



Research Article

A comparison of quality assurance implementation in public and private banks: evidence from Faisalabad, Pakistan

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Article History

Received: June 10, 2023

Accepted: August 28, 2023

Published: November 12, 2023

Abstract

In this study comparison of Public and privately owned Banks has been made based on quality assurance implementation. Public and Private Banks of Faisalabad region were selected as a sample. It's a descriptive study and the data was collected through a well-structured questionnaire designed after going through various studies relevant to quality assurance and service quality of the banks. A convenient sampling technique was used to obtain the data at ease of accessibility. Responses were collected from 50 branches each for Public and Private banks with 1500 respondents. There are some studies relevant to this topic, but no study has been made yet to assess the service quality of the bank using the SERVQUAL model containing 06 areas that are stated in terms of responsiveness, tangibility, empathy, technology, assurance and the last one as reliability. In various aspects the privately-owned banks were found to implement quality assurance practices more satisfactory than public ones keeping in view the dimensions of the SERVQUAL model as variables to represent service quality. Further studies can be made by broadening population size and other models of assessing service quality.

Keywords: Quality Assurance, Public banks, Private Banks, SERVQUAL model

Introduction

Banks are meant for the financial as well as socio-economic progress of the state. For more than 30 years the managers of the banks have been taking a keen interest in implementing quality assurance practices to get market share and competitive. Now they are thinking about giving better services not to increase the price of their services and products but rather in the quality of the services by using new technology, tools and modern equipment also to give fast reliable and effective service delivery. At the start, few researchers focused on customer satisfaction levels in conventional and Islamic banks and few discussed the Public and Private Banks' comparison to service quality and found the latter was successful in satisfying the customers in the following dimensions, Technology, Reliability, Service Environment and bank reputation (Jahanzaib, 2015). The quality assurance implementation leads to customer satisfaction which generates customer loyalty and success to the business.

The study by Ravichandran (2010) using SERVQUAL variables which indicate the quality of the service provided to the customers through its dimensions revealed the fact that these



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service quality factors when applied to tests were carried out. The analysis indicated these factors proved to be positively associated with customer satisfaction.

The study was carried out by Ali and Raza (2017) to check the impact of the modified SERVQUAL model factors on the Service quality and customer satisfaction of Islamic banks in Pakistan and they found that all the 06 dimensions were directly associated with customer satisfaction.

Amiri (2012) carried out another study to find out how much the SERVQUAL model dimensions are related to customer satisfaction. He selected the mobile services in the banking industry. The statistical tools used by him were ANOVA tests and he used only 05 dimensions of the SERVQUAL model. The results of his study revealed a direct relationship between these dimensions and service quality.

Research Objectives

The dimensions of the SERVQUAL model are used.

- To explore the quality assurance implementation in public sector banks.
- To explore the quality assurance implementation in private sector banks.
- To compare the quality assurance implementation in public and private banks.

Significance of Study

This study will highlight the weak areas of service quality through SERVQUAL model dimensions and results will be analyzed to overcome the gap between service quality and perception of customers for the Private Banks and Public Banks as well. The best quality service, timely provision of service, using modern and latest ways to deliver the service, making error-free banking, by giving personal care and making them loyal. It will also make them vigilant to improve the weak areas by providing better service quality so making the customers satisfied with the services. This study will extend the body of knowledge in the respective field for the upcoming researchers.

Literature Review

The article "An Assessment of the Perceived Service Quality: Comparison of Islamic and Conventional Banks in Pakistan" by Faizan Ali (2013) investigated how service quality is perceived by customers of Pakistani Islamic and conventional banks focusing on three major cities Peshawar, Karachi and Islamabad. One Thousand questionnaires were handed over to respondents and 520 were checked and marked by respondents consisting of 190 from customers of the public banks and 330 from the customers of the Private Banks. The technique used for Sampling was convenient sampling. The analysis of the data collected from both Banks showed that the perception of the customers was comparatively high on the assurance aspect of Public Banks whereas the perception of the Private Banks was seen higher in terms of tangibles. Furthermore, the satisfaction of customers was observed at a lower level in terms of technology and responsiveness for the Public Banks operating in the region.

The study of service quality by Ganguli (2011) examined the Impact on customer satisfaction and loyalty. An analysis was made by him to check the impact of technology on the customer's perception, satisfaction and loyalty towards the bank. The hypothesis

was designed and tested using factor analysis and equation modelling. After the analysis, he concluded that the ease of banking with technology has affected largely the customer's satisfaction. He also observed that the reliability factor was greatly associated with the customer's loyalty. SERVQUAL model was used by Taap (2011) in which he compared the service quality of conventional and Islamic banks in Malaysia. He made his study by the SERVQUAL model with the addition of convenience as another dimension. He used a questionnaire to assess the responses from customers of more than 280 bank branches. Validation was done by utilizing factor analysis. After the detailed analysis, he concluded that convenience and competence were positively associated with the customer's perception of both conventional and Islamic banks. Another finding was that the tangibility dimension was found to be differently associated with both of the banks.

