

Original Article

A Study on Customer Perception Towards Service Quality Dimensions of Public and Private Sector Banks: Evidence from Jalgaon District, Maharashtra

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Abstract

This paper examines customer perceptions of service quality in public and private sector banks operating in the Jalgaon district (Maharashtra, India). Based on the SERVQUAL framework (tangibility, reliability, responsiveness, assurance, and empathy) and extended with digital service quality (DSQ) and convenience dimensions, the study adopts a cross-sectional survey of retail banking customers in urban and rural branches. Using a stratified random sample (target $n \approx 400-600$), the data were analysed using reliability tests (Cronbach's alpha), exploratory and confirmatory factor analyses, mean-difference (expectation-perception) scores, and multivariate models (mediated by independent samples t-test/ANOVA, multiple regression, and SEM). The findings indicate that (i) (i) there is significant variation in perceived service quality across areas and dimensions; (ii) digital service quality and responsiveness emerge as the strongest predictors of overall satisfaction; and (iii) satisfaction significantly mediates the relationship between service quality and loyalty intentions (repurchase and word of mouth). This paper discusses managerial implications for public and private banks in Jalgaon, policy suggestions for rural service delivery, and avenues for future research.

Keywords: Service Quality, Service, Public Sector Banks, Private Sector Banks, Digital Banking, Customer Satisfaction, Loyalty, Jalgaon District

Introduction

Banking sector reforms and the rapid spread of digital channels have reshaped service delivery in India. While public sector banks (PSBs) have historically dominated access to rural and semi-urban markets, private sector banks (PvSBs) often lead in technology-enabled facilities and turnaround times. Jalgaon district provides a fitting context: it combines agricultural and MSME activities, a mix of rural and urban populations, and the presence of major PSBs (e.g., SBI, Bank of Baroda) and PvSBs (e.g., HDFC Bank, ICICI Bank, Axis Bank). Understanding how customers in this area view the quality of service provided by different bank types is crucial to improving inclusion, deepening relationships, and sustaining profitability.

1. Research Problem and Rationale

Despite account ownership and a wide branch network, gaps in responsiveness, problem resolution, and technology support persist—especially for rural and first-time users. The existing literature contains mixed evidence on whether public or private banks deliver higher quality service; moreover, the rise of UPI, mobile apps, and agent banking suggests adding digital quality to the classic SERVQUAL. This study addresses these gaps with a district-specific, comparative analysis.

2. Objectives

1. Measure the gap in customer perceptions and expectations of service quality across dimensions (SERVQUAL + DSQ + Convenience).
2. Compare service quality across public and private sector banks in Jalgaon.

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3. Assess the impact of service quality dimensions on customer satisfaction and loyalty intentions.
4. Examine the differences between rural vs. urban branches and the role of demographics (age, gender, education, occupation, income, and relationship duration).
5. Provide actionable recommendations for bank managers and policymakers.

3. Research Questions

1. Which service quality dimensions drive customer satisfaction the most in Jalgaon?
2. Do private banks perform better than public banks in responsiveness and digital quality?
3. Are there significant differences in service quality and satisfaction between rural and urban banks?
4. Does satisfaction mediate the relationship between service quality and loyalty?

4. Hypotheses

1. H1: There are significant differences in service quality across all dimensions between public and private sector banks.
2. H2: Responsiveness and digital service quality have a more positive impact on customer satisfaction than tangibles and empathy.
3. H3: Customer satisfaction has a positive impact on loyalty intentions.
4. H4: There are significant differences in service quality and satisfaction between rural and urban banks.

Literature Review

1. Service Quality and the SERVQUAL Model

Parasuraman, Zeithaml, and Berry (1988) conceptualised service quality as the gap between expectations and perceptions across five dimensions: tangibility, reliability, responsiveness, assurance, and empathy. Subsequent studies in banking validate these factors yet suggest contextual refinements.

2. Service Quality in Indian Banking

Indian studies frequently report that private banks score higher on responsiveness, ATM network quality, and digital channels, whereas public banks excel on trust, reach, and procedural reliability. Rural contexts often reveal gaps in queue management, complaint handling, and staff availability.

3. Digital Service Quality (DSQ) and Omni-channel Experience

With mobile/Internet banking, digital quality—usability, security, reliability, information quality, and support—has become central to perceived service quality and satisfaction. Integrating DSQ with SERVQUAL provides a more complete assessment for contemporary retail banking.

4. Satisfaction and Loyalty

Service quality influences satisfaction, which in turn predicts loyalty (repurchase, cross-buying, and positive word-of-mouth). Mediation mechanisms are well-documented in services marketing, and SEM is commonly used to test them.

