A Comparative Study between Public and Private Sector in the Aspect of Service Quality: Special Reference to Banking Industry in Sri Lanka Research

By Asanka D. Dharmawansa & RAM Madhuwanthi
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Abstract- The service sector in Sri Lanka accounted for 51.3% of the Gross Domestic Production (GDP) respectively with financial being a key performing sub-sector. The development of the banking sector is very significant for the country’s economic development. Earlier there was a high market share for public banks than private banks. However, it has been changed in the present situation. Nowadays there is a great development in private banks compared to public banks. Return on Asset (ROA), Return on Investment (ROI), Net Profit Margin, Market share, and Service Quality are the most significant factor that is used to measure the performance of the bank. Service Quality became a very significant factor that impacted the bank’s performance. The investigation of service quality level and identification of factors to enhance the quality of the service of public and private banks are important for the economy of the country. The main objective of this research is to identify and compare the quality of the service of private and public banks by identifying factors that are required to achieve the expected level.

Keywords: banking sector, service quality, service quality gap, SERVQUAL model, sri lanka.

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Abstract - The service sector in Sri Lanka accounted for 51.3% of the Gross Domestic Production (GDP) respectively with financial being a key performing sub-sector. The development of the banking sector is very significant for the country’s economic development. Earlier there was a high market share for public banks than private banks. However, it has been changed in the present situation. Nowadays there is a great development in private banks compared to public banks. Return on Asset (ROA), Return on Investment (ROI), Net Profit Margin, Market share, and Service Quality are the most significant factor that is used to measure the performance of the bank. Service Quality became a very significant factor that impacted the bank’s performance. The investigation of service quality level and identification of factors to enhance the quality of the service of public and private banks are important for the economy of the country. The main objective of this research is to identify and compare the quality of the service of private and public banks by identifying factors that are required to achieve the expected level.

This research used the SERVQUAL model to measure the service quality of the public and private banks under “Tangibles”, “Responsiveness”, “Assurance”, “Reliability”, and “Empathy”. Data was collected through mystery shopping and 662 responses were gathered from both public and private banks in Sri Lanka. The results revealed that private banks have achieved higher levels of service quality with compare to public banks. 82% is achieved by the private sector banks and public sector banks achieved only 78% in terms of service quality. According to the gap analysis, 11% gap is identified in public banks and only 8% is required to improve in private banks. The factors related to responsiveness, reliability, and empathy are required to consider for both private and public banks to fill the service quality gap. Furthermore, public sector bank should focus their attention on responsiveness and empathy in a very critical manner.

Keywords: banking sector, service quality, service quality gap, SERVQUAL model, sri lanka.

I. Introduction

The banking industry is performing a crucially important role in the Sri Lankan economy. Sri Lankan economy has entered into an accelerated growth path of achieving a Rs. 100 billion economy with USD 4,000 per capita income by 2016. In this scenario, the Sri Lankan banking sector holds more than 55% of the financial sector assets of the country (Central Bank 2016). 48.2% of the GDP is controlled by the industries and service sectors contribute to the 51.3% of GDP (Central Bank 2016). Asset base of Rs. 6,972 billion dominates by the modern banking system in Sri Lanka at the end of 2014, accounting for 57.9% of the total assets of the financial system (Central Bank, 2015). The financial system of a country is much needed for the successful economic development and performance of all the countries. It plays a major role in the Sri Lankan economy also. It can be seen that banks and financial institutions are special components of the wealthy and beneficial financial system of the country (Raza, Amjad, & Akram, 2011). Simultaneously, Commercial banks contribute to the economic growth of the country by making funds available for investors to borrow as well as improving financial deepening in the country (Otouri, 2013). Thereby, the efficiency and stability of the country will depend on the performance of the banking industry.

Public sector and private sector commercial banks are the two main categories in Sri Lankan commercial banks. Currently, the banking system consists of 33 banks, of which 25 are Licensed Commercial Banks (2 state banks, 11 domestic private banks, and 12 foreign banks) and 8 are Licensed Service Banks (6 state banks and 2 private banks) (Central Bank 2015). These 22 commercial banks in Sri Lanka are serving a relatively small population of nearly 20 million. The quality of service is very much important for the banking industry to attract new customers and retain customers in this competitive banking industry since all other factors such as interest rates; product types are quite similar in all the banks.

