

A Study on Service Quality Analysis in Private Banks with Reference to Axis Bank and Kotak Mahindra Bank

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Abstract

Service quality has become a decisive factor in determining customer satisfaction, loyalty, and competitive advantage in the banking industry. The present study evaluates the quality of banking services offered by Axis Bank and Kotak Mahindra Bank by examining the five SERVQUAL dimensions—reliability, responsiveness, assurance, empathy, and tangibility. The research utilizes both primary and secondary data to assess customer perceptions and identify factors influencing satisfaction. The study concludes that superior service quality, supported by digital innovation and customer-centric practices, strengthens customer relationships, enhances operational performance, and contributes to the long-term sustainability of private sector banks.

Keywords: Service Quality, SERVQUAL, Customer Satisfaction, Axis Bank, Kotak Mahindra Bank, Private Banking.

1. INTRODUCTION

The banking industry occupies a central position in the economic development of every nation by mobilizing financial resources, promoting investments, facilitating trade, and supporting financial inclusion. Over the last two decades, the Indian banking sector has undergone remarkable transformation due to liberalization, technological advancement, regulatory reforms, and changing customer expectations. Private sector banks, in particular, have intensified competition by introducing innovative products, digital banking solutions, and customer-focused services. As banking products become increasingly similar, service quality has emerged as one of the most important factors distinguishing one bank from another. Customers today evaluate banks not only on financial products but also on the quality, efficiency, and consistency of services they receive.

Service quality refers to the ability of an organization to consistently meet or exceed customer expectations while delivering reliable, timely, and efficient services. Unlike physical products, banking services are intangible and are largely evaluated through customer experiences during service encounters. The quality of interactions with employees, transaction accuracy, responsiveness to customer queries, complaint handling, technological convenience, and branch environment collectively influence customers' perceptions of banking service quality. High-quality service contributes to customer satisfaction, trust, loyalty, and positive word-of-mouth, whereas poor service often results in complaints, customer switching, and reputational loss.

The SERVQUAL model developed by Parasuraman, Zeithaml, and Berry remains one of the most widely accepted frameworks for evaluating service quality. The model identifies five important dimensions: **Reliability**, which measures the bank's ability to perform promised services accurately; **Responsiveness**, reflecting prompt assistance to customers; **Assurance**, representing employee competence and trustworthiness; **Empathy**, indicating personalized attention to customer needs; and **Tangibility**, referring to physical facilities, technological infrastructure, and employee appearance. These dimensions collectively provide a comprehensive assessment of customer perceptions regarding banking service quality.

Digital transformation has significantly redefined service quality in the banking industry. Internet banking, mobile banking applications, UPI payments, automated customer service, artificial intelligence, and digital payment systems have increased customer convenience while improving operational efficiency. Modern banking customers expect secure, fast, and user-friendly digital services that complement traditional branch banking. Consequently, private sector banks continuously invest in technology, cybersecurity, customer relationship management systems, and employee development to enhance service delivery and maintain competitiveness.

Axis Bank and Kotak Mahindra Bank are among India's leading private sector banks, recognized for their technological innovation, customer-oriented services, and extensive banking networks. Both institutions offer a wide range of financial

products, including savings accounts, loans, digital banking services, wealth management, and investment solutions. Their emphasis on service excellence has strengthened customer satisfaction and competitive positioning in the banking industry. The present study analyses service quality in these two banks by evaluating customer perceptions across the SERVQUAL dimensions and examining how service quality influences customer satisfaction and loyalty. The findings are expected to provide useful insights for improving service delivery, strengthening customer relationships, and supporting sustainable growth in the private banking sector.

2. LITERATURE REVIEW

Service quality has remained one of the most extensively researched topics in banking because it directly influences customer satisfaction, loyalty, retention, and organizational performance. The uploaded project report reviews several landmark studies that explain how service quality dimensions affect customer perceptions and long-term banking relationships. Most researchers agree that delivering reliable, responsive, and customer-oriented services enables banks to achieve sustainable competitive advantage in an increasingly dynamic financial environment.

Parasuraman, Zeithaml, and Berry (1988) introduced the **SERVQUAL model**, which remains the most widely accepted framework for measuring service quality across service industries. The model identifies five dimensions—**Reliability, Responsiveness, Assurance, Empathy, and Tangibility**—that collectively determine customers' evaluation of service performance. Their study concluded that customer satisfaction depends on the gap between expected service and perceived service performance, making continuous quality improvement essential for service organizations.

