SERVICE QUALITY OF STOCKBROKERS IN BANGLADESH

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ABSTRACT

Bangladesh has recently experienced the biggest crash in the country's history in its stock markets. This is exactly quite the opposite from the near past when the country has seen the highest growth of its stock markets. Recent crashes leading investors fleeing away of the market has brought before the stockbrokers a new scenario in which they must be yet more competitive in order to avail a chunk of the reduced number of customers. The current research employees SERVQUAL model to gauge the level of satisfaction of the customers dealing with stockbrokers. It is found that the customers are not satisfied with the services they receive. There exits a gap between the services they expect and the services they receive. In a seven point scale, the average gap is determined to be 0.791. Stock brokerage firms in Bangladesh may strive to eliminate the gaps across all the dimensions of their service offering to make the perceived service match with the expected service. However, the current research suggests improving those quality dimensions which are important to customers even though such dimensions may have fewer wide gaps than others.

Key Words: Service Quality, Stock Brokers, SERVQUAL, Expected Service, Perceived Service, Gaps

INTRODUCTION:

A stock brokerage firm, or stockbroker is a financial institution that facilitates the buying and selling of stock and securities. A transaction on a stock market must be made between two members of the exchange. An ordinary person may not walk into a stock exchange, and ask to trade stock. Such an exchange must be done through a broker. Brokerage firms serve a clientele of investors who trade public stocks and other securities. In Bangladesh, all transactions in both the Dhaka Stock Exchange and Chittagong Stock Exchange must be carried out through an authorized stockbroker. As on 20th February '11, there are 238 stock brokers registered with the Dhaka stock exchange, and 138 are registered with the Chittagong Stock (Dhaka Stock Exchange Website, 2011; Chittagong Stock Exchange Website, 2011). Whenever an individual wish to buy or sell a stock, the broker sends the order out to the floor of the security's exchange by computer. When the transaction has been made, the broker charges the client with the price, or deducts the amount from his account. With the transaction carried out, the title of the stock electronically transfers to the buyer from the seller (Wikipedia, 2011).

Bangladesh has recently experienced the biggest crash in the country's history in its stock markets. The markets were experiencing sloth beginning from the year 2011. The prime market of the country, Dhaka Stock Exchange, was reportedly lost 20% points (8,918 to 7,135) from mid December, '10 to mid January, '11. It became worst in the third week of January when Dhaka Stock Exchange lost 1,350 points in just six days. Similar worsening situation was also noted in the other stock market, Chittagong Stock Exchange (Hussain, 2011). This massive loss of market values of equities devastated many small investors financially who heavily relied on trading of stock. There could be many reasons for the crash; some suggest an artificial rise to encourage the small and medium investors, while few others hint on poor regulations.

Whatever the reasons, this crash has drastically reduced the number of traders and trades in the country's stock markets. With the country's stock markets rising sharply in the past years, the stock brokers operating here has experienced huge growth in their business with more investors joining in everyday and trading massive volume of equities (Siddiqi, 2010). However, recent crashes leading investors fleeing away of the market has brought before stockbrokers a new scenario in which they must be yet more competitive in order to avail a sizeable chunk of the reduced number of customers.

Stockbrokers are service providers. They provide buying and selling services of securities on behalf of their clients and are compensated with a commission. An investor would expect satisfactory service for the charges paid, or s/he may switch to alternative brokerage houses. Providing quality service and hence customer satisfaction should thus be recognized as a key strategy and a crucial element of long-run success and profitability for stock broking businesses. Customers' expectations are a benchmark to gauge the service level of brokers; the delivery of services that match or exceed customer expectations is a strategy that can satisfy the customers (Rudie and Wansley, 1985). In addition, understanding investors' expectations can help stockbrokers to serve their customers better and foster long-lasting relationships by designing and delivering suitable services to satisfy them.

The current research measures the quality of service provided by the stockbrokers in Bangladesh. It is done by examining customers' expectation in various service dimensions, and contrasting it with their perception of the actual services received. The widely accepted Service Quality or SERVQUAL model has been used to measure the quality of service.

