

SERVICE QUALITY PERSPECTIVES AND CUSTOMER SATISFACTION IN COMMERCIAL BANKS

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ABSTRACT

The Indian banking sector has undergone a metamorphosis particularly after the 1991 banking sector reforms. The major strategy of withstanding the stiff competition and not only to retain the old customers but also to attract the new customers is possible through provision of better services and hence, in recent times provision of better and quality services to customers has become one of the focal points of the banks. Quality in customer service is the only way a business can differentiate itself from its competitors. It is regarded as a strategic organizational weapon. The race is on to capture a bigger slice of the market pie with competition from private, nationalized as well as foreign banks. More and more banks are re-orienting their focus on customers' needs to make them satisfied and keep them as their loyal customers. Quality is the bandwagon and the enchanted mantra for salvation for both customers and businesses.

In case of developing service organizations, upgrading their services necessitates measuring service quality. The measurement of quality providing bases for improving it. The goal of this study is to have a clear understanding of the level of service quality in Commercial banks in Chennai, to identify the interrelationships between service quality and customer satisfaction and also aims to find out the most important attributes of service quality in commercial banks, which can be used to evaluate the characteristics of banking service quality as perceived by customers.

DATA ANALYSIS AND RESEARCH METHODOLOGY

Service quality measure is based on modified version of SERVQUAL as proposed by Parasuraman et al. (1988), which involve five dimensions of Service quality, namely Reliability, Responsiveness, Empathy, Assurance, and Tangibles. Customer satisfaction was measured by a nine item adapted from

Walfried et al. (2000), this study is cross sectional and descriptive in nature. The primary data collection instruments is pre structured questionnaire which consists of two major sections. Section A of the Questionnaire was set to obtain personal information (gender, age, education Level, income, occupation and Customers' Bank) of the respondents. The SERVQUAL Model was used for Questions in section B, consisted of 22 questions to measure the key dimension of service quality i.e. reliability (5 attributes), empathy (5 attributes), responsiveness (4 attributes), assurance (4 attributes), tangibles (4 attributes) and through this the gap between perception and expectation will be analyzed ,here the questions were divided into two parts whereby the first part evaluated actual quality of service offered (according to perception and experience) and the second part into expected quality of service i.e. what customers expect all banks to provide. Questions were set in Likert scale where rating of each statement started with 1 indicating "strongly disagree" and ended with 5 being "strongly agree". The data is analyzed by finding the mean scores of the various servqual dimensions both for

expectations and perceptions. Such mean scores are compared with each other to find the gaps between expectations and perceptions. Further these gaps are cross tabulated with the profile of consumers. ANOVA has been used to test the hypotheses. Descriptive analysis was used to present a profile of the respondents and to identify the mean and standard deviation of each SERVQUAL, satisfaction statements. The correlation results indicate that there is a positive correlation between the dimensions of service quality and customer satisfaction. The results of the regression test showed that offering quality service have positive impact on overall customer satisfaction. The results of this research show that in all aspects, customers' expectation is higher than their perceptions of the Bank's operation, and in fact the quality of offered services is low. These findings are further explored; this research will be very useful for managers, policymakers, implementers as well as academicians to understand the customer expectations in Banking. The study adds value to the knowledge in the field of banking service quality for development and also opens new areas of research.

Keywords: Service quality, Customer satisfaction, SERVQUAL , Commercial Banks.

I INTRODUCTION

Service industries are playing an important role in the economy of many nations. In India more than 80% of Indian GDP comes from services. Indian banking industry has suddenly witnessed a major boom. Being a globalized market, the customers seek and demand world class products and services. In today's global market, the competitive advantage, differentiation and excellence lies in delivering high quality service to the customers. Customers are the important stakeholders in an organization and their satisfaction is most important .The need to achieve customer satisfaction lies in its ability to deliver better quality service to the customers. Service quality has drawn attention of researchers and managers in recent decades (Zeithaml, 2000). It has become a significant subject because of its impact on customer satisfaction. customer satisfaction is considered as a pre-requisite for customer retention, loyalty which ultimately helps in realizing the goals of

profitability, market share, growth, return on investment, productivity etc .Now the question arise what are the various services organizations are offering to the customers? Are the customers satisfied with these services? What are the various dimensions of services? What is the impact of these service dimensions on customer satisfaction?

II LITERATURE REVIEW

A. Service Quality

Kotler & Keller, 2009 define service as “any intangible act or performance that one party offers to another that does not result in the ownership of anything”. Service quality can be defined as expectations of customers towards the service. Service quality is the global evaluation or attitude of overall excellence of services. So service quality is the difference between customer expectation and perceptions of services delivered by the firm. A quantitative research was arranged by Parasuraman et al in 1988 in which an instrument was developed for measuring the perception of consumers regarding service quality and after that research it became known as SERVQUAL. The dimensions of SERVQUAL model were:

Tangibles – physical attributes.

Reliability –to give promised service.

Responsiveness – showing interest to help customers and provide prompt services.

Assurance –guarantee competence, courtesy, credibility, and security to customers by organization’s employees using their knowledge.