The same type of study was also made by Ahmad (2010) in which he compared the quality of services and customer's perception of Islamic and conventional banks of Pakistan. The methodology used by the author was stratified random sampling from more than 700 customers using again a questionnaire. Some of the customers were contacted personally by the author to get authentic data and responses to his questions. After a detailed analysis made by him, he found the customers of Islamic and conventional banks to be satisfied with the quality of service provided to them. However, when talking about the degree of comparison between the two types of Banks then, it was found that the customers of Islamic banks were more satisfied with the service quality provided by the banks as compared to that of conventional banks. Amin (2011) studied customer satisfaction in the Islamic Banks of Malaysia. He also figured out the loyalty factor along with customer satisfaction in the banks. He collected the data through well-structured questionnaires for more than 400 customers of banks. The methodology utilized by the author was interviews. After detailed analysis, he was able to find out that the customer's willingness to choose other banks' services was inversely associated with the satisfaction they were getting from their services. Other than service quality the customers were satisfied with higher profit rates and various services provided by the banks resulting in being loyal to the bank. Malik (2012) studied the association between the satisfaction of customers and their behaviour towards the services provided by the banks. He took the customers of Public and private banks of Pakistan as a sample He used the survey method to obtain responses from more than 400 customers. He used statistical tools like correlation and regression analysis. After his analysis he found that the customers of Private Banks were more satisfied as compared to those of public banks in terms of satisfaction they received through the services provided by these banks.

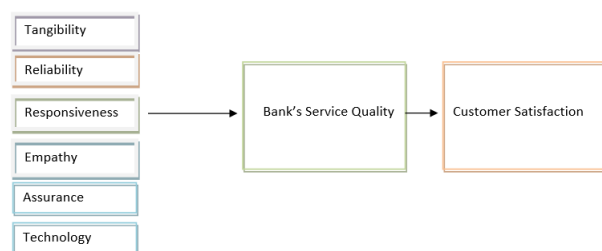


Figure 1. Theoretical Framework

Theoretical Framework

All the factors of the SERVQUAL model have been taken as the independent variables and the service quality of the banks taken as a dependent variable which in turn influences the customer satisfaction Figure.1 (Page 28). The model is empirically and theoretically supported by various studies K. Ravichandran (2010), Muhammad Ali (2017), S. F. AmiriAghdaie (2012).

Hypothesis

The following hypothesis is based on the theoretical framework.

H1: The relation of Tangibility is positive with customer satisfaction.

H2: The relation of the Reliability dimension is positive with customer satisfaction.

H3: The relation of the Responsiveness dimension is positive with customer satisfaction.

H4: The relation of the Empathy dimension is positive with customer satisfaction.

H5: The relation of the assurance dimension is positive with customer satisfaction.

H6: The relation of the Technology dimension is positive with customer satisfaction.

Materials and Methods

The design of this research is qualitative. In this study, causal and descriptive research methods are used as they explain the impact of all six SERVQUAL model factors on service quality to assess quality assurance implementation. The questionnaire was developed in the light of the definition of SERVQUAL model factors,

To evaluate the perception of clients of banks questionnaire was selected from the study of Shabbir et al. whose study is based on the analysis to check the perception of Islamic and Conventional Banks. He used a modified SERVQUAL model to know the customer satisfaction level of both banks. The same was used by the researcher after consulting the literature. The first portion of the questionnaire contains questions regarding the demographic profile of the respondents and in the second portion questions regarding implementation of quality assurance were asked. In the first portion, questions were asked regarding age, gender and education level. In the second portion questions such as to assess the service quality regarding six different dimensions of the SERVQUAL model were asked.

Results and Discussion

Based on the recommendations and t-test tool in the comparative study this one presented the significance of using this tool in this study along with reliability analysis, percentage, frequency distribution, and standard deviation using SPSS for every question to demonstrate the results thereon. There was More than one measure to analyze all the factors on a 5-point Likert scale, which denotes a range from "strongly disagree" to "strongly agree".

Reliability Analysis

Table 1 shows the measure of consistency among the SERVQUAL dimensions. Checking the reliability is vital in this research work so reliability analysis was carried out to check the internal consistency of each measure at this step. The reliability coefficient known as Cronbach's alpha indicates the consistency and reliability of the data.

Table 1. Cronbach's Alpha

Measures	Items	Public Banks	Private Banks
Assurance Dimension	4	.739	.712
Empathy Dimension	3	.736	.810
Tangible Dimension	5	.768	.911
Reliability Dimension	5	.713	.915
Responsiveness	4	.810	.715
Technology Dimension	5	.654	.813

Factor Analysis

Table 2 is also about the measure of consistency among variables through factor analysis. The values indicated in the table reveal that all of the variables relate to the one component which is service quality which cannot be separated.

Table 2. Factor Analysis.

Component I	Values
Tangibility	.820
Reliability	.754
Responsiveness	.714
Assurance	.909
Empathy	.731
Technology	.748

Detailed Analysis

(Descriptive Statistics on SERVQUAL Model Dimensions)

Statistical Analysis on Tangibility

The physical items, appearance of the employees, cleanliness of environment and use of modern and latest machinery include in the Tangibles. The descriptive analysis and T-scores as shown in the Table 3 indicate that there is a large difference between the mean scores. Therefore perception related to the tangibles for Private Banks is greater as compared to that of Public Banks.

