

# “Effect of Trust and Service Quality on Consumer Perception: A Study on Private Banking Sector of South West Delhi”

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## "Abstract

In the contemporary banking landscape, customer perception plays a pivotal role in determining a bank's long-term success. This study explores how trust and service quality influence consumer perception and satisfaction in private sector banks operating in South West Delhi. A structured survey of 100 respondents reveals that while service innovations and technology adoption have enhanced customer engagement, gaps remain in areas such as pricing transparency and competitive interest offerings. Results indicate that service quality, trust, technological access, and employee commitment significantly influence consumer satisfaction and loyalty. The findings offer practical implications for bank managers aiming to enhance customer-centric strategies in a competitive market.

## Keywords:

Trust, Service Quality, Customer Perception, Private Banks, Customer Loyalty, Banking Services, Delhi

## 1. Introduction

With rising competition in the private banking sector, understanding the drivers of customer satisfaction and loyalty has become crucial. Trust and service quality are pivotal to shaping consumer perception, which directly influences a bank's profitability and customer retention. This study focuses on private banks in South West Delhi and examines the role of these two constructs in shaping customer attitudes and behavior's.

## 2. Literature Review

Several studies have linked service quality and trust to customer satisfaction. The SERVQUAL model, introduced by Parasuraman et al., has been widely applied in assessing service delivery across industries, including banking. Paul et al. (2016) and Singh & Gupta (2016) emphasized that service quality—encompassing responsiveness, empathy, reliability, and assurance—is a strong predictor of satisfaction and loyalty.

Trust becomes especially crucial in services like banking, where the customer's financial security and data privacy are paramount. Digital innovations are another emerging dimension. According to Hammoud et al. (2018), the quality of online services also significantly impacts customer satisfaction.

## 3. Research Methodology

### 3.1 Research Design:

Descriptive

Sample Size and Method:

100 customers of private sector banks in South West Delhi were surveyed using judgmental sampling. This technique was chosen for its practical application in targeting informed respondents.

### 3.2 Data Collection:

Primary data was gathered through structured questionnaires. Secondary sources included scholarly journals, research papers, and reports on banking trends.

### 3.3 Variables Studied:

Independent Variables: Trust, Service Quality

Dependent Variable: Consumer Perception (measured via satisfaction, loyalty, and retention tendencies)

### 3.4 Analysis Tools:

Quantitative analysis through frequency distribution, percentage breakdowns, and pie charts.

## 4. Results and Discussion

### 4.1 Service Preference

60% of respondents prefer mobile banking, reflecting a shift toward digital convenience.

Only 10% rely primarily on ATMs, suggesting limited engagement with physical banking infrastructure.

### 4.2 Tenure and Loyalty

45% of customers have been with their banks for 5–10 years, indicating moderate brand loyalty.

Only 10% have been customers for over 15 years—highlighting potential for improvement in long-term retention strategies.

### 4.3 Perceived Service Priorities

47% value ATM facilities the most, followed by loans (36%) and overdraft (17%).

Wide branch networks (55%) and customer service (22%) significantly influence brand image.

### 4.4 Concerns

65% believe their banks do not offer competitive interest rates.

55% feel that service charges are not justified.

Only 5% of respondents rate their bank's service quality as “Excellent.”

These findings show a perceptual gap between customer expectations and actual service experience—particularly in pricing, transparency, and digital inclusivity. Nonetheless, nearly half of respondents (47%) would still recommend their bank to others, emphasizing that brand trust persists despite service shortcomings.

## 5. Conclusion and Managerial Implications

This study confirms that trust and service quality are integral to shaping customer perceptions in the private banking sector. While digital convenience and branch networks contribute to consumer satisfaction, customers remain sensitive to competitive rates and fee transparency.

### Managerial Implications:

- a) Enhance Digital Trust: Invest in secure, user-friendly mobile and online platforms.
- b) Improve Transparency: Clearly communicate charges, interest rates, and benefits.
- c) Strengthen Employee Engagement: Employee commitment directly impacts service quality and customer trust.

- d) Leverage Data Analytics: Use customer insights to personalize services and enhance engagement

### Scope for Future Research:

Future studies could expand to include public sector banks or compare regions to understand geographic differences in banking perception. Longitudinal studies might also assess how changes in technology adoption affect trust and satisfaction over time.

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