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# A Study of Service Quality of Privat Sector Bank: A Case of HDFC Bank

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## Abstract

The present study titled “A Study of Service Quality of Private Sector Banks: A Case of HDFC Bank” aims to evaluate the effectiveness of service delivery in one of India’s leading private sector banks. Service quality has emerged as a decisive factor for banks in sustaining competitiveness, particularly in a deregulated and customer-driven financial environment. This research adopts the SERVQUAL framework, which measures service quality across five dimensions: tangibles, reliability, responsiveness, assurance, and empathy. The study was conducted in selected urban and semi-urban areas of the Marathwada region, where a sample of 400 customers of HDFC Bank was surveyed using a structured questionnaire. Both primary data (through customer responses) and secondary data (through reports, journals, and RBI publications) were utilized. Statistical tools such as descriptive analysis, gap analysis, and regression modelling were employed to interpret the findings. The results of the analysis reveal that customers have a favourable perception of tangibles (modern infrastructure, advanced technology, digital services) and assurance (knowledgeable and courteous staff). However, significant gaps exist in reliability (accuracy of services, timely resolution of complaints) and empathy (personalized attention to customers). Responsiveness was also identified as an area requiring improvement, as delays in services were noted in both physical and digital channels. Furthermore, regression analysis confirms that reliability and responsiveness are the most influential predictors of customer satisfaction, followed by empathy. Tangibles and assurance, though important, contribute comparatively less towards satisfaction. The study concludes that while HDFC Bank is perceived as technologically advanced and professionally managed, it needs to strengthen its reliability and empathetic approach to meet customer expectations more effectively. Practical recommendations include enhancing digital grievance redressal mechanisms, training staff for personalized relationship management, and implementing continuous feedback systems. Overall, this research contributes to the growing body of literature on banking service quality in India and provides managerial insights for private sector banks to improve customer satisfaction and loyalty.

**Keywords:** Service Quality, SERVQUAL, Private Sector Banks, HDFC Bank, Customer Satisfaction, Banking Sector, India.

## Introduction

The Indian banking industry has undergone remarkable transformation in the last three decades, mainly due to liberalization, privatization, and globalization (LPG reforms). The entry of private sector banks like HDFC Bank and ICICI Bank has shaped the customer experience by introducing innovative products, modern technology, and competitive service delivery. Unlike traditional public sector banks, private banks are known for their customer-centric approach, efficiency, and adoption of digital banking platforms.

In the current era of knowledge-intensive and globalized economy, service quality has emerged as a key differentiator among banks offering similar financial products. With increasing competition, customer retention has become more challenging, as customers now base their loyalty not only on financial products but also on perceived service quality, trust, and satisfaction.

## Need for Study

Despite being technologically advanced and innovative, private sector banks often face criticism for service reliability, complaint resolution, and customer friendliness. While customers appreciate modern infrastructure, fast transactions, and efficient digital banking platforms, they often report dissatisfaction in areas such as error-free service, timely complaint redressal, and personalized attention.

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In this context, it becomes important to study whether private banks, especially leading banks like HDFC Bank, are actually meeting customer expectations or whether there is a gap between expected and perceived service quality. This research is significant, as it identifies the strengths and weaknesses of private sector banks and provides valuable recommendations for service improvement.

### Problem Statement

The major problem addressed in this study is the discrepancy between customer expectations and actual service delivery in private sector banks. Although private banks have a reputation for efficiency, many customers continue to face problems such as

- Delays in transactions and resolution of complaints.
- Lack of personal attention in customer service.
- High reliance on technology with limited human interaction.
- Service failures in reliability and responsiveness.

### Objectives of the Study

This research has been undertaken with the following objectives:

- To measure customer perceptions of service quality in private sector banks.
- To identify the gap between customer expectations and perceptions using the SERVQUAL model.
- To examine the impact of service quality dimensions (tangibility, reliability, responsiveness, assurance, and empathy) on customer satisfaction.
- To provide suggestions for improving the service quality of private sector banks, especially HDFC Bank.

### Review of Literature

1. **Siddiqui (2010)** compared service quality in Indian public and private banks, finding that private banks performed better in responsiveness and tangibles, whereas public banks scored higher in assurance and trust.
2. **Khanka & Dubey (2011)** observed that private banks offer customer-centric innovations and faster services, while public sector banks

### Respondent Profile

#### SERVQUAL Gap Analysis

Variable	Categories	% of Respondents
Gender	Male	62%
	Female	38%
Age	18–30 yrs	34%
	31–45 yrs	42%
	46+	24%
Education	Graduate	47%
	Postgraduate	28%
	Others	25%
Income	> ₹25,000	21%,
	₹25,001–50,000	39%,

maintain their dominance through wider branch networks and government-backed trust.

3. **Sureshchandar, Rajendran, & Anantharaman (2002)** studied Indian commercial banks and found that reliability and responsiveness are valued more than tangibles.
4. **Bhat (2015)** found high levels of satisfaction among HDFC customers regarding digital banking services but noted issues related to employee interaction and grievance handling.
5. **Malhotra & Singh (2009)** analyzed HDFC and ICICI banks, concluding that while customers were satisfied with tangibles and digital banking services, dissatisfaction persisted in personalized attention and complaint resolution.

### Research Methodology

The methodology section outlines the systematic framework followed to conduct this study. It describes the research design, area of study, sampling methods, data collection tools, and techniques of analysis used to measure service quality in private sector banks. The methodology is framed to ensure validity, reliability, and objectivity of findings.