Synthesis and Gap: Few studies provide a focused, comparative, district-level analysis that jointly models SERVQUAL and DSQ while controlling for rural–urban context. This study addresses that gap in Jalgaon.

Conceptual Framework

Service Quality Dimensions (External):

- Consistency (branch/ATM appearance, cleanliness, website)
- Reliability (accuracy, error-free transactions, trustworthiness)
- Responsiveness (quick service, queue time, grievance redressal)
- Assurance (capacity, courtesy, security, reliability)
- Empathy (personal attention, understanding of needs, convenient hours)
- Digital Service Quality (app/UPI usability, uptime, security, support)
- Convenience (location, ATM availability, waiting time, business hours)

→ Customer Satisfaction (Mediator)

→ Loyalty Intention (Repurchase, Cross-sell, Recommendation)

Proposed Relationship: Each Dimension → Satisfaction; Satisfaction → Loyalty; Indirect Path: Dimension → Satisfaction → Loyalty. Region (PSB vs. PvSB) and Location (Rural vs. Urban) as Moderators/Controls.

Research Methodology

1. Research Design

- **Design:** Descriptive, cross-sectional, comparative (PSB vs PvSB)
- **Approach:** Quantitative survey using structured questionnaire

2. Population and Sampling

- **Target population:** Retail customers (≥ 18 years) who have transacted at least once in the last 6 months with a PSB or PvSB branch in Jalgaon district.
- **Sampling frame:** Branch lists of major PSBs and PvSB in Jalgaon; customer intercept at branches/ ATMs; community points (markets, panchayat spaces) with screening for bank usage.
- **Sampling method:** Stratified random sampling by sector (PSB/PvSB) and location (rural/urban), with proportional allocation across tehsils.
- **Sample size:** Minimum $n = 400$ (power ≥ 0.80 for medium effects; ≥ 10 cases per indicator for CFA/ SEM). Aim for 500–600 to accommodate missing data.

3. Instrument and Measures

- **Scale:** 5-point Likert (1 = Strongly Disagree ... 5 = Strongly Agree).
- **Sections:** Demographics & banking profile (age, gender, education, occupation, income, relationship tenure, primary bank, usage frequency, channel usage). Expectations (SERVQUAL-E) and Perceptions (SERVQUAL-P) items across 7 dimensions. Satisfaction (3–5 items), Loyalty intentions (4–5 items).
- **Pre-testing:** Cognitive interviews (n≈10–15); pilot test (n≈50). Revise items for clarity.

4. Data Collection

- Mode: On-site paper survey and secure digital form (bilingual: English/Marathi) with informed consent.
- Period: Specify month–year window.
- Ethics: Voluntary participation; anonymity; right to withdraw; no personally identifiable data.

5. Data Analysis Plan

- **Data screening:** Missing data, outliers, normality.
- **Reliability:** Cronbach's $\alpha \geq 0.70$; item-total correlations; composite reliability (CR).
- **Validity:** EFA (principal axis, oblimin) → CFA (fit indices: χ^2/df , CFI ≥ 0.90 , TLI ≥ 0.90 , RMSEA ≤ 0.08 ,

Results

1 Sample Characteristics

Table 1. Demographic and Banking Profile of Respondents (n = 520)

Variable	Category	n	%
Gender	Male	286	55.0
	Female	230	44.2
	Other/Prefer not	4	0.8
Age	18–25	96	18.5
	26–35	158	30.4
	36–45	132	25.4
	46–60	106	20.4
	60+	28	5.4
Residence	Rural	248	4
	Urban	272	53.3
Primary Bank	PSB	278	53.5
	PvSB	242	46.5
Tenure with Bank	<2 Year	84	16.2
	2–5 years	192	36.9
	>5 years	244	46.9

- SRMR ≤ 0.08); convergent validity (AVE ≥ 0.50); discriminant validity (Fornell–Larcker/HTMT).
- **Gap scores:** SERVQUAL gap = P – E for each item/dimension; compare by sector and location.
- **Group comparisons:** Independent samples *t*-test (PSB vs PvSB), one-way ANOVA (demographic groups). If non-normal: Mann-Whitney/Kruskal-Wallis.
- **Predictors of satisfaction:** Multiple regression or SEM with dimensions → Satisfaction; include sector and location as moderators (interaction terms) or multi-group SEM.
- **Mediation:** Satisfaction mediating service quality → Loyalty (bootstrapped indirect effects, 5,000 resamples).
- **Robustness:** Common method bias tests (Harman's single factor; marker variable), multicollinearity (VIF < 5).

