RELATIONSHIP AMONG THE ATTRIBUTES OF SERVICE QUALITY IN BANKINGS INDUSTRY

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Abstract

A service firm may win by delivering consistently higher quality service than competitors and exceeding customer's expectations. The connection between service quality and corporate profitability is now seen to depend on high levels of customer satisfaction, the successful targeting of "quality" customers and the retention of those customers. Customer satisfaction is an evaluation by the customer, after buying their goods and services. The main purpose of this study is to know the Service Quality in Banking Industry. This is done by investigating the reliability and validity of the SERVQUAL model in banking environment. This study is also aimed at determining the overall service quality perceived by consumers in Banks and identify those dimensions that bring satisfaction to consumers. The proposed research is basically a survey on service quality of banking sectors in Coimbatore in Tamil Nadu. For this research, the Banking sectors and its branches were selected. A convenience sampling technique is employed but sample members are selected on the basis of pre-specified criteria as mentioned. The data collected from banking sector customers of Coimbatore District. This study confirms the positive relationship between all the service quality attributes and customer satisfaction. Service quality can be seen as a competitive advantage, because in contrast to service range that can easily be replicated, the service quality dimensions are more difficult to imitate and may represent a sustainable advantage.

1.1. Introduction

Marketing the quality of service is central to the success and growth of business. Parasuraman et al (1985) in developing the service quality model defined

service as the gap between service and perceived performance. A service firm may win by delivering consistently higher quality service than competitors and exceeding customer's expectations. After receiving the service, customers compare the perceived service and expected service researches have found that consumers consider five dimensions in their assessment of service quality as reliability, responsiveness, assurance, empathy and tangibles.

Banking is a key industry in the service sector and it will not be travesty of truth to call it the financial nerve centre of the economy. In the past, customers were simple persons and were happy at whatever banks dished out to them. Over a period of time with the competition and technological improvements, customers have become fully aware of their rights. A brief scrutiny of Indian banking industry would unearth the reasons behind the current scenario governed by the Banking regulation Act of India 1949, it can be broadly classified into two major categories non-scheduled banks and scheduled banks. Scheduled banks comprise commercial banks and the co-operative banks. In terms of ownership, commercial banks are further grouped into nationalized banks, the State Bank of India and its group banks, regional rural banks and private sector banks.

1.2.   Service Quality and Customer Satisfaction

Customer satisfaction is an evaluation by the customer, after buying their goods and services. The most popular view of customer satisfaction in academia is that customer satisfaction is the judgment borne out of the comparison of pre–purchase expectations with post purchase evaluation of the product or service experience (Oliver, 1997).

Customer satisfaction can result from any dimension (whether or not its quality related) and its judgments may arise from non-quality issues (e.g. needs, equity, and perceptions of `fairness') and require experience with the service or provider (Taylor et al, 1994; Howard and Sheth, 1969). Strong linkages have been apparent between service quality dimensions (for example fast responses to enquiries) and overall customer satisfaction (Anderson and Sullivan, 1993). But much debate arises from whether customer satisfaction is an antecedent of service quality judgments (Bitner, 1990; Parasuraman, et al, 1985) or the other way round (Anderson

and Sullivan, 1993; Cronin and Taylor, 1992; Taylor et al, 1994).

Customer satisfaction is widely recognized as a key pressure in the formation of consumers' future purchase intentions (Taylor and Baker, 1994). Satisfied customers are also likely to tell others of their favorable experiences and thus engage in positive word of mouth advertising (File and Prince, 1992; Richens, 1983). Dissatisfied customers, on the other hand, are expected to switch brands and engage in negative word of mouth advertising.

1.3. Concept of Bank Marketing

Before considering the bank - marketing concept and its role in banking it is important to examine the selling and fiduciary role of banking. Selling in banking is that part of marketing concerned with demonstrating to the customer that the service is right for him or her. It is therefore, one aspect of the marketing process of promotion. If other aspects like identification of customer needs.

1.4. Customer Satisfaction

Customer satisfaction, a business term is a measure of how products and services supplied by a company meet or surpass customer expectation. It is seen as a key performance indicator within business and is part of the four perspectives of a balanced scorecard. Customer satisfaction is an overarching concern for marketing professionals.

Simply put, customer satisfaction is how happy a customer is with a product or service, both in the product's performance as well as the company's delivery of the product to the market. One company used measure of customer satisfaction is the 'gap model'. The gap model is defined by the following equation: customer satisfaction = Delivery – Expectation.

