



Service quality gap analysis in HDFC bank: A case study on housing finance customers perspective

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Abstract

The present study evaluates the customer perceptions of service quality in selected HDFC Bank housing finance division. Data was collected from 120 customers of HDFC housing finance division using structured questionnaire. Gap analysis and Paired sample t-test were used for analysis of data. The result shows that the dimension of service quality such as Empathy and Assurance has more gap, as the customer expectations are high to their perceived service. The result also indicates that Tangibility-Reliability-Responsiveness positively influences the service quality and Empathy-Assurance negatively influences the service quality of HDFC housing finance in Nellore branch. The study implies that bank should reduce the service gap to deliver superior quality of Housing sector to retain existing customers as well as to attract new customers.

Keywords: service quality, tangibility, reliability, responsiveness, assurance, empathy

Introduction

Banking services worldwide can broadly classified into investment banking and commercial banking is primarily concerned with helping corporate bodies raise funds at the best possible rates from various markets. Commercial banking is concerned with channeling savings to productive uses. Banking in an intermediary function but one that is very essential for sustained economic growth. In India, since the nationalization of banks in 1969, banking has been primarily in the Central Government's domain. As part of the Government's liberalization policy which began in 1991, New Private Sector Banks (NPSBs) were allowed to be set up. Today, India has nine NPSBs that provide commercial banking services. In relatively short period, the NPSBs have managed to achieve about 2% of the market share in terms of business, a disproportionate of 2% share of the total income and almost 17% of the total net profit earned by the banking system as a whole (Nair M.V. 2010) [7]. This success can be attributed in large measure to the superior Quality of Services that these banks have been able to provide.

Berry *et al.* investigated that service quality is measured with comparing customers' perceptions and expectations of the services extended by the business; moreover perceptions are articulated as consumer's experience about the service received and expectation as customer demand. Thus, the knowledge about customers' perceptions and expectations is significant to service marketers to achieve sustainable viable advantage by maintaining quality service.

Service quality is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining it and measuring it with no overall consensus emerging on either (Wisniewski, 2001). Nowadays, with the increased competition, service quality has become a popular area of academic investigation and has been recognized as a key factor in keeping competitive advantage

and sustaining satisfying relationships with customers (Zenithal *et al.* 2000).

Service quality can be defined as the difference between customer's expectations for service performance prior to the service encounter and their perceptions of the service received. (Asubonteng *et al.*, 1996) [2, 12]. Service quality can thus be defined as the difference between customer expectations of service and perceived service. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Parasuraman *et al.*, 1985; Lewis and Mitchell, 1990) [4, 3].

Review of literature

Jain, V, Gupta, S and Jain, S (2012) [8] in their study "Customer Perception on Service Quality in Banking Sector: With Special Reference to Indian Private Banks in Moradabad Region" try to learn and understand the customer perception regarding service quality and to learn and understand the different dimension of service quality in banks. The Sample size used is 100 and the sample universe is Moradabad. The service quality model developed by Zeithamal, Parsuraman and Berry (1988) [5] has been used in the present study. The analysis reveals that among the private sector banks all the dimensions of service quality are equally important.

Singh, SP and Khurana, S (2011) [9] in their research "Analysis of Service Quality Gap and Customers Satisfaction in Private Banks" tried to examine Gender wise customers' expectations and perceptions of service quality provided by the Private Banks in Hissar District. Secondly, to identify whether there is difference in expectation & perception of service quality of male & female customers. Lastly, to identify the main attributes of service quality in which male & female (separately) are more satisfied or dissatisfied. The Sample Size is 300 with Sample Universe including Private Banks in Hissar. The Sampling Technique used was Quota Sampling. A

questionnaire consisting of 22 items based on SERVQUAL model was administered on the sample. The results indicated that the quality of services private banks provide was below customers', expectations.