Private sector banks have a high market share, 53% comparatively to the public sector’s market share of 47% by total assets in 2013 as shown in Figure 01 in Sri Lanka.
The market share of the state banks had declined to 40.2% as shown in Figure 02 by the end of June 2020 from 47% in 2013 due to aggressive growth by private banks (KPMG, 2020). Although the public sector banks are getting support from the government, their performance is low with comparative to the private banks. Previous studies also mentioned that private banks had high financial performance than state banks (Velnampy and Anojan, 2014). It is interesting to find the reason why the private sector is having better performance or have high deposit rate, than the public sector. Return on Asset (ROA), Return on Investment (ROI), Net Profit Margin, Market share, and Service Quality are the most significant factor that is used to measure the performance of the bank. If the bank has more service quality it is a direction that shows the bank has high performance (Chowdhury, Leena Afroz Mostofa; Shaha, Saju, 2016). Service quality impacts organizational outcomes such as performance superiority (Portela & Thanassoulis, 2005). The service quality is considered in this study to identify the performance differences.

Although there are research studies that have been conducted to investigate the service quality in many countries, not much attention has been given to the banking industry in Sri Lanka (Yapa & Hasara, 2013). Few numbers of studies conducted to analyze the service quality of the banking industry in Sri Lanka and they have most probably focused entire banking system without analyzing public and private banks separately (Hussaien, 2020). There is a study related to the service quality of the banking industry that focused on both private and public sector banks in Ambalangoda city in Sri Lanka (Yapa & Hasara, 2013). It is difficult to find the study related to the service quality of both private and public sector banks with considering the entire Sri Lanka.

Hence, this study is focused to achieve the following objectives.

- Identify and compare the quality of the service of private and public banks in Sri Lanka
- Identify factors that need to be improved in public and private banks in Sri Lanka through the service quality gap.
II.  Literature Review

a) Banking industry and service quality

There is a very huge competition in the banking sector with the advancement of technology (Harvey, 2010). Minjoon Jun Shohan (2001) focused that the banks are improving their service quality which is derived from ten dimensions; reliability, responsiveness, competence, courtesy, credibility, access, communication, understanding of the customer, collaboration, and continuous improvement through providing inter-banking to face this competition. Service quality in the broader context should have much attention because it has an obvious relationship with costs, financial performance, customer satisfaction, and customer retention in the banking sector.

Quality of service gives a competitive advantage to compete in the competitive banking sector. It may be the reason for more research in the field regarding this service quality. Mainly Parasuraman et al. (1988, 1991, and 1994), Brown et al. (1989), Cronin and Taylor (1994), Dhabolkar et al. (2000), etc. give much contribution to doing more research regarding service quality in banking industries. Most researchers prove that there is a positive relationship between service quality and customer loyalty by using strong statistical evidence. And also it is proved that service quality has a great influence and positive significant correlation with customer loyalty (Zahir Osman, Liana Mohamad, Ratna Khuzaimah Mohamad, 2015). Good service quality of the banks will make satisfied customers and because of customer satisfaction, it makes loyal customers. Better service quality of the Bank will determine customer satisfaction and customer loyalty of the customers (Panda, 2003; Jones, 2002 as cited by Lymeropoulos et al., 2006).

Many researchers have shown repeatedly that service quality may show direction to superiority performance (Portela & Thanassoulis, 2005), increase sales profit (Levesque & Mc. Dougal, 1996) and have high market share, improve customer relations, enhance corporate image, and promote or enhance customer loyalty (Newman, 2001; Szymigin & Carrigan, 2001; Caruana, 2002; Ehigie, 2006). Marinating better customer service helps to have customer satisfaction and customer loyalty. The service quality is the most considerable and significant reason or factor to have a maximized profit and to be succeeded or to be survived in today’s competitive banking.

Better service quality of the banks shows the direction to have higher revenues, increased cross-sell ratios, higher customer retention (Bennett and Higgins, 1988), and expanded market share (Bowen and Hedges, 1993). And also Storey and Easingwood (1993) proved that the total quality is the most important factor for the success of new financial services and Bennett and Higgins (1988) mentioned that the service quality of the banking sector gives a competitive edge in the competitive banking sector.