1.5. Service Quality and Banking

Excellent service quality is not an optional competitive strategy which may, or may not, be adopted to differentiate one bank from another. Today it is essential to corporate profitability and survival. The link between service quality and customer satisfaction has been submitted to intense scrutiny by leading service quality

researchers; as well as the links between quality, customer satisfaction, customer retention and profitability. The connection between service quality and corporate profitability is now seen to depend on high levels of customer satisfaction, the successful targeting of "quality" customers and the retention of those customers.

Service quality is the assessment of how well a delivered service conforms to the customers' expectations. It is very important to assess the service quality provided to the customers in order to identify the gaps and improve the level of service to achieve the customer satisfaction.

Service Quality = Service + Quality

Service is a transaction in which no physical goods are transferred from the seller to the buyer. Service is not a physical entity rather it is behavioral. Services are intangible in nature. It's quite difficult for the service provider to distinguish their services from their competitors and to adopt a lucrative marketing strategy to attract the customers. For the customers also, it is very difficult to assess the service quality before experiencing the service.

1.6.   Aims of Study

The main purpose of this study is to know the **Service Quality in Banking Industry**. This study is to know its service quality and customer satisfaction. This is done by investigating the reliability and validity of the SERVQUAL model in banking environment. This study is also aimed at determining the overall service quality perceived by consumers in Banks and identify those dimensions that bring satisfaction to consumers. This will enable Bankers to identify the most effective ways of closing service quality gaps and choose which gaps to focus on to bridge the gap. This will be achieved by measuring the customer expectations and perception on the various SERVQUAL dimensions. Hence evaluating the gap scores obtained between the consumer's expectations and perception of service experience will enable the researcher to identify strengths and weaknesses in service quality of Banks and to identify gaps in delivering service quality in order to ensure customer satisfaction.

1.7.   Statement of Problem

The current problem for the banking industry in India is to determine the dimensionality of customer- perceived service quality. This is because if service quality dimensions can be identified, service managers should be able to improve the delivery of customer perceived quality during the service process and have greater control over the overall outcome. Moreover, investigating the influence of the dimensions of service quality on customers' behavioural intentions should provide a better understanding of the customer satisfaction and also help to specify measure, control and improve customer perceived service quality. Hence, to gain and sustain competitive advantages in the fast changing banks in India, it is crucial for banks to understand in-depth what customers perceive to be the key dimensions of service quality and what impacts the identified dimensions have on customer's behavioural intentions.

Customers can and do change their bank if their expectations are not met by their existing service provider. The customers rarely tell the bank manager in advance what they have decided to do, especially when they decide to leave their existing bank for a competitor. To help the bank management to overcome the problem of customer defection, it becomes imperative for researchers to identify what is in the minds of customers of bank services when they compare what should be offered and provided, and what is actually offered and provided.

1.8.   Objectives of Study

To analyse the relationship among the attributes of service quality in banking industry.

1.9.   Review of Literature

Anderson et al. (1976) and Laroche (1988), researchers of customer satisfaction underlying position are the customer benefits of convenience and accessibility which are enabling factors that make it easy for the customer to do business with the bank. The bank's ability to deliver these benefits on a continuing basis to its existing customers will probably impact on customer satisfaction.

Parasuraman et al. (1985) conducted qualitative research with twelve focus sections and several executives. They found that the subjects showed a similar pattern

of perceived service quality with discrepancy between their expectation and actual service performance. Based on these findings, they proposed a conceptual model containing five gaps.

Sarkar (1989) attempted to find out the extent of utilisation of existing services by corporate customers and to identify the difficulties faced by them in availing the existing service of UCO bank. He observed that the sample bank has not been able to attract an appreciable extent of new customers. The difficulties and complaints were mostly on delay in credit decision, delay in counter service, remittance and attitude of staff. The study recommends that at the corporate level the culture of marketing has to be developed by conscious effort.

Parasuraman et al (1994), matches the point that service satisfaction and satisfaction with price were essentials in the overall satisfaction measurement. The measurements used in Hallowell's survey were fairly comprehensive; concluding that all the basics measured had an impact on overall satisfaction. But the service features of branch, staff and information were established to be more significant.

Reidenbach (1995) argued that customer value is a more viable factor than customer satisfaction because it includes not only the usual benefits that most banks focus on but also a consideration of the price that the customer pays. Customer value is dynamic that must be managed. Customer satisfaction is merely a response to the value proposition offered in specific products/markets.

