

# International Journal of Multidisciplinary Comprehensive Research

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## A study on customer perception towards service quality offered by the HDFC bank

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### Article Info

**ISSN (online):** 2583-5289

**Volume:** 03

**Issue:** 02

**March-April** 2024

**Received:** 19-02-2024;

**Accepted:** 22-03-2024

**Page No:** 97-100

### Abstract

Banking in India in the modern sense originated in the last decades of the 18th century. Among the first banks were the Bank of Hindustan, which was established in 1770 and liquidated in 1829-32; and the General Bank of India, established 1786 but failed in 1791. This research work takes a look at service quality and customers satisfaction in banking industries. Consumers all over the world have become more quality conscious; hence there has been an increased customer demand for higher quality services. The objective of this study is to assess the effect of service quality on customer satisfaction of HDFC bank. Rating the dimensions based on expectations and perceptions of service delivery that need to be improved, it revealed that, Banking should work towards enhancing on reliability, responsiveness, empathy, assurance, and tangibility dimensions respectively. The customer is the reason for the business and hence excellent service should be rendered at all time. In this paper service quality of HDFC bank is discussed and data is being collected from the customers.

**DOI:** <https://doi.org/10.54660/IJMCR.2024.3.2.97-100>

**Keywords:** Bank, service Quality, Customer satisfaction, customer etc

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### 1. Introduction

The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalization of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered Office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995.

HDFC Bank comprises of a dynamic and enthusiastic team determined to accomplish the vision of becoming a World-class Indian bank. HDFC bank's business philosophy is based on our four core values - Customer Focus, Operational Excellence, Product Leadership and People. They believe that the ultimate identity and success of their bank will reside in the exceptional quality of people and their extraordinary efforts. They are committed to hiring, developing, motivating and retaining the best people in the industry.

### Business

HDFC Bank offers a wide range of commercial and transactional banking services and treasury products to wholesale and retail customers. The bank has three key business segments:

#### ✓ Wholesale Banking Facilities

The Bank's target market ranges from large, blue-chip manufacturing companies in the Indian corporate to small & mid-sized corporate and agri-based businesses. For these customers, the Bank provides a wide range of commercial and transactional banking services, including working capital finance, trade services, transactional services, cash management, etc. The bank is also a leading provider of structured solutions, which combine cash management services with vendor and distributor finance for facilitating superior supply chain management for its corporate customers.

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### ✓ Retail Banking Facilities

The objective of the Retail Bank is to provide its target market customers a full range of financial products and banking services, giving the customer a one-stop window for all his/her banking requirements. The products are backed by world-class service and delivered to customers through the growing branch network, as well as through alternative delivery channels like ATMs, Phone Banking, Net Banking and Mobile Banking.

### ✓ Treasury

Within this business, the bank has three main product areas - Foreign Exchange and Derivatives, Local Currency Money Market & Debt Securities, and Equities. With the liberalization of the financial markets in India, corporate need more sophisticated risk management information, advice and product structures. These and fine pricing on various treasury products are provided through the bank's Treasury team. To comply with statutory reserve requirements, the bank is required to hold 25% of its deposits in government reserve requirements; the bank is required to hold 25% of its deposits in government securities. The Treasury business is responsible for managing the returns and market risk on his investment portfolio.

### Service Quality in Banks

In the days of intense competition, the banks are no different from any other consumer marketing company. It has become essential for the service firms in general and banks in particular to identify what the customer's requirements are and how those customer requirements can be met effectively. In the days where product and price differences are blurred, superior service by the service provider is the only differentiator left before the banks to attract, retain and partner with the customers. Superior service quality enables a firm to differentiate itself from its competition, gain a sustainable competitive advantage, and enhance efficiency. The benefits of service quality include increased customer satisfaction, improved customer retention, positive word of mouth, reduced staff turnover, decreased operating costs, enlarged market share, increased profitability, and improved financial performance. The construct of service quality has therefore been a subject of great interest to service marketing researchers.

Service quality has been defined by various experts in various ways as: 'Service Quality is the difference between customers' expectations for service performance prior to the service encounter and their perceptions of the service received.' According to Gefan „Service quality is the subjective comparison that customers make between the qualities of service that they want to receive and what they actually get.' Parasuraman says, 'Service quality is determined by the differences between customer's expectations of services provider's performance and their evaluation of the services they received.

Service quality is 'the delivery of excellent or superior service relative to customer expectations'. Service quality is recognized as a multidimensional construct.