The service quality of the bank helps to increase the image of the bank. The service quality gap and satisfaction determine loyalty in a retail bank setting. The perceived quality is the main factor that helps to enhance the public image of the bank. And also it is proving that the service quality of the bank has a direct impact on customer satisfaction and customer loyalty to the bank. So it is significant to have better customer service to have a high profit through customer satisfaction and customer retention.

Many researchers measured the service quality to improve or enhance the quality of service of the bank after identifying the importance of the service quality of the bank. The survey was done to determine the service quality of the bank and credit union by Allred and Addams (2000) by surveying the bank and credit union customers. He indicated that there are eleven factors that mainly affect the service quality of the bank. The eleven factors are, access, courtesy, communication; credibility, security, empathy, tangibles, basic service, fairness, fixing mistakes, and guarantees. The findings of this research shows that the service quality can help to have a distinct marketing edge, higher customer retention (Bennett and Higgins, 1988), and expanded market share (Bowen and Hedges, 1993).

It is very important to study the service quality of the bank in the Sri Lankan context because it will help banks to improve or enhance their service quality to have satisfied customers and loyal customers.

However, the lack of analytical data related to the banking sector in Sri Lanka with comparing both the public and private sectors in terms of service quality is a matter for the customers to identify the suitable bank to carry their accounts (Anjalika & Priyantha, 2018). Comparing major public and private banks of Sri Lanka is a key for the bankers to identify their level and identify the key areas to improve.

b) Models Evaluating Service Quality of Bank

Asubonteng, McCleary, and Swan (1996) mentioned that there are many measurements and dimensions to measure and evaluate the service quality of the banks in the banking sector.

c) SERVQUAL Model

Early service quality models (Gronroos 1982, Parasuraman et al. 1988) have emphasized factors which can be used as components or to measure service quality. In the initial stage, Parasuraman (1988) developed an initial pool of 97 items through a series of focus group sessions conducted with the customers. Then by having greater reliability of 0.9, the initial 97 items is reduced to 22 items to form the SERVQUAL scale by Parasuraman (1988). The 22 items were developed under five dimensions of tangibles, responsiveness, reliability, assurance, and empathy.
And also Parasuraman use this SERVQUAL model to find the gap between perceived and expected service quality that is called as service quality gap in a service organization or a company in 1988.

SERVQUAL deals with five service quality dimensions.
1. Tangibles
2. Reliability
3. Responsiveness
4. Assurance
5. Empathy
(Parasuraman et al. 1988)

The SERVQUAL can be considered as the gap model, that is measuring the service quality as the calculated difference between customer expectations and the actual performance of a service encounter. The SERVQUAL model’s questionnaire covers these five components in two sections. One section is used to measure the perception of the customer and other one is used to measure the expectation. 22 statements were included in each section.

d) SERVPERF Model

The SERVPERF was developed as a response to critical SERVQUAL analysis, by Cronin and Taylor (1992) which can be used to measure the quality of service through solely performance perception ratings. Cronin and Taylor (1992) said that the SERVPERF model is more in conformance with the existing attitude and customer satisfaction literature and is superior to the perception-expectation gap by considering the empirical evidence across four industries (banks, pest control, dry cleaning, and fast food).

SERVQUAL model is selected as the scale for this research. Because this research is a comparative study of service quality between public banks and private banks, and also this research is finding the service quality gap. It means the gap between perceived service and expected service which can be measured by only using the SERVQUAL model. Within all other models, the SERVQUAL model is more appropriate for this research to accomplish the research objective.

e) Mystery Shopping

Previously mystery shopping is used to avoid employee theft by private investigators, especially in retail stores and banks. Wilmark is the founder of the term “Mystery Shopping” which was started using the technique for the evaluation of service to the customer in 1940. In 1970 and 1980 there was very popular for this word. Mystery shopping met worldwide growth and became a very important industry, which is worth around $1.5 billion worldwide (Ramesh, 2010).