Empathy –the ability to understand and share the feelings of customers. (Parasuraman et al., 1988).

B. Customer Satisfaction

Customer satisfaction is a measure of how products and services supplied by a company meet or surplus customer expectation. In other words, customer satisfaction means the degree of satisfaction provided by the goods or services of a company as measured by number of repeat customers. Different researcher has defined customer satisfaction in different ways. Customer satisfaction can be defined as the difference between confirmation and disconfirmation of individual expectations. Customer satisfaction can be presented by the given formula: Customer satisfaction = “customer perceived value - customer expected value”

C. Assessing Service Quality Using SERVQUAL

The augmented SERVQUAL by Zeithaml et al. (1993) illustrated the association between service quality and customer satisfaction. The model also assumed linearity between services attributes to performance with customer satisfaction (Tan &Pawitra, 2001). SERVQUAL can be adapted to any service organization and that data obtained from the SERVQUAL Model can be used by managers to concentrate in areas which need improvement. Brysland and Curry (2001) further argue that the SERVQUAL Model is a model which has been used and tested by various researchers and has been used for many benchmarking purposes. SERVQUAL can also be administered on a repeated, regular basis.

III RESEARCH METHODOLOGY

A. Research Problem

Customer satisfaction and service quality are global issues that affect all organizations, be it large or small, profit or non-profit, global or local. Many companies are interested in studying, evaluating and implementing marketing strategies that aim at improving Customer satisfaction. Service quality plays a pivotal

role in determining customer satisfaction. In a way, quality needs to be understood and managed throughout the services of an organization. Quality and customer satisfaction have long been recognized as playing a crucial role for success and survival in today's competitive market. By that the present studies initiated to find out Quality Perspectives and Customer Satisfaction in Commercial Banks.

B. Objectives of the Study

(i) Primary Objective:

The main object of the study is to examine the Service Quality Perspectives and Customer Satisfaction

(ii) Secondary Objectives

1. To identify degree of importance attached to various dimensions of service quality viz. reliability, responsiveness, empathy, tangibles and assurance by the customers.
2. To find the gap between customer's expectations and perceptions of quality of services of banks.
3. To examine Independence of Service Quality satisfaction from Categorical Variables

C. Data Collection

(i) Questionnaire Design

Data is collected through questionnaire. The research executed in a time frame of one month June 2014. Section A of the Questionnaire was set to obtain personal information (gender, age, education Level, income, occupation and Customer's Bank) of the respondents. The SERVQUAL Model was used for Questions in section B, consisted of 22 questions to measure the key dimension of service quality i.e. reliability (5 attributes), empathy (5 attributes), responsiveness (4 attributes), assurance (4 attributes), tangibles (4 attributes) and through this the gap between perception and expectation will be analyzed. The questions were divided into two parts whereby the first part evaluated actual quality of service offered (according to perception and experience) and the second part into expected quality of service i.e. what customers expect all banks to provide. Questions were set in Likert scale where rating of each statement started with 1 indicating "strongly disagree" and ended with 5 being "strongly agree". The qualitative data is converted into quantitative and then details analysis is made with appropriate statistical tools.

ii) Sample

The study limited to customers of bank which are located in Chennai. Convenience sampling method has been adopted to select customer from bank. Sample constituted of total one hundred and sixty customers equally in male and female, aged 18 and above, were requested to fill the questionnaire.

IV DATA ANALYSIS AND INTERPRETATION

A) Reliability And Validity

Reliability measurement is established by testing for both consistency and stability. Cronbach alpha has been employed to evaluate the reliability scale of construct, dimension of each construct and to ensure that the data collected is reliable. The Cronbach Alpha is calculated to measure the reliability of the five dimensions, i.e., Reliability, Responsiveness, Assurance, Empathy and Tangibility

Table 1: Cronbach's Alpha of all the Variables

	Perception	Expectation
22 Items	0.814	0.881
Reliability	0.725	0.733
Responsiveness	0.784	0.791
Assurance	0.708	0.726
Empathy	0.752	0.762
Tangibility	0.711	0.753

From Table 1, it can be seen that all the coefficients of alpha are all above 0.7 for all the dimensions. Fujun et al. (2007) states that a Cronbach's alpha of greater than 0.7 indicates that the data is internally consistent. Thus it can be concluded that the data is reliable.

B) Demographic Profile of Respondents:

In total, a sample of 160 respondents from different bank branches participated in the survey. Details of the respondents profile are provided in table 2 below

Table 2: Demographic Profile of the Respondents

Demographic Characteristics		Frequency	Percentage
Gender	Male	80	50
	female	80	50
Age group	18-25	28	18

	26-35	42	25
	36-50	32	20
	51-60	30	19
	Above 61	28	18
Educational level	Secondary level	19	12
	Higher Secondary	47	29
	UG Degree	64	40
	PG Degree	30	19
Income	0-10000	32	20
	10001-20000	68	43
	20001-30000	35	21
	Above 30000	25	16
Occupation	Employed	33	21
	Professionals	27	17
	Business	45	28
	Student	28	18
	Home maker	16	10
	Retired	11	6
Customer's Bank	SBI	21	12
	Citi Bank	12	8
	ICICI	24	15
	HDFC	28	18
	Axis	19	12
	HSBC	16	10
	Bank of Baroda	14	9
	Canara bank	9	6
	RBS	2	1
	Corporation Bank	15	9

