DYNAMICS OF SERVICE QUALITY
IN THE INDIAN BANKING SECTOR

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ABSTRACT

In this modern era of global competition, factors such as customer expectation and customer satisfaction vitally contributes towards the success of any industry and the Indian banking industry is not an exception. The role of customers is The existing Indian banking landscape customers play a vital role. It is the responsibility of banks to satisfy the customers in order to retain them for their very survival and success. Customer's expectations and customer satisfaction and service quality are highly related. The banks should be able to minimize and eliminate the gap between perceived service quality of customers and the actual service provided. The present paper evaluates the level of service quality is in commercial bank in Kerala. The study also attempted to ascertain the dimensions of service quality in banks. . The present work finds out that tangibility and assurance as the foremost dimensions of service quality with their key influence on the customers. But, both the parameters of responsiveness and empathy show a lower level of satisfaction among the customers. It is suggested to the banking sector that apart from ensuring the trust of customers, it should improve their operations in providing highly advanced technological services to the customers with easy access and instant delivery features. . Thus, by providing enhanced quality in the banking services, the banks would be able to create a whole gamut of satisfied customers which would ultimately lead to further the efficiency and performance in the banking landscape.

Keywords: Service Quality, Customer Loyalty, Customer Satisfaction.
JEL Classification: M31 M30

Introduction:

The financial sector reforms in India have made tremendous changes in the competitiveness across all industrial segments in India. The entry of foreign banks into the Indian banking sector further boosted the level of competition. In the present day banking, only efficient and effective units can survive and expand their market share. In the existing Indian banking landscape customers play a vital role. It is the responsibility of banks to satisfy the customers in order to retain them for their very survival and success. Customer's expectations and customer satisfaction and service quality are highly related. The banks should be able to minimize and eliminate the gap between perceived service quality of customers and the actual service provided. The present paper evaluates the level of service quality is in commercial bank in Kerala. The study also attempt to ascertain the dimensions of service quality in banks

The Problem:

In this modern era of global competition, factors such as customer expectation and customer satisfaction vitally contributes towards the success of any industry. Customer expectation is the perceived value that the customer anticipates out of a service. Any industry fulfilling customer expectation wins the mind of the customers which lead to customer satisfaction and then to customer delight. In any situation, a failure meeting the expectation of the customer will affect the overall growth and survival of the business in the market. In order to withstand the global competition and market dynamism, it is essential for the business to scrutinize all the factors which leads to customer satisfaction, thus enabling the business to point out the

areas of weakness. Identifying these key elements would facilitate decisions of the management in this regard so as to improve the business functions in such a way that it leads to customer satisfaction and overall growth of the industry. In this context, this paper examines the level of customer satisfaction by measuring service quality among the customers of public and private sector banks.

Objectives:

1. To evaluate the perceived service quality in commercial banks.
2. To ascertain the dimensions of service quality in banks.
3. To offer suggestions to improve the service quality in banks.

Scope and Significance:

The scope of this paper is limited to the measurement of the perceived service quality among the customers of commercial banks in Thrissur district. The paper also attempts to identify the dimensions of service quality in banks so as to identify the factors which influence the service quality of banks and thus helping the industry to improve their performance by making a deep analysis of their strengths and weaknesses. This paper throws light to the areas of weakness of the commercial banks in providing proper and prompt services to the customers.

Methodology:

The paper is based on a descriptive and exploratory study based on primary data. The paper is based on the studies conducted by Parasuraman et.al. (1988). Primary information is collected using survey method. The customers of commercial banks in Thrissur District of Kerala State forms the population of the study. The study used convenient sampling technique and selected 200 customers of commercial banks from different areas of Thrissur district of the state of Kerala. The present study conducted personal interviews using the SERVQUAL instrument developed by Parasuraman et.al. (1988). The study used five dimensions i.e. Tangibles - which includes physical facilities, equipment and appearance of personnel; Reliability- which includes ability to perform the promised services dependably and accurately; Responsiveness- which includes Willingness to help customers and provide prompt service ; Assurance- which includes Knowledge and courtesy of employees and their ability to inspire trust and confidence; and Empathy- which includes Caring and individualized attention the firm provides its customers. Service quality index was calculated as a percentage of the score obtained for the parameter to the maximum obtainable score for the parameter.

Literature Review:

The major literature reviews of the researches conducted on the similar topics of study by various researchers and scholars includes the following.