SERVICE QUALITY AND THE SERVQUAL MODEL:

Service quality is a concept that has aroused considerable interest in recent days. There are a number of different definitions of service quality. One that is commonly used defines service quality 'as the extent to which a service meets customers' needs or expectations'. Service quality can also be defined as 'the difference between customer expectations of service, and their perception of service'. If expectations are greater than performance, then perceived quality is less than satisfactory and hence satisfaction does not occur (Jones and Sasser 1995).

Quality is the cornerstone for success in any business and is considered as a key factor in acquiring and sustaining competitive advantage. Providing quality service improves customers' satisfaction, and it is believed to lead to favorable behavioral intentions, and to ultimate business success. Establishing service quality may be the only way of differentiating a business's offering. This is why many existing businesses are using enhanced service quality to position them more competitively both domestically and globally (Parasuraman et al. 1988).

Managers in the service sector are under increasing pressure to demonstrate that their services are customer-focused, and that continuous performance improvement is being delivered. Given the financial and other resource constraints under which service organizations must manage, it is essential that customer expectations are properly understood and measured to discover any gap in service quality. This information then assists a manager in identifying cost-effective ways of closing service quality gaps, and in prioritizing which gaps to focus on (Kuriloff et al., 1993). In the same way, the current research detects service quality gaps, and then prioritizes which gaps should be focused on.

While there have been efforts to study service quality, no general agreement has been reached on the measurement of the concept. Among all the measures of the service quality, the SERVQUAL methodology developed by Parasuraman et al. (1988) is the most widely accepted. It is a survey research instrument used for the measurement of service quality along different dimensions of service. SERVQUAL is based on the premise that customers can evaluate a firm's service quality by comparing their perceptions of its service with their expectations (Sekaran, 2003).

Since its inception, the SERVQUAL model has been seen as a generic measurement tool by both academics and practitioners, which can be applied across a broad spectrum of service industries (Babakus and Boller, 1992). SERVQUAL takes into account the perceptions of customers of the relative importance of service attributes. This allows an organization to prioritize and to use its resources to improve the most critical service attributes. The data are collected via surveys of a sample of customers. In these surveys, customers respond to a series of questions based on a number of key service dimensions. These dimensions are,

- **Tangibles**: Appearance of physical facilities, equipment, personnel, and communication materials.
- **Reliability**: Ability to perform the promised service dependably and accurately.
- **Responsiveness**: Willingness to help customers and provide prompt service.
- **Competence**: Possession of required skill and knowledge to perform service.
- **Courtesy**: Politeness, respect, consideration and friendliness of contact personnel.
- **Credibility**: Trustworthiness, believability, honesty of the service provider.

PREVIOUS RESEARCHES:

In the financial industry, the SERVQUAL model has been accepted as a critical tool to measure current levels of service quality (Lewis, 1991). A number of empirical studies measures the service quality in the banking sector applying the SERVQUAL model, e.g. Angur, Nataraajan and Jahera (1999); Jun et al. (1999); Jabnoun and Al-Tamimi (2002); Al-Tamimi and Al-Amiri (2003), Safakli (2007). The current research similarly applies the SERVQUAL instrument in order to ascertain any gaps between customer expectations and perceptions of the services offered by the stockbrokers of Bangladesh. The research would consequentially open space for further study for improvement of service quality if any gap is discovered.

METHODOLOGY:

In this research, non-probability convenience sampling has been applied. Clients' dealing with various stock brokers of the two stock exchanges, Dhaka and Chittagong, has been interviewed during the period of December and January 2010. Subjects completed 132 questionnaires, representing a response rate of 66 percent. Because of the nature of the sampling method, customers who were conveniently available and agreed to respond in the brokerage houses were interviewed. 34 percent of the respondents did not agree to respond. Respondents were requested to answer the same 22 items in the SERVQUAL twice; first, to establish their expectations of the ideal service, then, to rate their perception of the actual service provided. Each response is scored on a 7-point Likert scale with "1" being "Strongly Disagree" and "7" being "Strongly Agree."

In the analysis, the expectation score is subtracted from the perception score for each item in the five service dimensions: Tangibles, Reliability, Responsiveness, Assurance, and Empathy. The SERVQUAL scores for the items pertaining to each of the five dimensions are totaled and then divided by the number of items making up the dimension. The SERVQUAL scores obtained for the five dimensions are subsequently averaged to derive an overall measure of service quality. The higher the score, the higher is the perception of quality.