1.10. Research Methodology

The proposed research is basically a survey on service quality of Banking Sectors in Coimbatore in Tamil Nadu. For this research, the Banking sectors and its branches were selected. The units of analysis for this study are customers of banking sectors in Coimbatore District who had contacts with the banks on a regular basis over last six months and those who have visited the bank premises frequently for transactions. Thus 768 sample respondents are selected. The sampling procedure used for the study is Non- Probability sampling. A convenience sampling technique is employed but sample members are selected on the basis of pre-specified criteria as mentioned. The data collected from banking sector customers of Coimbatore District.

The data collected have been organized, classified and analyzed using a wide range of appropriate statistical tools correlation, to achieve the objective of the study.

1.11. Analysis and Interpretation

1.12. Correlation between Dimensions of Expectations of Service Quality

H_0: *There is no significant correlation between the dimensions of expectations of service quality*

Variables		TAN	REL	RES	ASS	EMP	ACC	SEC	PPV
TAN	PC	1							
REL	PC	.226**	1						
RES	PC	.060	.048	1					
ASS	PC	.007	.065	.099**	1				
EMP	PC	.176**	.350**	.189**	.297**	1			
ACC	PC	-.034	-.155**	.168**	.109**	.050	1		
SEC	PC	.006	-.187**	.188**	.062	.024	.893**	1	
PPV	PC	.021	-.143**	.214**	.146**	.153**	.830**	.899**	1

**. Correlation is significant at the 0.01 level (2-tailed).	***ASS – Assurance***
*. Correlation is significant at the 0.05 level (2-tailed).	***EMP – Empathy***
PC - Pearson Correlation	***ACC – Accessibility***
TAN – Tangibles	***SEC – Security***
REL – Reliability	***PPV - Price and Product Variety***
RES – Responsiveness	

Factors having positive correlation at 1% level of significance - The positive correlation at 1% level of significance exists between factors, such as tangibles, reliability (.226), responsiveness, assurance(.099), tangibles - empathy (.176), reliability- empathy(.350),responsiveness- empathy(.189), assurance- empathy (.297), responsiveness - accessibility (.168), assurance-accessibility (.109), responsiveness-security (.188), accessibility – security (.893), responsiveness- price and product variety(.214),assurance - price and product variety (.146), empathy - price and product variety(.153),accessibility - price and product variety(.830), security - price and product variety(.899).

Factors having negative correlation at 1% level of significance - The negative correlation at 1% level of significance exists between factors, such as reliability - accessibility (-.155), reliability-security (-.187), reliability - price and product variety (-.143).

1.13. Correlation between Dimensions of Perception of Service Quality

H_0: *There is no significant correlation between the dimensions of perception of service quality*

Variables		TAN	REL	RES	ASS	EMP	ACC	SEC	PPV
TAN	PC	1							
REL	PC	.893**	1						
RES	PC	.830**	.899**	1					
ASS	PC	.911**	.980**	.881**	1				
EMP	PC	.772**	.868**	.853**	.847**	1			
ACC	PC	.885**	.936**	.898**	.917**	.823**	1		
SEC	PC	.794**	.860**	.863**	.839**	.832**	.912**	1	
PPV	PC	.871**	.925**	.930**	.905**	.831**	.989**	.921**	1

**. Correlation is significant at the 0.01 level (2-tailed).	***ASS - Assurance***
*. Correlation is significant at the 0.05 level (2-tailed).	***EMP - Empathy***
PC - Pearson Correlation	***ACC - Accessibility***
TAN – Tangibles	***SEC - Security***
REL – Reliability	***PPV - Price and Product Variety***
RES - Responsiveness	

Factors having positive correlation at 1% level of significance - The positive correlation at 1% level of significance exists between factors, such as tangible - reliability(.893), tangible - responsiveness(.830), reliability - responsiveness(.899), tangible - assurance (.911), reliability- assurance (.980), responsiveness - assurance .(881), tangible - empathy(.772), reliability- empathy (868), responsiveness - empathy (.853), assurance - empathy (.847), tangible - accessibility (.885), reliability - accessibility (.936), responsiveness - accessibility (.898), assurance - accessibility (.917), empathy - accessibility (.823), tangible - security (.794), reliability - security (.860), responsiveness- security (.863), assurance- security (.839), empathy - security (.832), accessibility - security (912), tangible - price and product variety (.871), reliability - price and product variety (.925), responsiveness - price and product variety (.930), assurance - price and product variety (.905), empathy - price and product variety (.831), accessibility - price and product variety (989),security - price and product variety (921).