Ravichandran et.al (2010) in their research work titled `Influence of service quality on banking customers behavioural intention' tried to understand the socio-demographic and rational profile of public retail banking consumers and also aimed to evaluate the degree to which the service quality dimensions can predict the multi- dimensional model of behavioural intentions as suggested by Parasuram et.al (1996) among public banking customers in India. This study also identifies the important underlying perception of service quality dimensions among public retail banking customers. This study used purposive sampling technique to select respondents from two major public sector banks of Trichirappalli city of Tamil Nadu, India. The service quality variable of tangibility, responsiveness and empathy dimensions play an important role predicting customer behavioural intentions which is identified using multiple regression analysis. This study also highlights that managers should focus on specific dominant SERVQUAL variables on customer behaviour to measure, control and improve customer perception of service quality among Indian public banking customers. This study also found out that service quality construct proposed by Parasuram et.al (1988) alone is not effective in predicting behavior intentions.

S. Vijay Anand et.al (2012) in their research report titled `The Impact of Service Quality on Customer Satisfaction and Loyalty in Indian Banking Sector: An Empirical Study through SERVPERF' examines the impact of service quality on customer satisfaction and Loyalty in Indian Banking sector by applying SERVPERF scale. A total of 50 customers of State bank of India, Mohan Nagar Township branch of Salem District in Tamil Nadu were interviewed. The result of the study revealed that out of five service quality factors considered, assurance is having a highest Mean score of SERVPERF and the bank should concentrate on reliability as it has the least mean score of SERVPERF. Regarding the association between the Demographic variables and the service quality factors, it is seen that there is no significant association found between them except in case of Empathy and Marital status in respect of all service quality factors. It is also observed that there is a significant association found between all the Service quality factors and the customer satisfaction as well as with customer Loyalty. While analyzing the antecedents of Customer satisfaction and Loyalty, factors like Responsiveness, Reliability and Empathy are significantly influenced and also explained respective percentage of relevant changes in the Independent variables considered.

Asad Ilyas et.al (2013) in their work titled "Assessing the service quality of banks using SERVQUAL mode" purposed to determine the service quality of banks. This study also aimed at providing essentials and recommendation for improvements. The study instruments self-administrated questionnaires to 306 individuals of equal representation from each gender. Both the parts of the questionnaire, expectation and perception, determined five dimensions of service quality. The study revealed that 'empathy' had the highest value expectation followed by `assurance' and `responsiveness' and similarly on the perception side `reliability' had the highest. It also showed that perceived service quality varies gender wise.

Havinal Veerabhadrappa et.al (2013) in their research identified the service quality factors/dimensions in selected private sector banks using SERVPERF scale. They also focused to prioritize service quality dimensions using TOPSIS. Data was compiled using self-administrated questionnaires which compounded 22 attributes of 5 dimensions of service quality namely reliability, responsiveness, assurance; tangibles were used to develop questionnaires on the basis of which opinions were indicated on Likert scale. The study revealed that prompt service, communicating what is to be served, willingness to help customers and responding to customers request are most important to customers. This research also provides some important insights into service quality of private sector banks.

Dr. Bhagwan Singh et.al (2014) in their research `Customer satisfaction analysis on the service of Delhi metro' identifies the components of service quality of Delhi metro railways. This also finds out the relationship between service quality attributes (tangibility, responsiveness, reliability, assurance and empathy) and customer satisfaction in Delhi metro. This study is descriptive in nature which was conducted through survey and concluded that the service quality delivery meets the perception of commuters. The study also revealed that there is a positive relationship between reliability and customer satisfaction.

Major Survey Results:

The demographic profile of banking customers shows that 44 percent of the respondents are less than 30 years of age. 56 percent of the respondents are female and 27 percent of the respondents have matriculation as their educational qualification. The analysis on banking relationship shows that 31 percent of the respondents have more than 8 years relationship with their banker and 29 percent of the respondents have 2 to 4 years relation with their bank. It also reveals that 20.5 percent of the respondents have 4 to 6 years relation with their banks.