Mystery shopping is defined as a method of "The use of individuals trained to experience and measures any customer service process, by acting as potential customers and in some way reporting back on their experiences in a detailed and objective way" (Wilson, 2008). Mystery shopping is an observational method that can be used to measure and evaluate the service quality to the customers (Wilson, 2008).

Mystery shopping can be used,
- To measure the quality of the service delivery to the customer
- To comply with specific standards, guidelines, or demands
- To position the quality of the service on a scale
- To benchmark the customer service of the service organization or the company from its competitors
- To identify the failures or the weak points in the service delivery process

Mystery shopping is a very famous method in the banking industry to identify the level of customer service (Hotchkiss, 1995).

Researchers can be used mystery shopping as a method to measure customer satisfaction (Wilson, 2008), and also mystery shopping can be used as a method to investigate the gap in service quality (Grove et al., 1992).

Research that is based on service situations such as banks, restaurants, shops, travel agencies, airlines, and car dealers can be used in mystery shopping because mystery shopping is a very important method that can be used to conduct an accurate and unbiased investigation or a survey.

This research used mystery shopping as a method to collect the primary data for this research through the developed questionnaire.

III. Methodology

The methodology consists of two sections. Those are the perception and expectations of service quality of the banks. SERVQUAL, a well-known model is used to measure the service quality of the banks in this study. The following five dimensions are used to identify the service quality of the banks according to the SERVQUAL method. They are,
1. Tangibles- the availability of physical facilities, equipment, and personnel
2. Reliability- the ability of the service provider to perform a service dependably and accurately
3. Responsiveness- the willingness of service provider to assist customers and deliver prompt services
4. Assurance- the customers can put their trust in service provider employees
5. Empathy- the individualized care and attention that customer receives from service deliver (Parasuraman et al.1988).

This research is discussing a comparative study between public and private banks by considering the service quality.
And also the service quality gap is calculated by getting the difference between expected and perceived service. The calculation of gap is mentioned below for one factor and same can be applied for other factors.

Tangibles Gap = Perceived Tangibles value – Expected Tangibles value

a) Details of the Variables

As per the model developed, the variables of tangibles, responsiveness, assurance, reliability, and empathy are used to measure by giving a questionnaire for the selected unit of analysis. The questionnaire is developed to measure the factors of tangibles, responsiveness, assurance, reliability, and empathy.

SERVQUAL model’s first factor is “Tangibles”. Tangibles mean the appearance of physical facilities, equipment, personal, and communication materials. The questionnaire included statements that describe the cleanliness of the bank environment, modern equipment of the bank, physical facilities of the bank, bank officers well dressed and appearance neat, and the appearance of the physical facilities of the bank is in keeping with the type of services provided. The tangible is measured using five statements according to the SERVQUAL model.

The second factor is “Responsiveness”. Responsiveness means the willingness of the bank employees to help the customer and whether the employees of the bank provide prompt services or not. The questions in the questionnaire under responsiveness measures that the employees in the bank are promoting services, give the information on exact services, willingness to help the customer, and are never busy to requested services of the customer. The responsiveness is evaluated through four statements according to the SERVQUAL model.

“Assurance” is the third factor of the SERVQUAL model. Assurance indicates the knowledge and politeness of employees with evaluating their ability to make trust and confidence. And also assurance means that customers can put their trust in service provider employees. The assurance factor of the bank is measured from the responses of the respondents to the questions in the given questionnaire. Assurance was measured through the questionnaire by using the statements that include the information regarding the bank is consistently courteous with customers, employees of the bank are polite to the customers, the employees of the bank give understandable and clear information to the customers, the employees’ behavior makes confidence in the customer, and the customer has a feel safe in their transaction. The assurance is measured through six statements according to the SERVQUAL model.

SERVQUAL model’s fourth factor is “Reliability”. Reliability means the ability of the employees in the bank to perform the promised services dependably and accurately. This questionnaire includes the statement of the promises of the bank to provide the services and do so, if the customer has a problem that the bank shows a sincere interest to solve the problem, the bank is keeping promises to do something by a certain time, and the bank is performing the services correctly at the first time. Reliability is recognized through five statements according to the SERVQUAL model.