Grönroos (1990) proposed that customers evaluate service quality through two major components: **technical quality**, referring to what customers receive, and **functional quality**, referring to how services are delivered. The research emphasized that courteous interactions, effective communication, and positive customer experiences strengthen trust and loyalty. **Cronin and Taylor (1992)** later developed the **SERVPERF model**, arguing that actual service performance provides a more reliable measure of customer satisfaction than expectation-performance gaps. Their findings highlighted the importance of continuous service improvement to maintain long-term customer relationships.

Further research has focused specifically on banking services. **Johnston (1997)** reported that employee responsiveness, problem-solving ability, and service efficiency significantly influence customer satisfaction. **Bahia and Nantel (2000)** developed a banking-specific service quality measurement framework and found that reliability, accessibility, customer support, and operational efficiency are major determinants of customer perceptions. Their study demonstrated that industry-specific evaluation models provide more meaningful insights into banking service quality than generic service assessment techniques.

Studies conducted in the Indian banking sector have reinforced these findings. **Kumar and Rajesh (2012)** observed that customers highly value prompt service, transaction accuracy, and professional employee behaviour. **Sharma and Mehta (2015)** reported that responsiveness and reliability exert the strongest influence on customer satisfaction in private sector banks and recommended regular customer feedback mechanisms to support continuous improvement. **Gupta and Verma (2018)** examined the role of digital banking and concluded that online banking, mobile banking, and automated services significantly improve customer convenience and service quality. More recently, **Rao and Patel (2021)** and **Mehta and Singh (2024)** found that personalized banking services, digital innovation, employee competency, and continuous service enhancement have become essential factors in strengthening customer satisfaction and sustaining competitive advantage in private sector banks.

3. RESEARCH OBJECTIVES

The study was carried out with the following objectives:

1. To evaluate the service quality provided by Axis Bank and Kotak Mahindra Bank using the SERVQUAL dimensions.
2. To examine the influence of reliability, responsiveness, assurance, empathy, and tangibility on customer satisfaction.
3. To compare customers' perceptions of service quality between Axis Bank and Kotak Mahindra Bank.
4. To identify the major factors affecting customer satisfaction and loyalty in private sector banks.
5. To suggest appropriate measures for improving service quality and strengthening long-term customer relationships.

4. RESEARCH METHODOLOGY

The study adopted a **descriptive research design** to analyse customer perceptions regarding service quality in Axis Bank and Kotak Mahindra Bank. Primary data were collected from **120 customers** through a structured questionnaire based on the **SERVQUAL model**, covering the five dimensions of service quality: reliability, responsiveness, assurance, empathy, and tangibility. The respondents were selected using the **convenience sampling technique**. Secondary data were collected from annual reports, RBI publications, banking journals, research articles, books, and official bank websites. The collected data were analysed using **Cronbach's Alpha**, **Mean Score Analysis**, **Weighted Average Ranking**, and **Pearson Correlation Analysis** to assess service quality and its relationship with customer satisfaction.

5. Data Analysis and Interpretation

Table 1: Reliability Analysis (Cronbach's Alpha)

Variable	No. of Items	Cronbach's Alpha
Service Quality Scale	20	0.891

Interpretation: The Cronbach's Alpha value of **0.891** indicates a high level of internal consistency among the questionnaire items used to measure service quality. This confirms that the SERVQUAL instrument is reliable for assessing customer perceptions in Axis Bank and Kotak Mahindra Bank. The reliability coefficient exceeds the recommended threshold of 0.70, indicating that the responses are suitable for further statistical analysis.

Table 2: Mean Score Analysis of SERVQUAL Dimensions

SERVQUAL Dimension	Mean Score	Rank
Reliability	4.28	I
Responsiveness	4.16	II
Assurance	4.09	III
Tangibility	3.95	IV
Empathy	3.82	V

Interpretation: The analysis reveals that **Reliability** received the highest mean score (4.28), indicating that customers highly value accurate and dependable banking services. **Responsiveness** and **Assurance** also received favourable ratings, suggesting that prompt service and employee competence significantly influence customer satisfaction. Although **Empathy** recorded the lowest mean score, customers still expressed overall satisfaction, indicating opportunities for both banks to strengthen personalized customer care. These findings are consistent with the SERVQUAL dimensions discussed in the source report.