The usage behavior of banking products among customers shows that the respondents have subscribed to deposit facilities and ATM facilities at 31.5 percent and 28.5 percent respectively. At the same time only 9 percent of the respondents are using loan facilities and 11 percent of the respondents subscribed mobile banking. The analysis finds that a majority of 53 percent of the respondents agree that their bank's physical facilities are visually appealing, but, 22.5 percent of the customers do not express their opinion in this regard. Responses of the study show that 44.5 percent of the customers are satisfied with the bank in providing timely services as promised by the bank. But 8 percent and 3.5 percent disagree and strongly disagree with the same. The research brings out that 45 percent of respondents feel that their banker to be dependable. At the same time 26 percent express no opinion about the dependability of their bank and a negligible percentage disagreed to it. 50 percent customers of the study perceive that their bank provides services in time which shows that the customers are satisfied with the timely services delivered by the bank. The analysis proclaims that 87 percent of customers strongly agree that the banks keep their records accurately and updated promptly. It is apparent from the study that 49.5 percent and 20.5 percent agree and strongly agree that the bank employees are trustworthy. A great majority of customers' feel safe in the transactions with their banker.

Further, the analysis reveals that the parameter 'Tangibility' shows high satisfaction in the quality of services provided among the customers of the banks with an index of 78.4. It is considered that 'Assurance' as a parameter also contributes significantly to the service quality of bank with an index value of 77.32. The lowest level of quality in the services provided by the bank is obtained by the parameter 'Responsiveness' followed by the parameter 'Empathy' with 49.975 and 52.68 index values respectively. The dimension 'Reliability' shows moderate level of satisfaction in the customers with an index of 75.46. The analysis brings out that the factor regarding technology adoption has the highest mean value of 4.11 with minimum possible standard deviation of 0.807. This shows that this factor contributes considerably to the service quality parameter of tangibility. The prominence of the parameter 'Tangibility' makes it clear that the customers are highly satisfied with the physical features, equipments and appearance of personnel. 'Assurance' is the next factor which contributes significantly to the quality of service of banks as it gives an index value of 77.32. This shows that the knowledgeable and courteous employees inspire the customers. It is apparent from the result that the parameter 'Reliability' with an index value of 75.46 proves that the banks are able to perform their promised services responsibly and accurately. The least value of index is ascertained by the dimension 'Responsiveness' (49.97) which shows that the performances of banks are poor in keeping their responsive attitude to its customers. Index-wise, the dimension 'Empathy' also shows a dismal performance. The above result brings out the very need of management to take decisions as to

how they should improve the performance of the bank with respect to the quality factors relating to Responsiveness and Empathy. The management should make strategic decisions so as to improve quality in their performance which will lead to an overall increase in the service quality provided by the banks.

The Study Model:
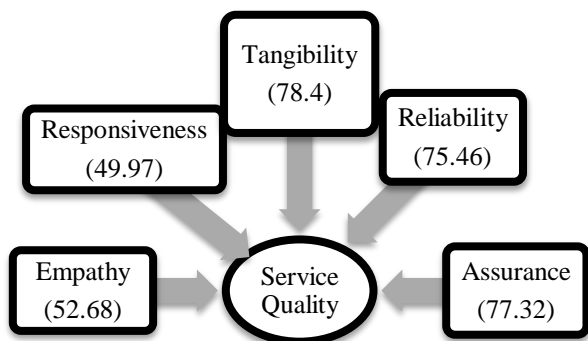
Suggestions:

The banks need to focus on adopting a reassuring approach towards its customers in case of need. The banks should improve their service to make sure that their customers are well aware about the services rendered by them. The banks have to concentrate more in providing prompt services to their customers. Moreover, they should try to give more personalized attention to the customers. Further, banks should make the employees aware of the varied needs of their customers and should ensure that they are very well served.

Conclusion:

The recent developments in the financial sector have made the Indian banking industry as one of the most competitive segments of the economy. This competitive pressure compels the banks to improve their services and provide best services to the customers to meet the customer expectations and to attain maximum level of customer satisfaction. The present work finds out that tangibility and assurance as the foremost dimensions of service quality with their key influence on the customers. But both the parameters of responsiveness and empathy show a lower level of satisfaction among the customers. It is suggested to the banking sector that apart from ensuring the trust of customers, it should improve their operations in providing the customers highly advanced technological services for easy access and instant delivery of services. Banks are ought to treat their customers with personalized attention and should make sure that their needs are best served. Moreover, the banks should make efforts in reviewing their services in terms of quality to make sure that they are able to withstand the intense completion in the market. In addition to this, banks should make serious efforts

in retaining their customers for their very survival and to make further advancements in the financial sector. Human resource should be cautiously selected so as to make their customers feel that are served with the best interest at heart. Banks which meet the customer expectation will make its position safe in the highly dynamic present day financial environment. By providing enhanced quality in the banking services, the banks would be able to create a whole gamut of satisfied customers which would ultimately lead to customer delight.

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