Sandip Gosh Hasra and BL Srivastava (2009) ^[10] in their study indicated that the bank should pay attention to these dimension of service quality and pay more attention to dimension of assurance-empathy to increase loyalty to a company, willingness to pay, customer commitment and customer trust.

Sudesh (2007) ^[11] revealed that poor service quality in public sector banks is mainly because of deficiency in tangibility, lack of responsiveness and empathy. Private sector banks, on the other hand, were found to be more reformed in this regards. Above all, the foreign banks were relatively close to the expectations of their customers with regard to various dimensions of service quality. Further, the study revealed that there existed service quality variation across demographic variables and suggested that management of banks should pay attention to potential failure points and should be responsive to customer problems.

Research Design

This research is diagnostic in nature and uses a case study method for fulfilling research objectives. The Literature review clearly indicates that different variables would be important for different services for customer satisfaction. It is further seen that a study on the service quality of HDFC housing finance and level of customer satisfaction from this service has been neglected by researchers in the housing finance context. Hence, an attempt is made to study customer perception of quality of service in the context of housing finance. A case study method is adopted and supplemented with findings of a small survey to identify the determinants of customer satisfaction with this very important construction of house in the special context of housing finance.

Objectives

- To Evaluate the Quality of Service in HDFC Bank in Housing finance division in Nellore branch
- To identify the gap between customer expectation and perception
- To identify the areas that needs to improve by housing finance to deliver superior quality of service finally.

Hypothesis

The following hypothesis were prepared for the purpose of the research.

- There is no gap exist between service quality-tangibility of perception and expectation of housing finance in Nellore branch.
- There is no gap exist between service quality-reliability of perception and expectation of housing finance in Nellore branch.
- There is no gap exist between service quality-responsiveness of perception and expectation of housing finance in Nellore branch.
- There is no gap exist between service quality-assurance of perception and expectation of housing finance in Nellore branch.
- There is no gap exist between service quality-empathy of

perception and expectation of housing finance in Nellore branch.

Respondents and Sample Size

According to Keller (2009) "a population is the group of all items of interest to a statistics practitioner". According to Mc Daniel (2001) target population is a total group of people from whom the researcher may obtain information to meet the research objectives. The research aims to evaluating the service quality of housing finance division towards the HDFC bank. So, the target population is the housing finance customers taking the loan of HDFC.

The data was collected for the study 120 from customers of selected HDFC housing finance division in Nellore division Andhra Pradesh, based on convenience sampling and administered a modified SERVQUAL questionnaire containing customers' expectations and customers' perception each consisting of 22statements of 5 dimensions. The study follows the SERVQUAL as a framework. The respondents were asked to rate their expectations and perceptions of service offered by the respective department (housing finance).

Service Quality

Service quality can be defined as the difference between customer's expectations for service performance prior to the service encounter and their perceptions of the service received. (Asubonteng *et al.*, 1996) ^[2, 12]. Quality service has a positive effect on the bottom-line performance of a firm and thereby on the competitive advantages that could be gained from an improvement in the quality of service offering, so that the perceived service exceed the service level desired by customers (Caruana, 2002; Chumpitaz. 2004). Gefan (2002) defined service quality as the subjective comparison that customers make between the quality of the service that they want to receive and what they actually get. Nowadays, with the increased competition, service quality has become a popular area of academic investigation and has been recognized as a key factor in keeping competitive advantage and sustaining satisfying relationships with customers (Zeithmal *et al.*...2000).

Dimensions of service quality

The SERVQUAL scale is the principal instrument widely utilized to assess service quality for a variety of services. Parasuraman *et al.*, (1988) ^[5] have conceptualized a five dimensional model of service quality such as: reliability, responsiveness, empathy, assurance and tangibility. Their measurement instrument is known as SERVQUAL, which has become almost the standard way of measuring service quality. Further, each item of SERVQUAL has been used twice: to measure expectations and perceptions of service quality. The central idea in this model is that service quality is a function of difference scores or gap between expectations and perceptions. The five dimensions of SERVQUAL Includes:

Tangibles: Physical facilities, equipment and appearance of personnel.

