5 to 1.

The following hypothesis were applied to check the validity of factor analysis

$H_0$ : Factor analysis considered in this study is not valid.

$H_1$ : Factor analysis considered in this study is valid.

From the above table, as the Approx. Chi-Square value is 2.048E3 and significance value is (0.000) which is less than the level of significance ( $p=0.05$ ) it was confirmed that the null hypothesis ( $H_0$ ) found rejected and factor analysis considering for data reduction was effective and valid.

**Table 5: Reliability statistics: service quality expectations and perceptions**

Service Quality Dimensions: Expectation		Service Quality Dimensions: Perception	
Cronbach's Alpha	N of Items	Cronbach's Alpha	N of items
0.954	27	0.867	27

Source: Calculation based on primary data

**Table 6: Test for sampling adequacy for service quality in post office savings bank sector**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.863
Bartlett's Test of Sphericity	Approx. Chi-Square	2.048E3
	df	351
	df	0.000

Source: Calculation based on primary data

For doing factor analysis, twenty-seven perception variables in SERVQUAL scale was considered and the result revealed the following:

The purpose of performing Communalities was to show how the amount of variance in a variable accounted for by the two factors taken together. Higher communality values indicate that the large amount of the variance in a variable and small communalities show that a substantial portion of the variable's variance was not accounted for by the factors. Although no statistical guidelines indicate, exactly whether large or small, practical considerations dictate a lower level of 0.50 for communalities in this analysis (Joseph F. Hair et. al., 2008).

Table 7 shows the initial Eigen Value and the Extracted Eigen values for each variables considered in this study obtained through factor analysis.

- The result of the above table indicated that
- 1) 83.4% of variance was found in the variable: giving me the individual attention.
  - 2) 80.3% of variance were found in attractive building with modern looking equipments.
  - 3) 80% of variance were found in physical facility is visually appealing
  - 4) 79% of variance were found in the variable: employees of post office savings bank sector are having knowledge to answer my questions and understanding the specific needs of mine.

79.1% of variance was found in the variable: post office savings bank sector are having employees who give me personal attention.

Since Factor analysis plays a significance role in extraction of the factor through Exploratory method, the factor loading along with percentage of variance, Alpha and Eigen value for each factor and variables in the factor considered is furnished in table 8.

**Table 7: Communalities**

Communalities		
Variable particulars	Initial	Extraction
Attractive building with modern equipments	1.000	0.803
Physical facility is visually appealing	1.000	0.800
Front end employees are neat appearing with attractive uniforms	1.000	0.495
Materials associated with savings bank are visually appealing and readily available	1.000	0.482
Provides its services at the time it promises to do so	1.000	0.708
Having problem, savings bank branch shows sincere interest in solving it	1.000	0.627
Performs the service right at the first time	1.000	0.279
Delivers error free records	1.000	0.643
When promises to do something by a certain time, it does so	1.000	0.778
Employees in post office savings bank branch keeps informed when the services will be performed	1.000	0.682
Employees in savings bank branch give prompt service	1.000	0.754
Employees in savings bank branch are always willing to help	1.000	0.682
Employees in savings bank branch are never too busy to respond to request	1.000	0.704
Behaviour of employees instils confidence	1.000	0.784
Feel safe in transactions	1.000	0.699
Employees in Post office saving bank branch will be consistently courteous with	1.000	0.753
Employees in post office savings bank branch have knowledge to answer customer questions	1.000	0.790
Having operating hours convenient to all	1.000	0.457
Post office savings bank will give individual attention	1.000	0.834
Having employees who give personal attention	1.000	0.791
Post office savings bank has best interest at heart	1.000	0.680
Employees understand the specific needs	1.000	0.790
Rush to solve grievances and complaint immediately	1.000	0.736
Having ATM Facilities, internet banking and instant mobile alerts	1.000	0.723
Having competent and experienced employees	1.000	0.589
Having simplified formalities for transactions	1.000	0.621
Gives competitive interest rates for the deposits	1.000	0.622

Extraction Method: Principal Component Analysis: Source: Analysis based on Primary data