SERVQUAL model’s fifth factor is “Empathy”. Empathy means the employees of the bank have caring about the customers and the individualized attention paid to the customers that are provided by the bank. Empathy is measured in this questionnaire by having the statements that the bank gives individual attention, the bank has operating hours convenient to customers, the bank has the customer interest best in heart, and the employees of the bank understand the customer specific needs. Empathy is measured through four statements according to the SERVQUAL model.
b) Population and Sample size

This research is based on public banks and private banks in Sri Lanka. Three main public banks and three large private banks are considered in this study. The sample has been selected by assuming every branch is providing the same products and services in the comparatively same way.

**Table 1:** Number of branches of selected banks in Sri Lanka

<table>
<thead>
<tr>
<th>Number of Branches</th>
<th>Public Bank (Three banks)</th>
<th>Private Bank (Three banks)</th>
<th>Population</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1613</td>
<td>748</td>
<td>2,361</td>
<td>327</td>
</tr>
</tbody>
</table>

In this study, all the branches of the selected public and private banks are considered as a population and it was 2,361. The sample is selected based on the Morgan table and it was 327 branches. Two respondents including the researcher filled the 662 questionnaires in this research. Table 01 represents the details of public and private banks.

IV. Result and Discussion

a) Perceived service quality

The Cronbach’s alpha value is calculated to illustrate the reliability of each variable and the results are represented in Table 02.

**Table 2:** Reliability Analysis – Perceived quality

<table>
<thead>
<tr>
<th>Variable</th>
<th>No of Item</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible</td>
<td>4</td>
<td>0.709</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>4</td>
<td>0.715</td>
</tr>
<tr>
<td>Assurance</td>
<td>6</td>
<td>0.857</td>
</tr>
<tr>
<td>Reliability</td>
<td>5</td>
<td>0.808</td>
</tr>
<tr>
<td>Empathy</td>
<td>4</td>
<td>0.691</td>
</tr>
</tbody>
</table>

All the variables can be accepted since all the values are more than 0.6 which is the acceptable level of reliability test (Ursachi et al., 2015).

The principle component analysis was conducted for all the items which are used to measure the variables. Only one item was removed in the ‘Tangible’ variable since its significant value is less than 0.5. All other items are considered for further analysis since their significant values are more than 0.5.

Then the correlation analysis is conducted by using the bivariate test in the SPSS. Table 03 represents the correlation values of the variables.

The correlation matrix shows that there is a significant correlation between Tangibles and Assurance at 0.01 levels. Correlation between Responsiveness with Assurance, Reliability, and Empathy at 0.01 levels is also significant. Further, there is a significant relationship between Assurance with Reliability and Empathy at 0.01 levels. Reliability and Empathy are also having a significant correlation at 0.01 levels.

The result of the descriptive statistics and one sample T-test for the public and private banks is shown in Table 04.

The mean value of service quality for the Public sector banks is 3.9762 while private sector banks are 4.1191. The T-value of service quality of the public and private banks is respectively 19.187, and 21.311. So the T-value of service quality of the public and private banks is significant. And also the significant value of service quality of the public and private banks is 0.000 which is less than 0.05. The service quality of public and private banks is significant. It indicates that the private banks’ service quality is better than public banks’ service quality.

Figure 03 and Table 05 represents the values for the five dimensions of public bank and private bank separately. T- Value of Tangible, Responsiveness, Assurance, Reliability, and Empathy of Public Bank and private bank is greater than 2. And also the significance value of every factor of a public and private bank is 0.000 which is less than 0.05. So, the tangible, responsiveness, assurance, reliability, and empathy values of the public and private bank are significant at a 95% significance level.

Figure 03 represents the comparison between public and private banks according to the five factors of the SERVQUAL model Tangible, Responsiveness, Assurance, Reliability, and Empathy. Private Banks’ have higher values for all the variables in this SERVQUAL model except ‘Assurance’. Both public and private banks earned the same value for the ‘Assurance’.