It can be noted from the above table that, respondents are equally divided into male and female with a frequency of 80 each. The highest number of respondents falls in the age group 26-35. It can be further noted that the highest level of education attained by most respondents was under graduates, followed by Higher Secondary and Post graduates. In terms of income, 43

% of the sample falls in the range

Rs.10001- Rs.20, 000. Concerning occupation, it can be seen that the highest number of respondents come from Business Category (28%) followed by 21 % employed. Regarding Customer's bank 18% respondents are from HDFC, 15% respondents are from ICICI. Each 12% respondents are from SBI and Axis Bank.

C) Hypothesis to Test Independence of Service Quality satisfaction from Categorical Variables

H0: Service quality Satisfaction is an independent of variables such as gender, age, education Level, income, occupation

and Customers' Bank.

H1: Service quality Satisfaction is not independent of variables such as gender, age, education Level, income, occupation and Customers' Bank.

Table 3: Results of the ANOVA Test to establish Relationship of Service Quality Satisfaction with Categorical variables

Independent Variables	F Statistic	P Value	Significance At 5%	Acceptance of Hypothesis
Gender	0.816	0.444	Not significant	H0 is accepted
Age	0.846	0.331	Not significant	H0 is accepted
Educational level	2.846	0.015	Significant	H1 is accepted
Income	5.761	0.000	Significant	H1 is accepted
Occupation	3.589	0.000	Significant	H1 is accepted
Customer's Bank	2.327	0.000	Significant	H1 is accepted

From the above table, it is brought out that customer service quality satisfaction varies with categorical variables like Educational Level, income, occupation and Customer's bank. However, customer service quality satisfaction does not vary with age and gender.

D) Servqual Gaps - Identification of Gaps (Expectation vs. Perception) in Customer Service Quality (parameter-

wise gaps) Reliability, Assurance, Empathy, Responsiveness and Tangibility

The gap score is the difference between the mean score of perceptions and the mean score of expectation. It was observed that responsiveness gap is higher (0.917), followed by reliability gap (0.826), empathy gap (0.813), assurance gap (0.801) and tangibility gap (0.608).The

tangibility dimension (Location, Employees dressing, Printed materials, Availability of equipment & visually appealing layout) holds a least servqual gap between the customers' expectations and perceptions. The gap between the customers' expectations and perceptions on the responsiveness dimension (Customer support, less waiting time, ease of location and quick response) is the highest. This show, of all the dimensions

of service quality, banks are lagging behind in being responsive to customer requirements. However, the gap scores on reliability, assurance and empathy dimensions seem to be more or less the same.

E) Correlations between Service Quality and Customer Satisfaction

This brings out how the influence of service quality affects the satisfaction of the banking customers of the Bank

Table 4: Correlations between Service Quality and Customer Satisfaction

Variables	Customer satisfaction	Tangibility	Reliability	Responsiveness	Assurance
Tangibility	0.598				
Reliability	0.842	0.676			
Responsiveness	0.868	0.579	0.382		
Assurance	0.716	0.625	0.701	0.683	
Empathy	0.786	0.648	0.687	0.668	0.723

There is a significant positive relationship between the five dimensions of service quality and customer satisfaction, the highest correlation is between responsiveness and customer satisfaction (0.868); followed by reliability (0.842), Empathy (0.798) and Assurance (0.716) customer satisfaction.

CONCLUSION

The present study identified, responsiveness, reliability, and empathy is

respectively. The weakest correlation is between tangibility and customer satisfaction (0.598). Because the correlation was positive, service quality and customer satisfaction is positively related, which means the better service quality was the higher

the most important dimensions of services having stronger impact on service quality and customer satisfaction while assurance

has less impact and tangible dimensions have very low impact. This study also found a positive relationship between all service quality dimensions and customer satisfaction. Accordingly, the results of this research paper confirmed the theory of literatures regarding the relationship between service quality dimensions and customer satisfaction. This study identified that, customer service quality satisfaction varies with categorical variables like, Educational Level, income, occupation and Customer's bank. However, customer service quality satisfaction does not vary with age and gender. The tangibility dimension (Location, Employees dressing, Printed materials, Availability of equipment & visually appealing layout) holds a least servqual gap between the customers' expectations and perceptions. It is very obvious that, the gap between the customers' expectations and perceptions on the responsiveness dimension (Customer support, less waiting time, ease of location and quick response) is the highest. This show, of all the dimensions of service quality, banks are lagging behind in being responsive to customer requirements. However, the gap scores on reliability, assurance and empathy

dimensions seem to be more or less the same. It is advisable that the banks should focus more on "Responsiveness" dimension to win the customers. Banks also have to look into aspects like reliability, empathy and assurance in delivering their services. Banks have created enough tangible cues to impress upon the customers.

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