DISCUSSIONS:

Sample Characteristics:

The basic characteristic of the sample surveyed is presented in Table 1. The sample assessing the service quality of stockbrokers' included more males (79 percent) than females, more bachelors and master's degree holders (58 percent) than other categories; and the percentage of married and single categories are almost the same. The majority of the respondents were between the ages of 25 and below (37 percent).

Table 1: Profile of the Sample

Factor	*Category*	*Percentage*
Gender	Male	79
	Female	21
Age group	25 and below	37
	26-35	32
	36-45	18

	46 and above	13
Marital status	Single	47
	Married	49
	Widow	4
Education	Primary school	2
	Secondary school	7
	High school	31
	Bachelors and Master's Degree	58
	Doctoral	2

THE SERVQUAL SCORE:

Table 2 shows the subjects' responses in regard to their expectation and perception of the 22 items under the five categories of service quality.

Table 2: Responses Derived Through Questionnaire

SL	Dimensions	EXP. (E)	PERC.(P)	SERVQUAL SCORE (P-E)
	TANGIBILITY			
1	Modern looking equipment	6.5	6	-0.5
2	Physical facility	6.5	6.3	-0.2
3	Employees are neat appearing.	6	5	-1
4	Materials associated with the service are visually appealing	6	5.5	-0.5
	Average Tangibles score	**6.25**	**5.7**	**-0.55**
	RELIABILITY			
5	Delivers service at promised time	6.8	6	-0.8
6	Sincere interest in solving your problems	6.6	5.6	-1
7	Performs service right first time	6.6	6.5	-0.1
8	Provides service at the promised time	6.5	5.9	-0.6
9	Maintains error free records	7	7	0
	Average Reliability score	**6.7**	**6.2**	**-0.50**
	RESPONSIVENESS			
10	Tells you exactly when services will be performed.	6.7	6.5	-0.2
11	Gives you prompt service	6.5	6.1	-0.4

| 12 | Employees are willing to help you. | 6.5 | 5.4 | -1.1 |
13	Employees are never too busy to respond to your request.	6.4	4.2	-2.2
	Average Responsiveness score	**6.53**	**5.55**	**-0.98**
	ASSURANCE			
14	The behavior of employees instills confidence in you	6.8	6	-0.8
15	You feel safe in your transactions	6.9	6.8	-0.1
16	Employees are consistently courteous	6.4	5.3	-1.1
17	Employees have enough knowledge to answer your questions.	6.6	5.2	-1.4
	Average Assurance score	**6.68**	**5.83**	**-0.85**
	EMPATHY			
18	Gives individual attention	6.4	6.1	-0.3
19	Convenient operating hours	6.6	5.5	-1.1
20	Employees give you personal attention.	6.8	6.1	-0.7
21	Your best interest is at their hearts	6.9	4.1	-2.8
22	Employees understand your specific needs	6.6	6.1	-0.5
	Average Empathy scores	**6.66**	**5.58**	**-1.08**

The arithmetic mean of expectation and perception is derived for every item to determine the SERVQUAL score of that item. In this way, the average SERVQUAL score under various categories of service quality is derived and are depicted in Table 3.

Table 3: UNWEIGHTED SERVQUAL SCORE

Average Tangible SERVQUAL score	-0.55
Average Reliability SERVQUAL score	-0.50
Average Responsiveness SERVQUAL score	-0.98
Average Assurance SERVQUAL score	-0.85
Average Empathy SERVQUAL score	-1.08
TOTAL	-3.955
AVERAGE (= Total / 5) UNWEIGHTED SERVQUAL SCORE	**-0.791**

It is found that the overall SERVQUAL score of the stock brokers operating in Bangladesh now is negative, i.e., their performance is falling short of the expectation of their customers. The overall SERVQUAL score is -0.791. A score of at least 0.00 is required to ascertain that customers' expectations are met. Positive SERVQUAL scores could have meant that customers' expectations are exceeded and that customers are delighted (Parasuraman et al., 1991). The Empathy dimension is found to be having has the greatest service gap (-1.08) followed by the Responsiveness dimension (-0.98). The smallest service gap is at the Reliability dimension (-0.50).