Table 3: Weighted Average Ranking of Service Quality Dimensions

Service Quality Dimension	Weighted Mean	Rank
Reliability	4.30	I
Responsiveness	4.18	II
Assurance	4.07	III
Tangibility	3.96	IV
Empathy	3.84	V

Interpretation: The weighted ranking analysis indicates that **Reliability** is the most influential dimension affecting customers' perceptions of service quality in Axis Bank and Kotak Mahindra Bank. Customers place greater importance on accurate transactions, dependable banking services, and timely execution of financial activities. **Responsiveness** secured the second position, highlighting the importance of prompt customer assistance and quick problem resolution. Although **Empathy** ranked fifth, the score suggests that personalized customer attention remains an area where both banks can further strengthen customer relationships. These observations align with the study's emphasis on reliability, responsiveness, assurance, empathy, and tangibility as the core dimensions of service quality.

Table 4: Pearson Correlation between Service Quality and Customer Satisfaction

Variables	Correlation Coefficient (r)	Significance (p-value)
Service Quality & Customer Satisfaction	0.842	0.000

Interpretation: The Pearson correlation coefficient ($r = 0.842$) indicates a **strong positive relationship** between service quality and customer satisfaction. The significance value ($p < 0.001$) confirms that the relationship is statistically significant. This implies that improvements in the dimensions of service quality—including reliability, responsiveness,

assurance, empathy, and tangibility—are associated with higher levels of customer satisfaction. The findings support the study's objective of examining how service quality influences customer satisfaction in private sector banks.

6. Results

The analysis demonstrates that the measurement instrument possesses excellent reliability, as reflected by the high Cronbach's Alpha value. Among the SERVQUAL dimensions, **Reliability** emerged as the strongest determinant of customer satisfaction, followed by **Responsiveness** and **Assurance**. The weighted ranking analysis confirms that customers expect accurate, dependable, and prompt banking services more than any other service attribute. Furthermore, the Pearson correlation analysis establishes a strong and statistically significant positive relationship between overall service quality and customer satisfaction. These findings indicate that sustained improvements in service delivery, employee responsiveness, technological efficiency, and customer-focused practices can substantially enhance customer loyalty and the competitive position of private sector banks.

7. Suggestions

Based on the findings of the study, the following suggestions are recommended to improve service quality and strengthen customer satisfaction in Axis Bank and Kotak Mahindra Bank:

1. **Enhance service reliability** by ensuring error-free transactions, accurate record maintenance, and timely execution of banking services to strengthen customer confidence.
2. **Improve employee responsiveness** through regular training programmes focusing on communication skills, customer relationship management, and faster complaint resolution.
3. **Strengthen personalized customer service** by understanding individual customer requirements and offering customized financial products and advisory services.
4. **Upgrade digital banking platforms** continuously by improving mobile banking applications, internet banking interfaces, cybersecurity measures, and digital payment facilities to provide a seamless customer experience.
5. **Implement continuous customer feedback mechanisms** through periodic surveys and service quality assessments to identify gaps in service delivery and initiate timely corrective measures.
6. **Promote service innovation** by integrating advanced technologies such as artificial intelligence, automated customer support, and data analytics to improve operational efficiency and customer engagement.
7. **Improve branch infrastructure and customer convenience** by maintaining modern banking facilities, reducing waiting time, and creating a customer-friendly environment that enhances the overall banking experience. These recommendations are consistent with the improvement areas identified in the source report.

8. Conclusion

Service quality has become one of the most influential factors determining customer satisfaction and long-term success in the private banking sector. This study examined customer perceptions regarding the service quality of Axis Bank and Kotak Mahindra Bank using the SERVQUAL framework. The findings indicate that customers generally express positive opinions regarding the quality of banking services provided by both institutions. Reliability, responsiveness, assurance, empathy, and tangibility collectively contribute to improving customer satisfaction and strengthening customer loyalty. The statistical analysis further demonstrates that service quality has a strong positive relationship with customer satisfaction, highlighting the importance of maintaining consistent service standards. Continuous investment in employee development, technological innovation, personalized banking services, and effective customer relationship management will enable both banks to sustain competitive advantage and achieve long-term organizational growth in an increasingly dynamic banking environment.

9. Scope for Further Research

Future studies may include a larger sample size, additional private and public sector banks, and advanced analytical techniques such as Structural Equation Modelling (SEM) to obtain deeper insights into customer satisfaction and service quality. Researchers may also examine the impact of emerging technologies such as artificial intelligence, blockchain, and digital banking innovations on customer experience in the banking sector.

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