# Service Quality Perception of Banking Customers in Erode District

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## Abstract

Post liberalization, Indian banking sector which was traditionally dominated by public sector banks has become very competitive with the advent of private sector banks. In a new competitive scenario, service quality has become an important competitive tool. For this purpose, 293 sample respondents have been taken for the study. The primary data has been collected through well structured questionnaire by using random sampling method. The study conducted in Erode district. The research found that when compared with customers" expectations, empathy and responsiveness dimensions of service quality shows the highest shortfall considering all public sector banks together and the dimension of assurance shows the smallest gap.

**Keywords:** SERVQUAL, Public Sector Bank, Service Quality Perception, Gap Score, Five Dimensions, Tangibility, Reliability, Responsiveness, Assurance, Empathy.

## 1.1 Introduction

Quality in service is an elusive concept as of the intangibles nature of the service offering and the definition of quality may vary from person to person and from situation to situation. Even though a universally accepted definition of quality does not exit till now, most writers on service quality supports a customer"s centered definition with the corollary that customer expectations are not necessarily reliable or predictable. It is now a detail that consumers of all products and services be

inclined to become more demanding due to the current marketplace which is becoming more competitive. As a result, there is a permanent increase in customer expectations and customers‟ consecutive demands within the improvement of the quality of service. Thus, banks as service organizations must always be able to meet the needs and demands of those sophisticated customers effectively and efficiently in order to retain them. Eventually, one of the strategies that would enhance customer loyalty is through service quality and it has been related to success in service organizations. Service quality is a significant indicator to differentiate an organization among the rest of the competitors. The coming out of service quality and its assessment has attracted the attention of numerous researchers in the past two decades or so.

The quality of the service is dependent upon two variables viz. the expected service and the perceived service. Functional quality of a service is frequently assessed by measures of customers‟ attitudes. The process of identifying customers‟ attitudes begins with decisive customers‟ requirements or quality dimensions. A come to of researchers have provide lists of quality determinants, but the supreme known determinants emanate from Parasuraman and his colleagues from USA, who found five dimensions of service quality, namely, Tangibility, Reliability, Responsiveness, Assurance and Empathy (Parasuraman et al., 1988; Zeithaml et al., 1990). The result was the development of the SERVQUAL instrument, based on the gap model. Service quality is a function of the difference in scores or gaps between expectation and perception. An important advantage of the SERVQUAL instrument is that it has been proven applicable and reliable across a large range of service contexts.

## 1.2 Five Dimensions of Service Quality

### 1.2.1 Tangibility

It means the things which are physically observed by the customers in the bank branch including employees have a neat, professional appearance, the bank has modern equipment, the bank has visually appealing material associated with the service and the facilities of bank are visually appealing may represent tangibles. These qualities give actual cues for customers to assess the capability of the service provider.

### 1.2.2 Reliability

Reliability refers to the hope in company‟s ability of performing service in a proper means, such as performing according to promises and declarations. A reliable service means the banker is bank employees provide services as promised, bank employees are dependable in handling customer‟s service problems, bank employees perform services right at the first time and bank employees provide services at the promised time.

### 1.2.3 Responsiveness

It refers to service provider‟s willingness to help customers and provide prompt service. It can be measured by the bank employees provide prompt service to customers, bank employees are always willing to help customers, bank employees are ready to respond to customers request and Bank employees are never too busy to respond to customer questions.

### *1.2.4 Assurance*

Assurance is related to the knowledge and politeness of employees and their ability to motivate faith and confidence. The factors are included in the assurance are Bank employees instill confidence in customers, bank employees make customers feel safe in their transaction, bank employees are consistently courteous and bank employees have the knowledge to answer customer Questions.

### *1.2.5 Empathy*

It refers to the individualized attention the service provider gives to its customers. Furthermore, the factors included in this section are  Bank employees giving customers individual attention, bank employees deal with customers in a caring fashion, bank employees have the customer‟s best interest at heart, bank has hours convenient to all customers and bank employees understand the individual needs of their customers.

## 1.3 Research Reviews

Deepika Arora and Vijit Chaturvedi (2014) reported in their research due to the increased competition and high expectation of customers, customer satisfaction ultimately leads to the customer loyalty and examining the relationship of service quality and customer loyalty. According to Rupa Rathee et al., (2014) deals in their research that an insight into which attributes of service quality in private bank were most vital in providing satisfaction to customers and areas where significant gaps exist and establish the maximum gap in the dimension of reliability and empathy. Shalini Gautam and Akash Singh (2014) observed in their research to assess the service quality gaps (difference of customer expectation and perception of service quality) in Indian public banking sector and foreign banks operating in India and found the study contributes in understanding service quality gaps in Indian public sector banks and foreign banks operating in India. The SERVQUAL model used by Mohit Kumar and Kushendra Mishra (2015) in their research and found that there are service quality gaps between customers' expectations and their perceptions in five dimensions and so a need arises for public sector banks to take corrective actions in these dimensions.