**Table 8: Factor analysis**

factors	Loading	% of variance	Cronbach's Alpha	Eigen Value
<b>Factor 1: Responsiveness</b>				
Behaviour of employees instils confidence in me	0.844			
Employees in my post office have knowledge to answer my questions	0.809			
Employees in saving bank branch will be consistently courteous with	0.772			
Employees in savings bank branch are never too busy to respond to request	0.711			
Employees in Post office savings bank branch are always willing to help	0.701	41.711	0.927	11.262
Employees understand the specific needs	0.657			
Feel safe in transactions	0.653			
Employees in Post office savings bank branch keeps informed when the services will be performed	0.612			
<b>Factor 2: Competence</b>				
When promises to do something by a certain time, it does so	0.817			
Employees in savings bank branch give prompt service	0.774			
Delivers error free records	0.719			
Provides its services at the time it promises to do so	0.717	8.380	0.891	2.263
Having simplified formalities for transactions	0.643			
Having competent and experienced employees	0.627			
<b>Factor 3: Empathy</b>				
Post office savings bank will give individual attention	0.786			
Having employees who give personal attention	0.751	7.262	0.919	1.961
Post office savings bank has best interest at heart	0.620			
<b>Factor 4: Tangibility</b>				
Attractive building with modern equipments	0.848			
Physical facility is visually appealing	0.838	4.858	0.836	1.312

Source: Analysis based on Primary data

Instrument with 27 variables framed for the study was reduced into 19 variables by principal component analysis extraction method through Varimax with Kaiser Normalization rotation converged in 9 iterations. Although factor loadings of 0.30 to 0.40 (Positive or Negative) are minimally acceptable, values 0.50 (Positive or Negative) are generally considered necessary for practical significance (Rules of Thumb 3-5).

For this study, 19 variables with variance of 0.60 and above were considered for further analysis. The most important factors for this study are Responsiveness (8 variables) and Competence (6 variables) with the Eigen Value 11.262 and 2.263 and with the reliability of 0.927 and 0.891. The Percentage of variance explained with regard to responsiveness and Competence are 41.711 and 8.380 respectively.

The third factor identified was Empathy (three variables) with the Eigen Value 1.961, percentage of variance explained 7.262 with the reliability of 0.919. The fourth and the last factor identified were Tangibility (two variables) with the Eigen value 1.312, percentage of variance explained 4.858 with the reliability of 0.836.

A Comparative representation between the factors considered and its percentage of variance for the five factors reduced after factor analysis was shown in the following Graphs:

The relationship between the Eigen Value and the percentage of Variance extracted is shown in figure 2.

The relationship between the Eigen Value and the Factors extracted through exploratory factor analysis is shown figure 3.

Figure 4 shows the proportion of Eigen Value extracted through exploratory factor analysis.

### Measuring Service Gap

As this paper mainly focusing the service quality perception of customers, SERVQUAL scale was considered to measure the service quality gap between expectation and perception of customers. The 27 variables, which were framed earlier, reduced to 19 variables by factor analysis and these reduced variables were considered for measuring the service quality gap. Mean and Standard deviation were also calculated and the gap mean evaluated will be the actual service quality gap of the dimensions in the organization considered for this study.

The service quality gap for each variable between the expectation and perception of the customers are detailed in table 9.