1.14. Correlation between Expectations and Perception of Service Quality

H_0: There is no significant correlation between the dimensions of expectations and perception of service quality.

	Variables		PERCEPTION							
			TAN	**REL**	**RES**	**ASS**	**EMP**	**ACC**	**SEC**	**PPV**
EXPECTATIONS	**TAN**	**PC**	-.034	.006	.021	-.004	.026	.005	.003	.030
	REL	**PC**	-.155**	-.187**	-.143**	-.154**	-.138**	-.172**	-.111**	-.152**
	RES	**PC**	.168**	.188**	.214**	.170**	.166**	.184**	.199**	.173**
	ASS	**PC**	.109**	.062	.146**	.065	.016	.050	.024	.077*
	EMP	**PC**	.050	.024	.153**	.050	.021	.079*	.048	.107**
	ACC	**PC**	762**	.893**	.830**	.911**	.772**	.885**	.794**	.871**
	SEC	**PC**	.893**	.831**	.899**	.980**	.868**	.936**	.860**	.925**
	PPV	**PC**	.830**	.899**	.823**	.881**	.853**	.898**	.863**	.930**

**. Correlation is significant at the 0.01 level (2-tailed).	***ASS - Assurance***
*. Correlation is significant at the 0.05 level (2-tailed).	***EMP - Empathy***
PC - Pearson Correlation	***ACC - Accessibility***
TAN – Tangibles	***SEC - Security***
REL – Reliability	***PPV - Price and Product Variety***
RES - Responsiveness	

Factors having positive correlation at 1% level of significance - The Factors having positive correlation at 1% level of significance are expectation dimension – responsiveness and perception dimensions - tangibles (.166), reliability (.188), responsiveness (.214), assurance (.170), empathy (.166), accessibility (.184), security (.199), and price and product variety (.173). Then

expectation dimension – assurance and perception dimensions – tangibles (.109) and responsiveness (.146). Then expectation dimension – empathy and perception dimensions - responsiveness (.153) and price and product variety (.107). Then expectation dimension – accessibility and perception dimensions - tangibles (762), reliability (.893), responsiveness (.830), assurance (.911), empathy (.772), accessibility (.885), security (.794), and price and product variety (.871). Then expectation dimension – security and perception dimensions - tangibles (.893), reliability (.831), responsiveness (.899), assurance (.980), empathy (.868), accessibility (.936), security (.860), and price and product variety (.925). And finally expectation dimension – price and product variety and perception dimensions - tangibles (.830), reliability (.899), responsiveness (.823), assurance (.881), empathy (.853), accessibility (.898), security (.863), and price and product variety (.930).

Factors having negative correlation at 1% level of significance - The Factors having negative correlation at 1% level of significance are expectation dimension – reliability and perception dimensions - tangibles (-.155), reliability (-.187), responsiveness (-.143), assurance (-.154), empathy (-.138), accessibility (-.172), security (-.111), and price and product variety (-.152).

Factors having positive correlation at 5% level of significance - The Factors having positive correlation at 5% level of significance is expectation dimension – empathy and perception dimensions – accessibility (.079). And finally between expectation dimension – assurance and perception dimensions - price and product variety (.077).

Factors having no correlation - There is no correlation between expectation dimension - tangibility and perception dimensions - tangibles, reliability, responsiveness, assurance, empathy, accessibility, security, and price and product variety. Then expectation dimension – assurance and perception dimensions - reliability, assurance, empathy, accessibility and security. And

finally no correlation exists between expectation dimension – empathy and perception dimensions - tangibles, reliability, assurance, empathy and security.

1.15. Conclusion

Banking sector has undergone various changes after the new economic policy based on privatization, globalization and liberalization adopted by Government of India. It is one of the parts of reliability of service quality that attracts customers of the banks' personnel manner and hospitality. Therefore, banks need to improve their personnel's manner to great extent. Maintaining of customers grievances: This is an important service quality factor expected by the customer to the bank. It seems that customers' perception in this case is very unsatisfactory and bank should give attention to this issue. It is important that bank should provide proper support to the customers because proper customer support may lead to the banks to generate profit and build customers' confidence. So, banks should pay more attention to this parameter so that perceptions of customers' get high priority. This study confirms the positive relationship between all the service quality attributes and customer satisfaction. Service quality can be seen as a competitive advantage, because in contrast to service range that can easily be replicated, the service quality dimensions are more difficult to imitate and may represent a sustainable advantage. Improving service quality is no doubt a difficult task for bank managers to take on , it is well worth the trouble, since it can bring great benefits to the banks in the long run.

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