Reliability: Ability to perform the promised service dependably and accurately.

Responsiveness: Willingness to help customers and provide prompt service.

Assurance: Knowledge and courtesy of employees and their

ability to inspire trust and confidence.

Empathy: Caring and individualized attention that the firm provides to its customers.

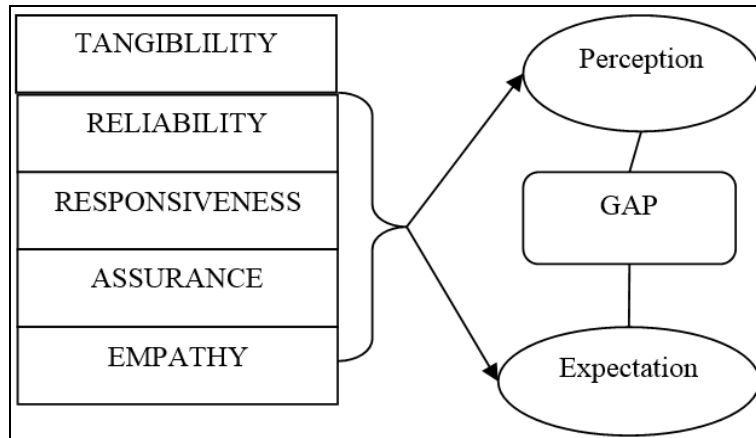


Fig 1: Conceptual frame work

Descriptive statistics of the variables in the model of the study For the dependent variable: customer satisfaction contains of five items, while for the independent variable service quality, each of the dimension starting with tangibility contains 4 items, assurance 4 items, responsiveness 4 items while

reliability and empathy contains 5 items, totaling 22 items.

Conceptual frame work

The Parsuraman, Zethaml, and berry theory of the determinants of perceived quality (Figure 1).

Table 1: Customer Mean score of Perception and expectations HDFC housing finance items of tangible.

S. No.	Tangibility	Perception of the customer	Expectations of the customers	Gap (P -E)
1	Modern looking equipment	3.800	3.413	0.387
2	Physical facility	3.734	3.483	0.251
3	Employee are well dressed	3.279	3.450	-0.171
4	Materials are visually appealing	3.612	3.017	0.595
	Total SERVQUAL TANGIBLE GAP	14.425	13.417	1.062

Inference

The study showed there is (1.062) gaps exist between service quality tangibility of perception and expectations of housing finance in Nellore district. The perceptions of housing finance customer mean scores of all items of service quality-tangibility are greater than the expectations of housing finance

mean scores which show that a gap exists in the respect of service quality TANGIBILITY. If we rank the service quality in the respect of tangibility factor the highest expectation of the loan holders from the experience banks are connected to the item Materials are visually appealing where gap between perception and expectation of housing finance is (0.595).

Table 2

Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair1	Perceptions of Customer	14.4250	120	2.57546	.23511
	Expectations of Customer	13.3625	120	2.80078	.25568

To analyse the difference in a mean value of service quality of tangibility as a dimension of housing finance experiences on the basis of opinion of the respondents. it is was observed that

the mean values of perception of customer is 14.425 and for expectation of customer are 13.363 on the dimension of service quality of tangibility of housing finance in Nellore branch.

Paired Sample statistics

Table 3

	Paired Differences				t	df	Sig. (2-tailed)	
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower				Upper
PI - E1	1.06250	3.28708	.30007	.46834	1.65666	3.541**	119	.001

**Significant at 0.01 level.

Inference

The table shows that the significance values is (0.001) which is less than 0.01 at 99% level of significance. So that null hypothesis is rejected. We can conclude that there is gap exist

between service quality tangibility of perception and expectation of HDFC housing finance division in Nellore branch.

Table 4: Customer Mean score of Perception and expectations HDFC housing finance items of Reliability.