The findings of this research study prove that the service quality of private sector banks is greater than public sector banks.
### Table 4: Analysis of Perceived quality

<table>
<thead>
<tr>
<th>Public or Private Bank</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>T-Value</th>
<th>Significance Value</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Bank</td>
<td>308</td>
<td>2.82</td>
<td>4.70</td>
<td>3.9762</td>
<td>19.187</td>
<td>0.000</td>
<td>0.44064</td>
</tr>
<tr>
<td>Private Bank</td>
<td>354</td>
<td>2.87</td>
<td>4.85</td>
<td>4.1191</td>
<td>21.311</td>
<td>0.000</td>
<td>0.45780</td>
</tr>
</tbody>
</table>

### Table 5: Compare Public and Private Banks based on SERVQUAL Model – Perceived quality

<table>
<thead>
<tr>
<th>Public or Private Bank</th>
<th>N</th>
<th>Mean</th>
<th>T-Value</th>
<th>Significance Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Bank</td>
<td>308</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible</td>
<td>308</td>
<td>4.2500</td>
<td>22.341</td>
<td>0.000</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>308</td>
<td>3.7433</td>
<td>10.887</td>
<td>0.000</td>
</tr>
<tr>
<td>Assurance</td>
<td>308</td>
<td>4.2911</td>
<td>20.959</td>
<td>0.000</td>
</tr>
<tr>
<td>Reliability</td>
<td>308</td>
<td>3.8667</td>
<td>13.634</td>
<td>0.000</td>
</tr>
<tr>
<td>Empathy</td>
<td>308</td>
<td>3.7300</td>
<td>10.646</td>
<td>0.000</td>
</tr>
<tr>
<td>Private Bank</td>
<td>354</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible</td>
<td>354</td>
<td>4.3500</td>
<td>20.673</td>
<td>0.000</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>354</td>
<td>3.9688</td>
<td>18.129</td>
<td>0.000</td>
</tr>
<tr>
<td>Assurance</td>
<td>354</td>
<td>4.2917</td>
<td>19.895</td>
<td>0.000</td>
</tr>
<tr>
<td>Reliability</td>
<td>354</td>
<td>4.0650</td>
<td>17.347</td>
<td>0.000</td>
</tr>
<tr>
<td>Empathy</td>
<td>354</td>
<td>3.9375</td>
<td>13.255</td>
<td>0.000</td>
</tr>
</tbody>
</table>

b) **Expected Service Quality**

Service Quality Gap is measured by using the following formula,

\[
\text{Service quality gap} = \text{Perceived Service Quality} - \text{Expected Service Quality}
\]

If there is a positive value for the service quality gap, it indicates that the bank exceeds the customer's expectation. If so, the bank makes delighted customers. If the service quality gap is equal to zero it means that the customer expectation is covered by the customers with making satisfied customers. The bank performance is less than customer expectation when there is a negative value for the service quality gap. The result makes dissatisfied customers.

The Cronbach’s alpha value is calculated to illustrate the reliability of each variable and the results are represented in Table 06.

All the variables have values of more than 0.6 which is the acceptable level of reliability test (Ursachi et al., 2015).

The correlation matrix shows that there is a significant correlation between Expected Responsiveness with Expected Assurance, Expected Reliability, and Expected Empathy at a 0.01 level as mentioned in Table 07. The correlation between Expected Assurance with Expected Reliability and Expected Empathy is also significant at a 0.01 level. And also there is a significant relationship between Expected Reliability and Expected Empathy at a 0.01 level.

Mean value, T-Value, and the significant value of service quality gap between public and private banks are mentioned in Table 08. It indicates that the service quality gap is significant at a 95% significance level and the service quality gap is higher in public banks’ than the private banks.

The service quality gap is mentioned for both private and public banks based on the SERVQUAL model in Figure 04. Both private and public banks need to focus the responsiveness, reliability, and empathy to improve the level of service quality since the service quality gap is higher compared to the other variables. Especially Public sector banks should focus on and improve responsiveness and empathy.