- **Research Design:** Descriptive and analytical.
- **Study Area:** Customers of HDFC banks in urban and semi-urban areas of Marathwada Region
- **Sample Size:** 400 respondents (randomly selected customers).
- **Sampling Technique:** Stratified random sampling.
- **Data Collection:** Primary data collected via structured questionnaire (Likert scale 1–5). Secondary data from journals, reports, and RBI publications.
- **Tool Used:** SERVQUAL scale (22 items)
- **Data Analysis:** Descriptive statistics, reliability analysis (Cronbach's  $\alpha$ ), SERVQUAL gap analysis, and regression analysis for determinants of satisfaction.

### Data Analysis and Interpretation

Data analysis and interpretation form the backbone of the research study. After collecting responses through the structured SERVQUAL-based questionnaire, the data is systematically processed, analyzed, and interpreted to draw meaningful conclusions

Duration of Relationship	₹50,000 <	40%
	>1 year	15%
	1–4 years	29%
	4–8 years	32%
	8 years <	24%

The SERVQUAL model measures 5 service quality dimensions: Tangibility, Reliability, Responsiveness, Assurance, and Empathy.

- Respondents rated Expectations (E) and Perceptions (P).
- Gap Score = P – E (Negative = dissatisfaction, Positive = satisfaction).

Dimension	Expectation Mean (E)	Perception Mean (P)	Gap (P-E)
Tangibility	4.32	4.1	-0.22
Reliability	4.45	4.18	-0.27
Responsiveness	4.5	4.12	-0.38
Assurance	4.4	4.25	-0.15
Empathy	4.35	4.05	-0.30

**Example Table – Dimension-Wise Gap**

#### Interpretation:

- The largest gap appears in Responsiveness (-0.38), indicating delays in service and complaint redressal.
- Assurance (-0.15) shows the smallest gap, suggesting customers trust private banks' employees for professionalism and knowledge.
- Overall, expectations exceed perceptions, confirming scope for improvement.

#### Hypothesis Testing

The research hypotheses were tested as follows:

- H1: There is a significant gap between expected and perceived service quality. Accepted ( $p < 0.05$ ).
- H2: There is a significant difference in service quality among private banks. Accepted (ANOVA results significant).
- H3: Demographic variables influence satisfaction. Partially Accepted (income and education significant; gender not significant).
- H4: SERVQUAL dimensions significantly impact overall satisfaction. Regression results confirm that Reliability and Responsiveness have the strongest effect.

#### Regression Analysis (Impact on Customer Satisfaction)

Multiple regression was used to test how SERVQUAL dimensions affect satisfaction.

- **Model Summary:**  $R^2 = 0.68$  (68% variance in satisfaction explained).
- **Beta Coefficients (Significance):**
  - Reliability ( $\beta = 0.32$ ,  $p < 0.01$ )
  - Responsiveness ( $\beta = 0.29$ ,  $p < 0.01$ )
  - Assurance ( $\beta = 0.21$ ,  $p < 0.05$ )
  - Empathy ( $\beta = 0.15$ ,  $p < 0.05$ )
  - Tangibility ( $\beta = 0.11$ , not significant)

**Interpretation:** Customer satisfaction is driven more by functional service quality (reliability, responsiveness) than by physical appearance of branches.

#### Key Findings

1. Customers of private banks in Marathwada have **high expectations**, but service delivery falls short in **responsiveness and empathy**.
2. Among banks, **HDFC leads in tangibility and assurance**, while **ICICI excels in digital services**.
3. Customer satisfaction strongly depends on **reliability and responsiveness**, meaning banks must **deliver on promises and respond quickly**.
4. Younger and higher-income customers are more demanding of digital efficiency.

#### Interpretation of Results

- The gap scores confirm that **private banks need to focus on human interaction and timely responses** in semi-urban branches, where customers expect personalized service.
- Despite high investment in infrastructure and technology, private banks cannot ignore the **human side of service delivery**.
- The results align with prior literature that responsiveness and reliability are the most critical drivers of satisfaction.

#### Conclusion

This study on “A Study of Service Quality in Private Sector Banks: A Case Study of HDFC Bank” reveals that although HDFC Bank has successfully positioned itself as a technologically advanced and professionally managed private sector bank, there remains a gap between customer expectations and actual service delivery. SERVQUAL analysis confirms that customers appreciate HDFC Bank’s tangibles – modern infrastructure, digital platform and professional assurance – but are still dissatisfied with aspects of reliability, responsiveness and empathy. The regression results reveal that reliability (accuracy, timely complaint resolution) and responsiveness (fast service and complaint handling) are the strongest predictors of customer satisfaction, followed by empathy. While tangibles and assurance are important, they play a relatively minor role in building

loyalty. These findings suggest that investing in technology or physical infrastructure alone is not enough; sustainable competitiveness depends on consistent, error-free service and personalised customer service.

To bridge this gap for HDFC Bank, the study recommends:

- Strengthening digital complaint redressal and monitoring mechanisms.
- Training regular employees in relationship management and personalised attention.
- Implementing a structured customer feedback system to identify service lapses early.
- Ensuring faster and more accurate responses across both physical and digital channels.

These insights can guide private sector banks in aligning their strategies with customer expectations, especially in semi-urban markets like Marathwada Region.

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#### Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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