Fig 1: Expectation and Perception Comparison
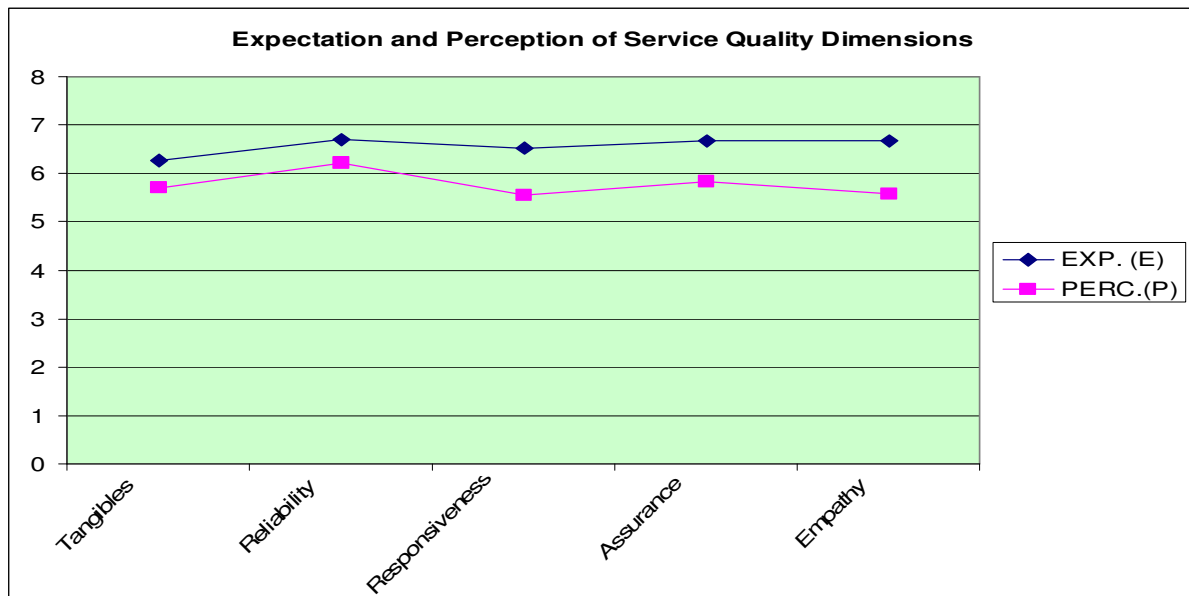
Portraying expectation and perception scores side by side in figure 1, it can be observed that the Reliability dimension comes closest to the expectation, while the Empathy, Responsiveness, and Assurance dimensions fall in the greatest distances respectively from expectation. It allows for inferring that stockbrokers in Bangladesh need to improve service quality in all service dimensions; the factors that fall under the reliability dimension need the least improvements, while factors under the empathy dimension need the most improvements.

Gronroos (1984) argues that it is ideal for business enterprises that their customers' perceptions at least come close to their expectations along all the avenues of their offering. In the service reliability scatter diagram in figure 2, the twenty two quality dimensions are compared from expectation to perception, to determine which dimension(s) lies to the closest of expectation and which one(s) to the farthest.