S. No	Reliability	Perception of the customer	Expectation of the customers	Gap (P –E)
5	Delivers service at promised time	3.733	3.175	0.558
6	Interest in solving problem	3.283	3.425	-0.142
7	Perform service right first time	3.542	3.417	0.125
8	Follows the promised time	3.642	3.008	0.533
9	Maintain error free records	3.583	3.292	0.292
	Total SERVQUAL Reliability Gap	17.783	16.317	1.467

The study showed (Table) there is (1.467) gap exists between service quality reliability of perception and expectation in housing finance division. The Perception Mean scores of all items of service quality-Reliability are greater than the expectation Mean scores which show that a gap exists in the

respect of service quality reliability; If we rank the service quality in the respect of reliability factor the highest perceptions Of the account holders from the expectation housing finance are connected to the item where gap between perception and expectation of housing finance is (0.558).

Table 5

Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Perceptions of customer	17.7833	120	3.01588	.27531
	Expectations of customer	16.3167	120	3.34559	.30541

To analyze the difference in a mean value of reliability as a dimension service quality of HDFC housing finance on the basis of opinion of respondents, paired sample t-test was applied. it was noted that the mean value for perception of

customer are 17.783 and for expectation are 16.32 on the dimension of reliability. This indicates that the perception have high satisfaction level on the dimension of reliability of service quality HDFC housing finance.

Table 6

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
P2 - E2	1.46667	3.28719	.30008	.87248	2.06085	4.888**	119	.000

**significant at 0.01 level.

The table shows that the significance value is (.000) which is less than .01 at 99% level of significance so that null hypothesis is rejected. We can conclude that there is gap exist

between service quality Reliability of perception and expectation of housing finance in Nellore district.

Table 7

S. No	Responsiveness	Perception of customer	Expectations of the customers	Gap (P –E)
1.	Tell you about performance of service	3.975	3.250	0.675
2.	Gives prompt service	3.417	3.458	-0.041
3.	Willingness to help	3.317	3.267	0.05
4.	Not busy to respond queries	3.433	2.925	0.583
	Total SERVQUAL RESPONSIVENESS GAP	14.092	12.825	1.267

The study showed (Table) overall there is (1.267) huge gap exist between service quality Responsiveness of perception and expectation of housing finance in Nellore branch. The perception mean scores of all items of service quality-Responsiveness are greater than the expectation mean scores which show that a gap exists in the respect of service quality Responsiveness. If we rank the service quality in the respect of Responsiveness factor the highest expectation of the account holders from the perception are connected to the item (11).

Table 8

Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	P3	14.0917	120	2.77442	.25327
	E3	12.8250	120	3.08333	.28147

The mean value of responsiveness as a dimension of service quality on the basis of perception and expectation, paired sample t-test was applied. It was noted that the mean value for

perception is 14.09 and for expectation is 12.83 on the dimension of responsiveness. This indicated that the

perception of customer have high satisfaction level on the dimension of service quality of responsiveness

Table 9

		Paired Samples Test					t	df	Sig. (2-tailed)
		Paired Differences							
Pair 1	P3 - E3	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	P3 - E3	1.26667	2.24445	.20489	.86097	1.67237	6.182**	119	.000

**significant at 0.01 level.

The table shows that the significance value is (0.000) which is less than 0.01 at 99% level of significance so that null hypothesis is rejected. We can conclude that there is gap exist

between service quality Responsiveness of perception and expectation of housing division in Nellore branch.

Table 10: Customer Mean score of Perception and expectations HDFC housing finance items of Assurance

S. No	Assurance	Perception of customer	Expectations of the customers	Gap (P –E)
14	Instils confidence	3.558	3.400	0.158
15	Safe transactions	3.358	3.741	-0.383
16	Employees are consistently courteous	3.217	3.342	-0.125
17	Employee have enough knowledge	3.367	3.775	-0.408
	Total SERVQUAL ASSURANCE GAP	13.500	14.258	-0.758

The study showed (Table 1) overall there is (-0.758) huge gap exist between service quality assurance of Perception and expectation of housing finance in HDFC Nellore branch. The expectation mean scores of all items of service quality-assurance are greater than the perception of mean scores

which show that a gap exists in the respect of service quality assurance. If we rank the service quality in the respect of assurance factor the highest expectation of the account holders from the perception of respondents are connected to the item (14).