### *1.3.1 Objectives of the Study*

- Measurement of service quality in public sector banks in Erode district.

### *1.3.2 Methodology*

The SERVQUAL measuring instrument developed by Parasuraman et al. (1988, 1994) was adapted and used for measurement of service quality in public sector banks. Total of 300 questionnaires have been collected by using random sampling method. Among the 300 respondents, 7 responses were biased and not filled all the items and so it is removed from the analysis. Hence, finally 293 customers of public sector banks in Erode district were chosen for this research.

## 1.4 Results and Discussion

The socio-economic details of the selected sample respondents are given below. There were more male respondents (73.7%) compared to female respondents (26.3%). Majority of the respondents were less than 49 years of age (91.4%). Occupation wise sample consists of more respondents having service background (45.4%) than owning business (33.8%). Rests of the respondents were students, and housewives so on. Majority of the customers (65.9%) were saving account holders as compared to current account holders (34.1%).

### *1.4.1 Measuring Service Quality*

"ServQual" is a methodology designed to identify the gaps between what customers expected from an excellent product or service provider and what they perceive the service to be from their current suppliers of that product and service. The genetic questionnaire as used by Parasuraman et al (1988) has been modified and used here with 26 statements under 5 dimensions. The responses contain captured in five point Likert scale and gap score is calculated through deducting Expectations from Perception (E-P). The computed results are presented in Table 1 and 2.
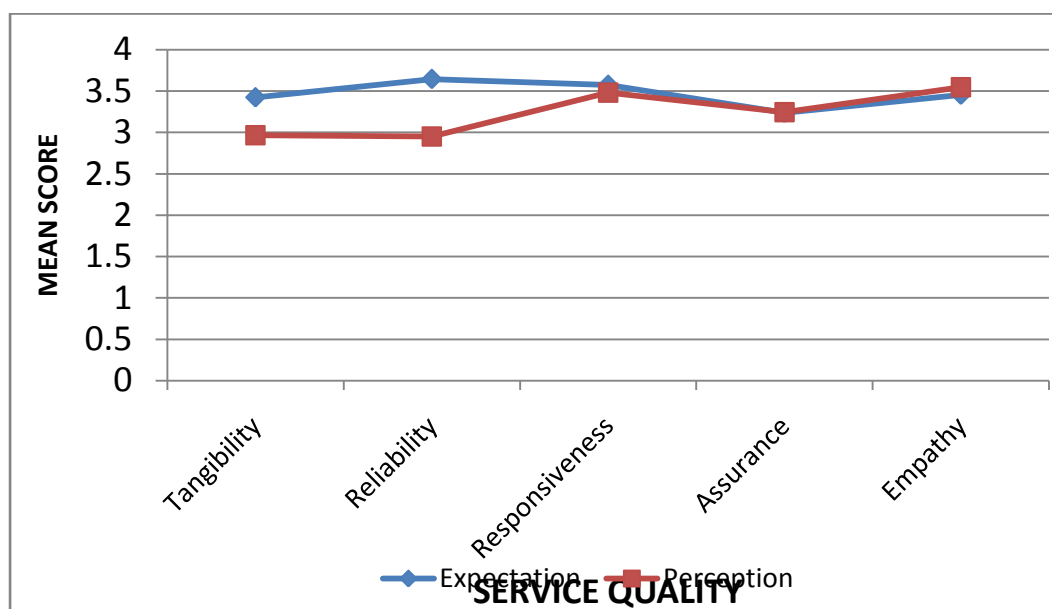
## Table 1 : Service Quality Perception