Fig 2: Service Reliability:
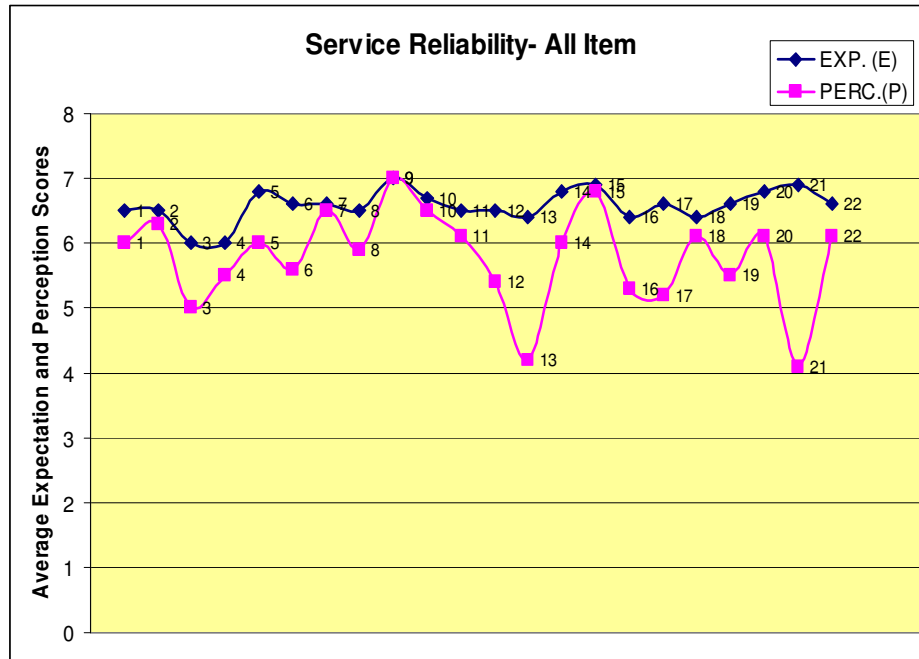
The perceived service standard of customers comes close to their expected service standard in a very few dimensions. Dimension 9, maintaining error free records by the stockbrokers, is the only dimension reported to be matching customers' expectation completely, therefore, overlapping the expectation and perception dots in the scatter diagram. Dimension 7, services are performed right at the first time, and dimensions 15, feeling safe in transactions, are the other dimensions in which the perceived service comes very close to the expectations (both distances are .01). On the other hand, service dimension 21, customers best interests are stockbrokers' priority, and service dimension 13, stockbrokers' employees provide individual attention fall in farthest distances from expectation (the distances are 2.8 and 2.2 respectively).

In the earlier sections, it is demonstrated that some of the service quality dimensions fall below the expectations of the customers. It may be apparently imperative that the service dimensions for which there exists the largest gap between the expected and perceived service should be prioritized for improvement first. However, the current research does not advocate so. The importance/performance matrix derived from the SERVQUAL score can serve for stock brokers in Bangladesh as a benchmark for prioritizing service improvements. In the matrix in figure 3 the service attribute performance or perceived quality is represented on the vertical axis from high (top) to low (bottom). While service performance is shown on the horizontal axis from low (left) to high (right).