While the number of dimensions often varies from researcher to researcher, there is some consensus that service quality consists of three primary aspects: outcome quality, interaction quality, and physical service environment quality. Outcome quality refers to the customer's assessment of the core service which is the prime motivating factor for

obtaining the services (e.g. money received from ATM). Interaction quality refers to the customer's assessment of the service delivery process, which is typically rendered via a physical interface between the service provider, in person, or via technical equipment, and the customer. It includes, for instance, the consumer's evaluation of the attitude of the service providing staff. The physical service environment quality dimension refers to the consumer's evaluation of any tangible aspect associated with the facilities or equipment that the service is provided in/ with. It includes, for example, the physical conditions of an ATM machine.

The most popular dimensions of service quality--features five dimensions: tangibles, reliability, responsiveness, empathy, and assurance. The tangibles dimension corresponds to the aforementioned physical environment aspect, the reliability dimension corresponds to the service outcome aspect, and the remaining three represent aspects of interaction quality. Both the costs and the revenue of firms are affected by repeat purchases, positive word-of-mouth recommendation, and customer feedback. Moreover, there is strong evidence that service quality has either a direct influence on the behavioral intentions of customers and/or an indirect influence on such intentions, mediated through customer satisfaction.

**Rater** is an instrument that might be used to define and measure banking service quality and to create useful quality-assessment tools.

The **Rater** may finally provide the following benefits to the HDFC bank:

- It is the first approach to add and mix the customers' religious beliefs and cultural values with other quality dimensions.
- It provides for multi- faced analysis of customer satisfaction.
- It links quality with customers' satisfaction and service encounter.
- It provides information at several levels, already organized into meaningful groupings.
- It is a proven approach, which results in usable answers to meet customers' needs.
- It is empirically grounded, systematic and well documented.

Banks managers can use the **RATER** model and its dimensions first to identify the following issues:

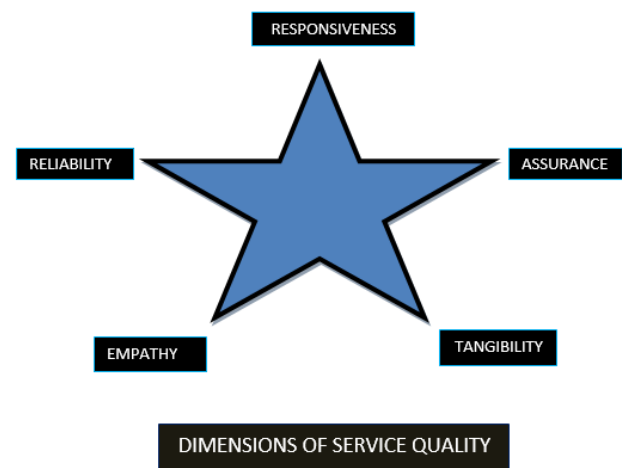


Fig 1

- Are important to its customers. Researchers examining the responsiveness of banking services have highlighted the importance of perceived service quality and customer satisfaction
- **ASSURANCE:** Customer expects that the bank must be secured and the behavior of the employees' must be encouraging
- **EMPATHY:** Individual attention, customized service and convenient banking hours are very much important in today's service.

With a specific end goal to accomplish better comprehension of service quality in banking segment, the offered five benefit value measurements stand intellectualized to delineate general service quality of banking in connection to customers and suppliers point of view.

### Research Methodology

Research is Logical and precise look for picking up data and learning on a particular subject or marvels. This study will help us to understand service quality of banking sector. This study will help banks to understand, how a customer selects, organizes, and interprets the quality of service offered by the banks.

### Objective of study is as follow:

- To examine the essential dimensions of service quality i.e. RATER- Reliability, assurance, tangibles, empathy and responsiveness of HDFC bank and its effect on customer's satisfaction.
- To find out the level of perception of the customers from the service quality offered by the banks.
- To know which service quality dimension of the bank is performing well.
- To identify which dimension of service quality needs improvement so that the quality of service of HDFC banks is enhanced

### Research Design

The research design is exploratory till identification of service quality parameters. Later it becomes descriptive when it comes to evaluating customer perception of service quality of the banks.

Descriptive research, also known as statistical research, describes data and characteristics about the population or phenomenon being studied. Descriptive research answers the questions who, what, where, when and how. Although the data description is factual, accurate and systematic, the research cannot describe what caused a situation. Thus, descriptive research cannot be used to create a causal relationship, where one variable affects another. In other words, descriptive research can be said to have a low requirement for internal validity.

The description is used for frequencies, averages and other statistical calculations. Often the best approach, prior to writing descriptive research, is to conduct a survey investigation. Qualitative research often has the aim of description and researchers may follow-up with examinations of why the observations exist and what the implications of the findings are.