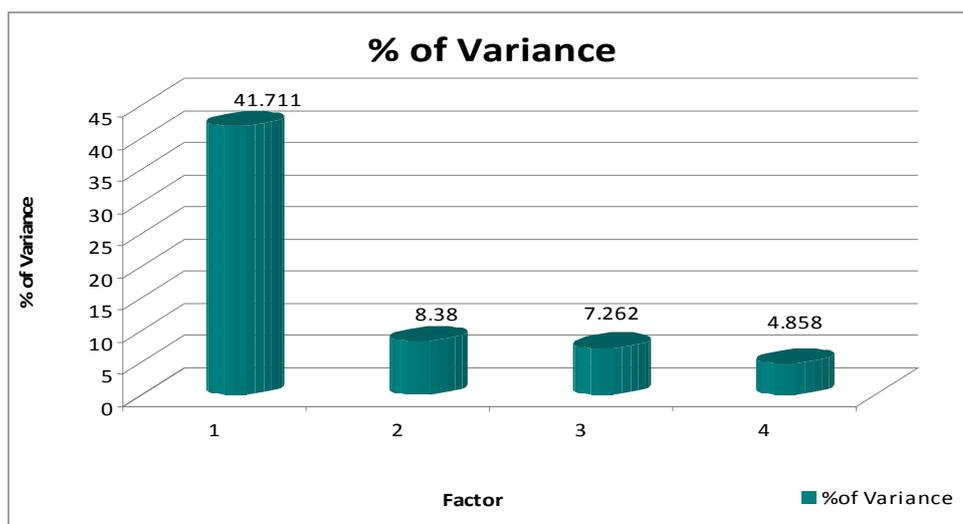


Figure 2: Relationship between the Eigen Value extracted

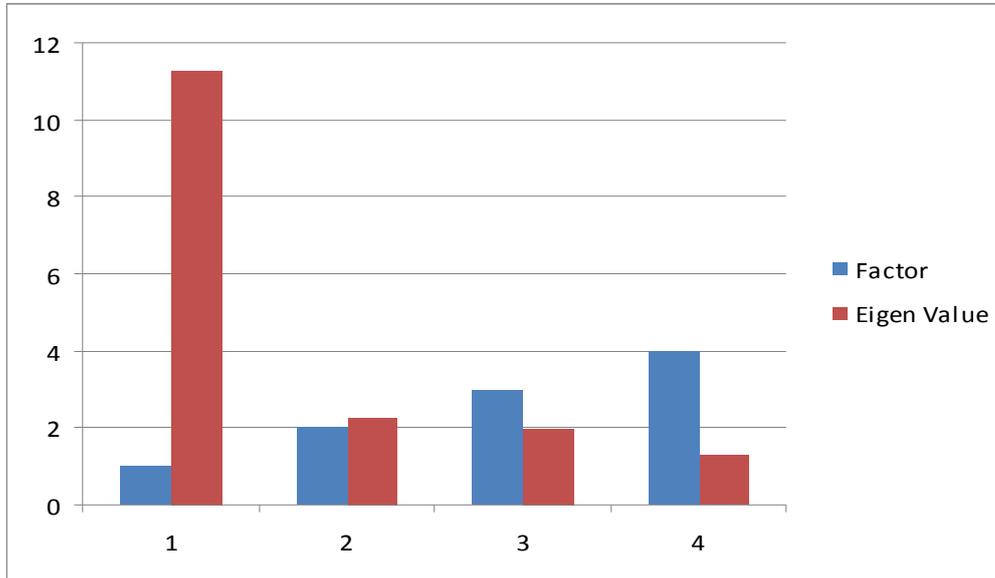


Figure 3: Relationship between the Eigen Value extracted

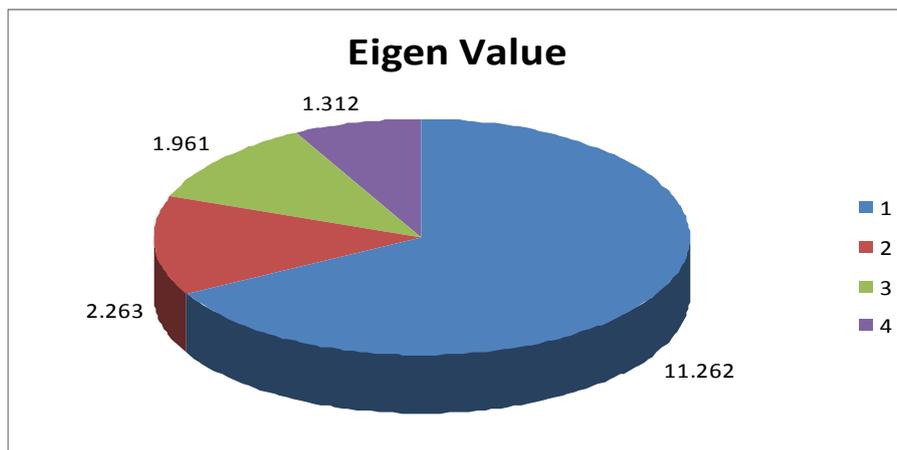


Figure 4: Bar chart showing the percentage of Eigen Value extracted

**Table 9: Measurement of service quality gap**

S. No.	Variables	Mean Perception (P)	Mean Expectation (E)	Service Quality Gap (P-E)
1.	Behavior of employees instills confidence in me	4.25	4.44	-0.19
2	Employees in post office have knowledge to answer questions	4.09	4.37	-0.28
3	Employees in saving bank branch will be consistently courteous	4.25	4.43	-0.18
4	Employees in Post office savings bank branch are never too busy to respond to request	4.19	4.10	0.09
5	Employees in Post office savings bank branch are always willing to help	3.99	4.27	-0.28
6	Employees understand the specific needs	4.08	4.25	-0.17
7.	Feel safe in transactions	4.42	4.57	-0.15
8.	Employees in Post office savings bank branch keeps informed when the services will be performed	4.17	4.25	-0.08
9.	When promises to do something by a certain time, it does so	4.37	4.38	-0.01
10.	Employees in Post office savings bank branch give prompt service	4.35	4.32	0.03
11.	Delivers error free records	4.44	4.46	-0.02
12.	Provides its services at the time it promises to do so	4.25	4.30	0.05
13.	Having simplified formalities for transactions	4.12	4.38	-0.26
14.	Having competent and experienced employees	3.89	4.23	-0.34
15.	Post office savings bank will give me individual attention	3.77	4.01	-0.24
16	Having employees who give personal attention	3.76	3.99	-0.23
17.	Post office savings bank has best interest at heart	3.93	4.12	-0.19
18.	Attractive building with modern equipments	3.91	4.33	-0.42
19.	Physical facility is visually appealing	3.97	4.25	-0.28

Source: Analysis based on Primary data

From table 9, it is noticed that positive service quality was found for the variables: 1. Employees in my savings bank branch are never too busy to respond to my request 2. Employees in my savings bank branch give me prompt service and for the rest of the variables, negative service quality was found. Large service quality gap was found with the variable “Attractive building with modern equipments” (-0.42) and the least service quality gap found with “When promises to do something by a certain time, it does so”. This showed that the sector had a good opinion about the promises and need to concentrate in ambience.