Fig 3: Importance / Performance Matrix
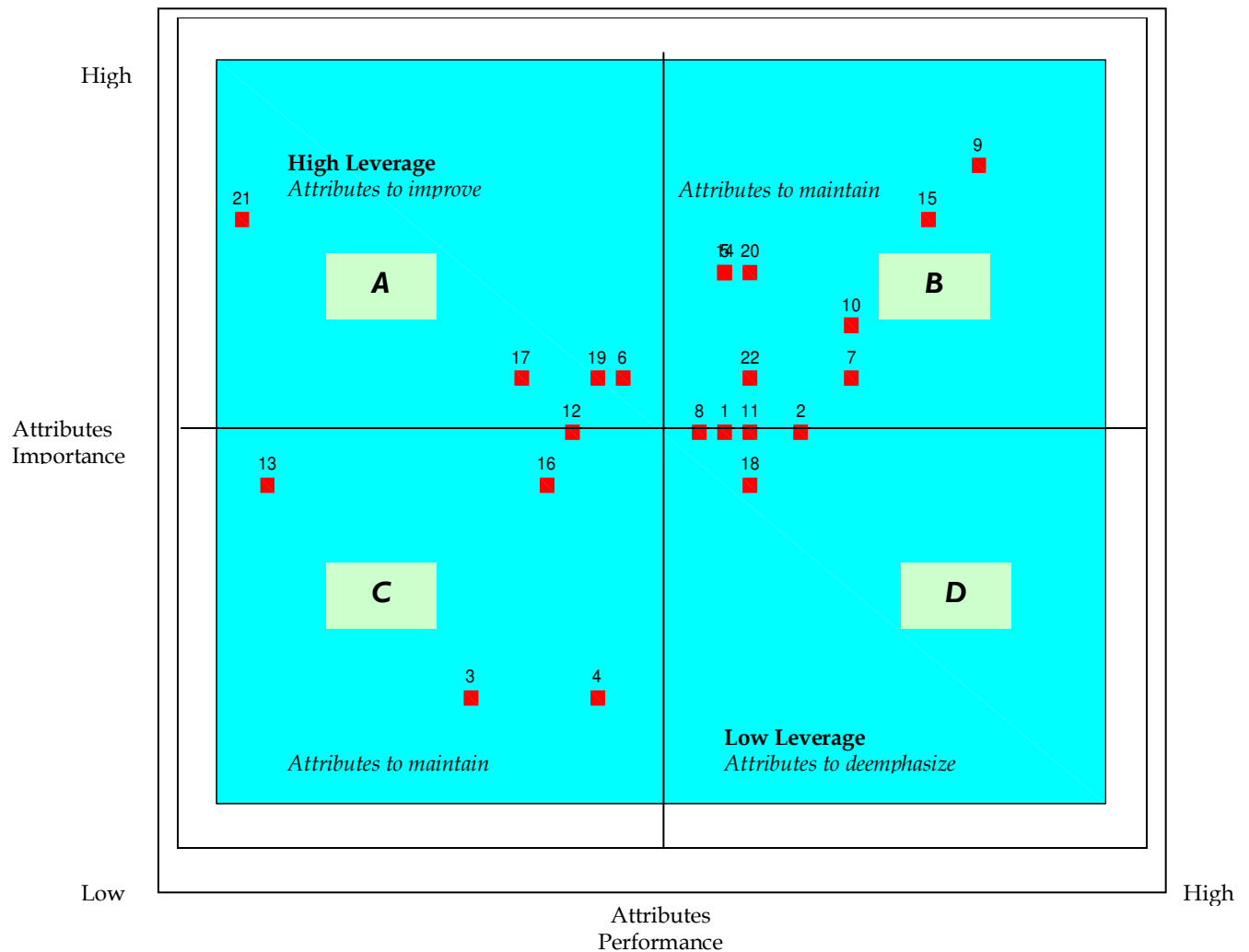
Quadrant A reveals the most remarkable contribution of the research finding in which service expectation of the clients at the stockbrokers is high but quality of the services is perceived as low. Four dimensions of service quality fall in the quadrant 'A' which are estimated to be important for the traders and the current research suggest their immediate improvements. These are service quality dimension 21, clients best interests are stockbrokers' motto; 17, service employees have enough knowledge to answer customers' questions; 19, stockbrokers operate in hours which are convenient for customers; and dimension 6, stockbrokers demonstrate sincere interest in solving customers' problems.

Several service dimensions fall in quadrant 'B'. These are as important as the dimensions in quadrant 'A', but opportunely customers perceive that they are quite closer to their expectation, though not matching their expectation. These service quality dimensions should also be concentrated to be improved in priority next to the dimensions falling in the previous quadrant 'A'.

Less significant are the 'C' and 'D' quadrants as they are not of that importance to customers. Though the perceived quality of the dimensions in quadrant 'C' falls far below the expectations of the customers, the stockbrokers may, for the time being, maintain their quality as they are, because these attributes are of less importance to the customers. On the contrary, service quality dimensions falling

under quadrant 'D' reaches quite close to the perceptions of the customers, though not matching the expectation. But since these service qualities are not of that importance for the customers, stockbrokers may deemphasize on them, and shift resources to improve service quality of high leverage dimensions falling in quadrant 'A'.

CONCLUSION:

　　　　To summarize, the investors engaged in selling and buying of stocks and securities at the various stockbrokers operating in Bangladesh are not satisfied with the services they receive. There exits a gap between the services they expect and the services they receive. In a seven point scale, the average gap is determined to be 0.791; for some of the dimensions, the gap is as high as 2.8, while for some it is as low 0. It is desired for every business enterprise that there is no gap between expected and perceived service of their customers. This is a state in which customer satisfaction occurs.

　　　　The stockbrokers of Bangladesh may strive to eliminate all gaps to make the perceived service match with the expected service. It may apparently seem that stockbrokers should attempt to improve service qualities for which the gap is wider. However, the current research does not suggest so. Rather it suggests improving those quality dimensions which are important to customers even though such dimensions may have a fewer wide gap than others.

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