### Source of data collection

#### Primary Data

The primary data was collected by means of a survey. Questionnaires were prepared and customers of the banks at two branches were approached to fill up the questionnaires. The questionnaire contains 20 questions which reflect on the type and quality of services provided by the banks to the customers.

**Secondary Data:** Banking Reports, Newspaper, Websites and Journals

#### Sampling plan

- Sampling Units: Consumer of HDFC Bank
- Sample Method: Random Sampling
- Investigation Gadget: Structured Questionnaire
- Interaction Technique: Personal Interview

#### Sample Size

The work is a case of HDFC Bank, one of the largest banks of Indian banking industry together representing over 25 per cent of the market share of Indian banking space. The survey was conducted in the city of Delhi with two branches of HDFC Bank, with 50 customers as respondent

#### Analytical tool used in study

Information was gathered over an organized survey. Liker SCALE system is utilized. Arrangement of run of the mill 5-stage Liker thing:

- Strongly disapprove
- Disapprove
- Uncertain
- Approve
- Strongly Approve

Liker scaling is bipolar SCALE technique, determining whichever constructive or destructive reaction to an announcement. Poll comprises of 2 sections. Initial segment comprises of 3 inquiries regarding statistic data of interviewee, for example, name, age, instructive capabilities as well as pay. Another fragment comprising of 18 enquiries investigating interviewee's recognition about facility nature of HDFC. For assessment of facility nature of HDFC bank benefit eminence measurement of dependability, confirmation, substantial quality, sympathy and responsiveness is utilized as a part of request to assess the real service nature of HDFC bank.

#### Findings

- The Reliability dimension of service quality is better as compared to empathy and tangibility. Still the score is low. For most services, customer perceptions of whether the service has been performed correctly, and not provider-established criteria, are the major determinants of reliability. Customers of the bank hesitate to rely on the bank. Whenever they have a problem, the bank shows sincere interest in solving it but the services are not performed by a certain time as promised. The employees should take this problem seriously and take steps to remove this.
- As score for Assurance is at second place after responsiveness, so the customers of HDFC bank are very

confident and feel safe while transacting with the bank. Moreover the employees of the bank have proved to be trustworthy. Employees are also educated enough to answer all the questions.

- The score of Tangibility dimension of service quality of HDFC bank is the lowest. The service quality factor tangible 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. Customer expectations regarding visual appealing of HDFC is very high. From my study I found that Physical facilities and modern looking equipment are not sufficient in HDFC bank. Respondents were uncertain about the neat appearance of the reception desk employees. So they should work on that and try to fulfill the gap.
- According to my findings, the score of Empathy is not satisfactory but not unsatisfactory also. HDFC bank is unable to give individual attention to its customers and is unable to understand specific needs of its customers. But still bank has taken steps to satisfy its customers by keeping operating hours convenient to its customers and keeping their interest best at heart.
- In HDFC bank, the score of Responsiveness is highest so they are focusing on prompt service, employees are willing to help the customers and say the exact time when the services will be performed. Employees at bank give their customers first preference and are always ready to help them. Overall HDFC bank's responsiveness dimension of service quality is the highest.
- According to the customer perception, HDFC bank is highly responsive. Customers are assured while transacting with the bank. The reliability dimension is lower than the first to dimension. They feel that the bank is unable to give them individual attention and its equipments are not modern and sufficient for the bank.

There is not much gap between all the dimensions, this shows that HDFC BANK is a better service provider in all the dimensions i.e. reliability, assurance, tangibility, responsiveness and empathy. As a result of which, the customers are satisfied with the service offered by HDFC bank.

### Conclusion

Based on the study conducted it can be concluded that responsiveness, assurance and reliability are the critical dimensions of service quality of HDFC bank and they are directly related to overall service quality. The factors that may delight customers tend to be concerned more with the intangible nature of the service, commitment, attentiveness, friendliness, care, and courtesy. The employees give prompt services, always are ready to answer the questions and are trustworthy. The main sources of dissatisfaction appear to be cleanliness, up to date technology modern equipments, and neatly dressed up employees. The Tangibility dimension of service quality of HDFC bank is highly disappointing and serious steps are needed to be taken to enhance this dimension. Customers of the bank are dissatisfied with the empathy dimension. To satisfy these customers, the management can take some attempts, noted earlier as recommendations. The study brings about the areas which

require urgent attention of the employees, the management, and the policy makers of the industry. These are areas in which customers are hugely dissatisfied with the services of the banks against their expectation. This high degree of dissatisfaction resulting from the services received clearly questions the design of services or subsequent response of the bank employees. These limitations are too serious to be avoided as these question the front-line people dealing with the customers and the approach of the management in taking customers seriously.

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