It is inevitable to analyze which factor had ranked first by the customers among the SERVQUAL dimensions. For this purpose, gap summary was analyzed with the factors of

SERVQUAL by considered the mean value of perception and expectation and the result revealed is detailed in table 10.

From table 10, it is observed that the service quality gap is found more for Tangibility (-0.35) followed by Empathy (-0.22), Responsiveness (-0.15) and Competence (-0.12). It is also presumed that the standard deviation of customer expectation and perception finds moderate which concludes that there is no significant difference in perception and expectation of service quality by the customers of post office savings bank sector.

In order to assess the association between the profile of the customers and their level of perception on service quality factors, One Way ANOVA test was carried out the result obtained is showed in table 11.

Table 10: Gap summary

Sl. No.	Factors	Mean Perception (P)	Mean Expectation (E)	Gap (P-E)	S.D (P)	S.D (P)	Rank
1.	Responsiveness	4.18	4.33	-0.15	0.941	0.823	3
2.	Competence	4.23	4.35	-0.12	0.850	0.840	4
3.	Empathy	3.82	4.04	-0.22	1.159	1.019	2
4.	Tangibility	3.94	4.29	-0.35	1.119	0.919	1

Source: Primary data & Acronym: SD-Standard Deviation

Table 11: Association between the profile of the customers and their level of perception on service quality factors

S No.	Demographic Variables	Empathy	Responsiveness	Tangibility	Competence
1.	Status of the area	0.056	1.476	1.781	0.987
2.	Age	0.872	1.978	0.829	2.181*
3.	Educational Qualification	0.756	1.562	1.938*	0.663
4.	Occupation	1.839	0.812	1.136	0.973
5.	Income	0.169	0.165	0.923	0.762

Source: Analysis based on Primary data

Table 11 clearly showed that there is no significant association between the demographic variables and the level of perception on service quality except educational qualification in case of tangibility and age in case of competence since the respective F-statistics were significant at five percent level.

## RESULTS AND DISCUSSION

Most of the earlier studies have analyzed the service quality in banks and there is not sufficient studies related to analyze the impact of service quality on customer perception in post office savings bank sector. Hence, this study was conducted in the above sector and study had revealed the following:

The result of the study showed that there was a positive service quality for the variables: 1. Employees in my savings bank branch are never too busy to respond to my request 2. Employees in my savings bank branch give me prompt service and for the rest of the variables, negative service quality was found.