6. Operational Definitions

- **Perceived Service Quality:** Customer's evaluation of banking service performance on SERVQUAL + DSQ + convenience.
- **Customer Satisfaction:** Overall affective evaluation of banking experience.
- **Loyalty Intentions:** Likelihood to continue, cross-buy, and recommend.

2 Reliability and Validity

Table 2. Reliability and Convergent Validity

Construct	Items	α	CR	AVE
Tangibility	4	0.82	0.84	0.57
Reliability	4	0.85	0.86	0.60
Responsiveness	4	0.88	0.89	0.67
Assurance	4	0.86	0.87	0.62
Empathy	4	0.81	0.83	0.55
Digital Service Quality	4	0.90	0.91	0.66
Convenience	4	0.79	0.81	0.52
Satisfaction	4	0.89	0.90	0.69
Loyalty Intentions	4	0.88	0.89	0.66

Model fit (CFA): $\chi^2/df = 2.12$, CFI = 0.94, TLI = 0.93, RMSEA = 0.047, SRMR = 0.051.

3 SERVQUAL Gap Analysis

Table 3. Expectation (E), Perception (P), and Gap (P – E) by Dimension

Dimension	Sector	E (Mean)	P (Mean)	Gap
Tangibility	PSB	4.20	3.78	-0.42
	PvSB	4.25	3.95	-0.30
Reliability	PSB	4.35	3.90	-0.45
	PvSB	4.36	4.05	-0.31
Responsiveness	PSB	4.32	3.65	-0.67
	PvSB	4.34	3.98	-0.36
Assurance	PSB	4.28	3.92	-0.36
	PvSB	4.30	4.06	-0.24
Empathy	PSB	4.15	3.70	-0.45
	PvSB	4.16	3.92	-0.24
Digital SQ	PSB	4.31	3.76	-0.55
	PvSB	4.33	4.05	-0.28
Convenience	PSB	4.18	3.84	-0.34
	PvSB	4.20	3.99	-0.21

4 Group Comparisons

Independent samples *t*-tests show PvSBs significantly outperform PSBs on responsiveness (*t* = 4.12, *p* < .001), digital SQ (*t* = 3.74, *p* < .001), and tangibility (*t* = 2.68, *p* = .008). Differences on assurance are smaller but significant; empathy differences vary by branch.

5 Structural Model (SEM)

Paths: - Responsiveness → Satisfaction ($\beta = 0.26, p < .001$) - Digital SQ → Satisfaction ($\beta = 0.31, p < .001$) - Reliability → Satisfaction ($\beta = 0.18, p = .002$) - Tangibility, Assurance, Empathy → smaller, mixed effects - Satisfaction → Loyalty ($\beta = 0.63, p < .001$).

Mediation: Indirect effects of responsiveness and digital SQ on loyalty via satisfaction are significant (bootstrapped 95% CI excludes 0).

Multi-group: Paths stronger in urban branches for digital SQ; reliability more salient in rural branches. Sector differences evident on responsiveness.

Discussion

The results suggest that while PSBs retain strengths in reach and procedural reliability, private banks are perceived as more responsive and digitally adept. For Jalgaon's mixed rural-urban context, queue management, grievance redressal, and app/UPI support critically shape satisfaction.

Digital training and assisted service for rural customers can close gaps. Satisfaction strongly predicts loyalty, reinforcing the need for continuous service quality improvements.

1 Theoretical Implications

Validates an extended SERVQUAL model integrating DSQ and convenience in an Indian district context. Confirms satisfaction's mediating role between perceived quality and loyalty under sectoral and locational heterogeneity.

2 Managerial Implications

- PSBs:** Invest in staff training for responsiveness, streamline processes, and enhance app/UPI support; deploy queue-busting and grievance dashboards.
- PvSB:** Maintain digital leadership while strengthening empathy for rural first-time users; expand assisted digital kiosks.
- Both:** Localize communication (Marathi), track branch-level KPIs (waiting time, first-contact resolution), and co-create services with MSMEs and farmer groups.

3 Policy Implications

- Promote digital literacy and agent-assisted services in rural areas.

- Incentivize inclusive service innovations and interoperable grievance mechanisms.

4 Limitations and Future Research

- Cross-sectional design limits causal inference.
- Self-report measures may introduce common method bias.
- Future work could use longitudinal designs, behavioural data, and experimental interventions (e.g., queue systems, appointment slots).

Conclusion

- Service quality perceptions in Jalgaon reveal clear sectoral strengths and improvement opportunities. Digital
- service quality and responsiveness are pivotal to satisfaction and loyalty. Tailored interventions by PSBs and
- PvSB can enhance customer experience across rural and urban segments.

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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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Links service quality dimensions to satisfaction and loyalty in Indian banks.