### Table 6: Reliability Analysis – Expected quality

<table>
<thead>
<tr>
<th>Variable</th>
<th>No. of Item</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected Tangible</td>
<td>5</td>
<td>0.745</td>
</tr>
<tr>
<td>Expected Responsiveness</td>
<td>4</td>
<td>0.606</td>
</tr>
<tr>
<td>Expected Assurance</td>
<td>6</td>
<td>0.662</td>
</tr>
<tr>
<td>Expected Reliability</td>
<td>5</td>
<td>0.670</td>
</tr>
<tr>
<td>Expected Empathy</td>
<td>4</td>
<td>0.724</td>
</tr>
</tbody>
</table>
### Table 7: Results of Correlation Analysis – Expected quality

<table>
<thead>
<tr>
<th></th>
<th>Expected Tangible</th>
<th>Expected Responsiveness</th>
<th>Expected Assurance</th>
<th>Expected Reliability</th>
<th>Expected Empathy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected Tangible</td>
<td>1</td>
<td>-0.018</td>
<td>0.021</td>
<td>0.027</td>
<td>-0.073</td>
</tr>
<tr>
<td>Expected Responsiveness</td>
<td>0.021</td>
<td>1</td>
<td>0.641**</td>
<td>0.548**</td>
<td>0.549**</td>
</tr>
<tr>
<td>Expected Assurance</td>
<td>0.641**</td>
<td>1</td>
<td>0.718**</td>
<td>0.668**</td>
<td>0.668**</td>
</tr>
<tr>
<td>Expected Reliability</td>
<td>0.027</td>
<td>0.548**</td>
<td>0.718**</td>
<td>1</td>
<td>0.721**</td>
</tr>
<tr>
<td>Expected Empathy</td>
<td>0.027</td>
<td>0.548**</td>
<td>0.668**</td>
<td>0.721**</td>
<td>1</td>
</tr>
</tbody>
</table>

** Correlation is significant at the .01 level (2-tailed)

### Table 8: Analysis of Service quality gap

<table>
<thead>
<tr>
<th>Service quality gap</th>
<th>Mean</th>
<th>T-Value</th>
<th>Significance Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Bank</td>
<td>0.5504</td>
<td>-42.731</td>
<td>0.000</td>
</tr>
<tr>
<td>Private Bank</td>
<td>0.4452</td>
<td>-45.502</td>
<td>0.000</td>
</tr>
</tbody>
</table>

### V. Conclusion and Recommendations

The aim of this study is to compare the quality of the service of private and public banks and identify factors that need to be improved in a public bank and private bank through service quality gap. The data was collected using the mystery shopping method considering three main public banks and three large private banks. Altogether 327 branches were covered island-wide with gathering 662 questionnaires.

The first objective is achieved by analyzing the result of public and private banks separately. The private banks have achieved higher levels of service quality with compare to the public banks. Private sector banks scored about 82% and public sector banks achieved only 78% in terms of service quality. According to the five factors of the SERVQUAL model of Tangible, Responsiveness, Assurance, Reliability, and Empathy, Private Banks’ have higher values for all the variables in this SERVQUAL model except ‘Assurance’. Both public and private banks earned the same value for the ‘Assurance’. The result indicates that both private and public sector banks have the opportunity to grow in terms of service quality and especially public sector banks should give more attention to that.

Fig. 4: Analysis of Service quality gaps
The gap analysis is conducted to achieve the second objective, to identify the factors to improve to achieve higher service quality. The service quality gap is calculated by identifying perceived value and the expected value using mystery shopping. The previous findings were confirmed further according to the gap analysis and the result mentioned that the service quality gap is higher in public Banks than the private banks. 11% gap is identified in public banks and only 8% is required to improve in private banks.

And also Table 09 is representing the items that should be improved in each dimension for all banks based on the SERVQUAL model. Both private and public banks need to focus the responsiveness, reliability, and empathy to improve the level of service quality. Especially Public sector banks should focus and improve responsiveness and empathy.

a) Future research

The present study is based on the enhancement of the service quality of banks to enhance the performance of the banks or to reduce the gap between public and private sector banks regarding service quality. However, service quality is not the only factor that affects the performance of the banks or the gap between public and private banks. By investigating more factors more generalized output can be obtained. Therefore, this research study can be extended up to more factors rather than service quality. This study has selected only six banks which include three government banks and three private banks. Sri Lanka is having more than 23 licensed commercial banks. This research can be further extended by covering more public and private banks which can be a real reason to generalize the outcome.

REFERENCES