In addition, large service quality gap found with the variable "Attractive building with modern equipments" (-0.42) and the least service quality gap found with "When promises to do something by a certain time, it does so". This clearly showed that the sector had a good opinion about the promises and need to concentrate in ambience.

Regarding overall Gap summary among the Four factors resulted from the factor analysis, all the factors were resulted with negative gap value with the least gap in Competence (-0.12) and large service quality gap is found with Tangibility (-0.35).

Hypothesis formulated also revealed that there was no significant difference in perception and expectation of service quality by the customers of post office savings bank sector as the standard deviation established a moderate deviated value.

In addition, there is no significant association found between the demographic variables considered in this study. The gap summary also showed that the ranking of the factors considered showed that Tangibility stood in the first place followed by empathy, responsiveness and competence.

## CONCLUSION

Poor service quality among Indian banks is mostly because of deficiency in tangibility and responsiveness (Bhat, 2005). As explained in the earlier studies cited above, (Hamer, 2006) Post office savings bank sector was also having large negative service quality gap in Tangibility and Empathy. Regarding association between the Demographic variables, result of the study showed that there was no significant relationship between them taken out for consideration in this study.

Service quality and service excellence are the twin factors that area going to transform the destiny of service marketing and management programs (Sankari, 2010). Hence, the above-considered sector should definitely give priority for all the above factors especially, for ambience (Tangible factors), the most important factor which immediately reach the customer and influence their opinion and attitude about the service provider and also act as a forebear for satisfaction and loyalty.

## Limitations and Scope for Future Research

Despite the useful findings of this study, this empirical study has several limitations that need to be recognized. Since the data collected is very small (n=106) from Salem district of Tamilnadu State in India in India's Post Office savings banking sector, the result obtained may not be same with different samples in various demographic region. Future research could be conducted with large size of samples along with various sampling techniques in different districts/ states in the country so that significant result might be obtained which would be very much useful for the development of fiscal sectors of India.

## REFERENCES

- Balaji, V., Madhavi, C. and Jayakrishna, J. (2011). Customer Expectation and Perception on Banking Services. *Sankhya-International Journal of Management and Technology*, 2 (2), pp. 118-121.
- Bhat, M. A. (2005). Correlates of Service Quality in Banks: An Empirical investigation. *Journal of Services Research*, 5 (1), pp. 77-99.
- Bojei, J. and Alwie, A. (2010). The Influence of Relationship Quality on Loyalty in Service Sector. *International Journal of Economics and*