Table 11

Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	P4	13.5000	120	3.22021	.29396
	E4	14.2583	120	2.47167	.22563

To analyze the differences in a mean value of assurance on the basis of perception and expectation of customers, paired sample t-test was applied. it was noted that the mean value for expectation 14.26 and for perception is 13.50 on the

dimension of assurance. This indicated that the expectation have high but finance housing division not fulfilled on the dimension of assurance.

Table 12

		Paired Samples Test					t	df	Sig. (2-tailed)
		Paired Differences							
Pair 1	P4 - E4	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	P4 - E4	-0.75833	3.12215	.28501	-1.32269	.19398	-2.661	119	.009

The table shows that the significance value is (.009) which is less than 0.01 at 99% level of significance ‘t’ value is showing negative magnitude between perception and expectation of the respondents in HDFC housing finance. So that null hypothesis

is rejected. We can conclude that there is negative gap exist between service quality assurance of perception and expectation of housing finance in Nellore district.

Table 13: Customer Mean score of Perception and expectations HDFC housing finance items of Empathy

	Empathy	Perception of customer	Expectations of the customers	Gap (P –E)
18	Gives individual attention	3.592	2.975	0.617
19	Convenient operating hours	3.275	3.850	-0.575
20	Gives personal attention	3.308	3.442	-0.084
21	Best interest in heart	3.375	3.533	-0.158
22	Understand customer’s specific needs	3.525	3.717	-0.192
	Total SERVQUAL Empathy Gap	17.0250	17.4167	-0.392

The study showed (Table 12) there is (-0.392) gaps exist between service quality EMPATHY of expectation and perceptions of housing finance in HDFC Nellore division. The expectations mean scores of all items of service quality-EMPATHY are greater than the perception of mean scores

which show that a gap exists in the respect of service quality EMPATHY. If we rank the service quality in the respect of EMPATHY factor the highest expectation of the account holders from the perception are connected to the item (18) where gap between expectation and perception bank is (0.617).

Table 14

Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Perception of customers	17.0250	120	3.02778	.27640
	Expectation of customers	17.4167	120	3.29396	.30070

To analyze the differences in a mean values of empathy as a dimension of service quality on the basis of customer opinion, paired sample test was applied. It was also noted that the mean value for perception of customers are 17.025 and for

expectations 17.42 on the dimension of empathy. This indicates that the expectation have high on the dimension of empathy of service quality than its perceptions.

Table 15

Paired Samples Test									
		Paired Differences			95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	P5 - E5	-.39167	3.59574	.32824	-1.04162	.25829	-1.193	119	.235

The table shows that the no significance value is (.235) which is greater than 0.05 at 95% level of significance ‘t’ value is showing negative magnitude between perception and expectation of the respondents in HDFC housing finance. So that null hypothesis is accepted. We can conclude that there is no significant and negative gap exist between service quality assurance of perception and expectation of housing finance in Nellore district.

Conclusion and Recommendation

It is evident from the above there is gap exist between service quality of perception and expatiation of housing finance in HDFC, Nellore branch. The results of the research showed that Loaned respondents of the housing finance in HDFC Nellore branch are not satisfied with banking services. Their expectations were higher than the perception of service quality from the existing housing finance in the all aspect of SERVQUAL. The task of banking industry under such circumstances is to develop and implement new strategy that would minimize the gap between the Perception of bank and expectation bank. In order to minimize the gap between the loan holder’s experiences and their expectation of the service quality, the officer, managers and executives in the bank have to ensure that every contact with the housing loan holders is the positive experience for the account holders about the banks. It is important for the bank to define the service quality standards that are measurable.

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