Table 3. Tangibility Analysis.

Variable	Public Banks			Private Banks			T-Test value	p-Value
	Mean	SD	CV	Mean	SD	CV		
Tangibility	3.6	.55	.156	3.62	.54	.1	2.285	.023

Statistical Analysis on Reliability

The dimension Reliability means the services are delivered accurately and as per the promise made. The descriptive analysis through T-scores and p-value as shown in Table 4 revealed that the perception of Public bank customers is better than that of the perception of Private bank customers.

Table 4. Reliability Analysis.

Variable	Public Banks			Private Banks			T-Test	p-Value
	Mean	SD	CV	Mean	SD	CV		
Reliability	3.6	.55	.156	3.62	.54	.1	2.285	.023

Statistical Analysis on Responsiveness

The dimension of Responsiveness means helping the customers in their hour of need and providing the service without delay. The descriptive analysis through T-scores and p-value as shown in Table 5 revealed that the perception of Private bank customers is better than that of the perception of public bank customers.

Table 5. Responsiveness Analysis.

Variable	Public Banks			Private Banks			T-Test	p-Value
	Mean	SD	CV	Mean	SD	CV		
Responsiveness	3.43	1	0.3	3.63	0.7	.19	2.363	.019

Statistical Analysis of Assurance

The dimension Assurance means the employees are attracting the customers' trust and confidence with their knowledge about the services. The descriptive analysis through T-scores and p-values as shown in Table 6 revealed the mean values have a considerable difference among them. Hence the customers do not have a good perception in respect of public banks but are satisfied towards the Private sector banks.

Table 6. Assurance Analysis.

Variable	Public Banks			Private Banks			T-Test	p-Value
	Mean	SD	CV	Mean	SD	CV		
Assurance	3.62	.66	.2	3.85	.66	.17	2.659	.008

Statistical Analysis of Empathy

The dimension of Empathy means to care about the needs of the customers and give a personal devotion to their problems. The descriptive analysis through T-scores and p-value as shown in Table 7 revealed that these mean values are considerably different. The perception of the Private Banks in this dimension is better than that of public banks.

Table 7. Empathy Analysis.

Variable	Public Banks			Private Banks			T-Test	p-Value
	Mean	SD	CV	Mean	SD	CV		
Empathy	3.45	.66	.2	3.65	.73	.20	2.279	.023

Statistical Analysis on Technology

The dimension Technology refers to the online banking system, ATM technology, Mobile Banking technology and other latest technologies that can be utilized to deliver fast and efficient services. The descriptive analysis through T-scores and p-value as shown in the

Table 8 revealed that the difference between the mean values is considerably high. The customer perception is lower in Public sector banks as that of Private Banks.

Table 8 (Technology Analysis)

Variable Technology	Public Banks			Private Banks			T-Test value	p-Value
	Mean	SD	CV	Mean	SD	CV		
	3.45	.74	.2	3.46	.61	.16	3.662	.010

Conclusion

All the above stated analysis shows that Hypothesis Ho is rejected and H1 to H6 are accepted hence SERVQUAL model factors have positive impact on quality of service for the customers of both Public and Private Banks. However, it should be noted that the customers of both have different views and perception about the service quality of these banks depending on the quality of service provided to them.

The mean scores were indicated to be a huge gap during the analysis on the dimension of tangibility. It is hence clear that satisfaction was greater in terms of the tangibles for Private Banks as compared to that of Public Banks. Hence it is suggested that the State banks should emphasize on improving better their physical facilities and parking and waiting area so that the customer's satisfaction can be brought to higher level.

Contrary to the above-mentioned results when analyze the situation in terms of reliability the satisfaction level of the customers of Public Banks was at greater level as compared to that of Private Banks. This dimension is of vital importance as it is a key factor related to the service quality specifically regarding to the financial institutions. It is suggested that Private Banks can make the perception of the customers better if they deliver the service as they promise.

Detailed analysis on the Responsiveness shows that the perception for this dimension is better in terms of Private Banks as compared to that of Public Banks who can improve it by delivering fast and early response services to their customers.

For the dimension of Assurance, the analysis shows that mean values have a considerable difference among them. Hence the customers do not have good perception in respect of public banks but are satisfied towards the Private sector banks. To improve this, the Public Banks should train their employees well before they deliver services. Detailed analysis on Empathy shows that the perception of Private Banks in this dimension is better than that of public banks' so public banks should improve the perception of the customers for this dimension by giving better service by developing a customer relationship management up to mark.

Detailed analysis on Technology shows that customer perception is lower in public sector banks can improve it by using the latest technology by installing ATMs at proper locations increasing the number of ATMs and also using mobile banking and internet banking services more effectively to make the customers satisfied with the service.

It is better for the overall banking sector as the growing competition between both banks will ultimately lead to greater competition between both types of banks. Furthermore, the high-level administration is putting efforts to satisfy their customers in terms of all aspects

as already mentioned in the study in terms of quality assurance to retain them to build a long-term relationship.

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