- Management*, 4 (1), pp. 81–100.
- Brady, M. K., Cronin, J. J. and Brand, R. R. (2002). Performance-Only Measurement of Service Quality: A Replication and Extension. *Journal of Business Research*, 55 (1), pp. 27-31.
- Brown, T. J., Churchill, G. A. and Peter, J. P. (1993). Improving the Measurement of Service Quality. *Journal of Retailing*, 69 (1), pp. 127-139.
- Cronin, J. J. and Taylor, S. A. (1994). SERVPERF versus SERVQUAL: Reconciling Performance-Based and Perceptions-Minus-Expectations Measurement of Service Quality. *Journal of Marketing*, 58 (1), pp. 125-131.
- Dado, J., Petrovicova, J. T., Cuzovic, S. and Tamara, R. (2012). An Empirical Examination of the Relationships between Service Quality, Satisfaction and Behavioral Intentions in Higher Education Setting. *Serbian Journal of Management*, 7 (2), pp. 203-218.
- Debasish, S. S. (2009). A Comparative Analysis of Service Quality in Selected Commercial Banks in Delhi. *Interdisciplinary Journal of Contemporary Research Business*, 1 (7), pp. 72-188.
- Hair, J. F., Black, W. C., Babin, B. J. and Anderson, R. E. (2008). *Multivariate Data Analysis*. New Delhi: Pearson Education.
- Hamer, L. O. (2006). A Confirmation Perspective on Perceived Service Quality. *Journal of Services Marketing*, 20 (4), pp. 219–232.
- Herington, C. and Weaven, S. (2007). Can Banks Improve Customer Relationships with High Quality Online Services? *Managing Service Quality*, 17 (4), pp. 404 -427.
- Jenkins, H. (2007). Adopting Internet Banking Services in a Small Island State: Assurance of Bank Service Quality. *Managing Service Quality*, 17 (5), pp. 523-537.
- Kathirvel, S. S. (2012). Servqual Model for Measuring Service Quality and Analysis of Behavioural Intention of Bank Customers in Virudhunagar District. *Research Journal of Social Science and Management*, 1 (9), pp. 10-22.
- Kumar, M., Kee, F. T. and Charles, V. (2010). Comparative Evaluation of Critical Factors in Delivering Service Quality of Banks: An Application of Dominance Analysis in Modified SERVQUAL Model. *International Journal of Quality and Reliability Management*, 27 (3), pp. 351-377.
- Kumar, S. A., Tamilmani, E. Mahalingam, S. and Vanjikovan, M. (2010). Influence of Service Quality on Attitudinal Loyalty in Private Retail Banking. *The IUP Journal of Management Research*, 9 (4), pp. 21-38.
- Lewis, B. (1991). Service quality: An international Comparison of Bank Customers Expectations and Perceptions. *Journal of Marketing Management*, 7 (1), pp. 47-62.
- Maddern, H., Maull, R. and Smart, A. (2007). Customer Satisfaction and Service Quality in UK Financial Services. *International Journal of Operations and Production Management*, 27 (9), pp. 998-1019.
- Malhotra, P. and Singh, B. (2010). An Analysis of Internet Banking Offerings and Its Determinants in India. *Internet Research*, 20 (1), pp. 87-106.
- Mengi, P. (2009). Customer Satisfaction with Service Quality: An Empirical Study of Public and Private Sector Banks. *The IUP Journal of Management Research*, 8 (9), pp. 7-17.
- Mishra, U. S. (2012). Customer Satisfaction as a Strategic Intervention: A Comparative Marketing Study of Public and Private Sector Banks. *FOCUS*, April-September, pp. 29-42.
- Montes, F. J. L., Fuentes, M. D. M. F. and Fernandez, L. M. M. (2003). Quality Management in Banking Services: An Approach to Employee and Customer Perceptions. *Total Quality Management*, 14 (3), pp. 305–323.
- Nunnally, J. C. (1978). *Psychometric Theory*, New York: McGraw-Hill,
- Parasuraman, A., Zeithaml, V. A. and Berry, L. L. (1988). SERVQUAL: A Multiple-Item Scale for Measuring Consumer Perceptions of Service Quality. *Journal of Retailing*, 64 (1), pp. 5-6.
- Parasuraman, A., Zeithaml, V. A. and Berry L. L. (1991). Refinement and Reassessment of the SERVPERF Scale. *Journal of Retailing*, 67 (4), pp. 420-450.
- Parasuraman, A., Zeithaml, V. A. and Berry L. L. (1994). Reassessment of Expectations as a Comparison Standard in Measuring Service Quality: Implications for Further Research. *Journal of Marketing*, 58 (1), pp. 111-124.
- Premraj, H. and Sankaralingam, N. (2012). Customer Satisfaction in Indian Retail Banking: A Study with Reference to Chennai. *Indian Journal of Commerce and Management Studies*, 3 (1), pp. 38-41.
- Ramyadevi, S. (2011). Postal Services in Erode District: A Study on its Performance and Customers Satisfaction. M. Phil Thesis, Bharathiar University, Coimbatore.
- Sankari, L. (2010). Management Commitment to Service Quality-through Employees' Lens'. *Fortune Journal of International Management*, 7 (1), pp. 35-51.
- Schiffman, L. G. and Kanuk, L. L. (2008). *Consumer Behavior*, New Delhi: Pearson Education.

- Subramanian, S. (2011). Fostering Quality Customer Service in Public Sector Banks. *Sankhya-International Journal of Management and Technology*, 2 (2), pp. 122-125.
- Vanpariya, B. and Ganguly, P. (2010). SERVQUAL versus SERPERF: An Assessment from Indian Banking Sector. *TIMS-QUEST*, 1 (1), pp. 3-13.
- Lamb, V. (2006). Post Office in Major Savings Push. *Precision Marketing Bulletin*, 18 (27), p. 2, Available: [www.indiapost.gov.in](http://www.indiapost.gov.in)