**E-Expectation : P – Perception**

| Attributes | E | P | E-P |
|---|---|---|---|
| **Tangibility** | | | |
| The bank has technologically advanced equipments. | 4.102 | 3.657 | -0.445 |
| The physical appearance and interior layout of the bank is appealing. | 3.288 | 2.610 | -0.678 |
| Employees of the bank are molested dressed up. | 2.727 | 3.407 | 0.680 |
| Pamphlets and other forms are simple and clear. | 3.178 | 2.520 | -0.658 |
| Location of the bank is convenient to the customers. | 3.375 | 3.733 | 0.358 |
| Number of staff available in the counters is sufficient. | 3.712 | 2.543 | -1.168 |
| There are sufficient seats available for customers during the waiting time. | 3.582 | 2.298 | -1.283 |
| **Total** | **3.423** | **2.967** | **-0.456** |
| **Reliability** | | | |
| Delivery of services in the counter is quick and the operating procedure is simple to follow. | 3.650 | 3.343 | -0.307 |
| There are ample Banking facilities near the Bank. | 3.463 | 2.593 | -0.870 |
| The services charges and commission are normal. | 3.502 | 3.685 | 0.183 |
| There are signs and directional boards available in the bank promises. | 3.502 | 2.560 | -0.942 |
| **Attributes** | **E** | **P** | **P-E** |
| Bank fulfils the deadline on maturity of deposit scheme, loan payments, credit control limits etc. | 3.882 | 2.535 | -1.347 |
| Bank does not make incorrect entries in Pass Books and Bank Statements. | 3.782 | 2.527 | -1.255 |
| Bank"s advertising and promotional policies could be elide upon. | 3.728 | 3.415 | -0.313 |
| **Total** | **3.644** | **2.951** | **-0.693** |
| **Responsiveness** | | | |
| Bank shows sincere interest in solving customer problems. | 3.555 | 3.287 | -0.268 |
| Bank responds to customer complaints quickly. | 3.485 | 3.852 | 0.367 |
| Bank take measures to prevent long waiting queues. | 3.523 | 3.810 | 0.287 |
| Bank sends timely statements and reminders to the customers. | 3.568 | 3.273 | -0.295 |
| „May I Help You" counter promptly responds to all queries from customers. | 3.733 | 3.182 | -0.552 |
| **Total** | **3.573** | **3.481** | **-0.092** |
| **Assurance** | | | |
| Bank employees recognise the long-term customers and address them by name. | 3.223 | 3.375 | 0.152 |
| Bank offers the best product suitable to the customers. | 3.140 | 2.682 | -0.458 |
| The operating hours of the bank are convenient to the customers. | 3.347 | 3.675 | 0.328 |
| **Total** | **3.237** | **3.244** | **0.007** |
| **Empathy** | | | |
| The standing instructions given by the customers are strictly adhered to. | 3.795 | 3.738 | -0.057 |
| Employees are consistently courteous and polite with the customers. | 3.323 | 3.683 | 0.360 |
| The bank provides safety in all transactions to the customers. | 3.592 | 3.880 | 0.288 |
| Employees have the required knowledge and training to answer the customer queries. | 3.107 | 2.877 | -0.230 |
| **Total** | **3.454** | **3.545** | **0.090** |

## Table 2 : Average Gap Score

| No. | Categories | E | P | Gap Score |
|---|---|---|---|---|
| 1 | Average score for Tangibility | 3.423 | 2.967 | -0.456 |
| 2 | Average score for Reliability | 3.644 | 2.951 | -0.693 |
| 3 | Average score for Responsiveness | 3.573 | 3.481 | -0.092 |
| 4 | Average score for Assurance | 3.237 | 3.244 | 0.007 |
| 5 | Average score for Empathy | 3.454 | 3.545 | 0.090 |

## Diagram 1 : Average Mean Score On Five Dimensions



An attempt was made to analyze the quality of service provided by the selected banks in the study area on customer‟s expectation and perception. The table reveals that the level of expectations of the respondents and five dimensions namely tangibility, reliability, responsiveness, assurance and empathy are rated between „3.237‟ and „3.644‟ points. On the other hand, where as their level of perception regarding the above five dimensions of service quality fall between „2.951‟ and „3.545‟ points.

It implies that the respondents rated these dimensions between „agree‟ and „partially disagree‟ for the service rendered by the selected banks in Erode district. Since the gap score is negative in „Tangibility‟, „Reliability‟ and „Responsiveness‟, it the respondents reveals that customers are having more expectation about the services than their perceived level. Under the rule of ServQual, the larger the gap score implies that there is more dissatisfaction and these services are not giving satisfaction level in a greater extent. The services „Assurance‟ and „Empathy‟ have minimum average gap score of 0.007 and 0.090 respectively which indicates that the factors having the high level of satisfaction among the respected services. Hence the banker should take adequate measures to pay attention on the above aspects to understand the requirements of the customers and to satisfy their needs.

### *1.4.2 Structural Equation Model (SEM)*

In order to ascertain the factors influencing on customer perception towards services offered by the selected public sector banks, various service quality factors like tangibility, assurance, responsiveness, reliability and empathy which affect the selected respondents are studied with the help of Structural Equation Model. The significance of the criteria as well as the sub-criteria is tested. This is the reason that the relative weightage arrived from SEM is measured more valid than throughout any other approach. This model also takes measurement error into account when analyzing the data statistically. The research hypothesis is defined on the basis of the problems identified in the present research pertaining to the customers" utilization of the services offered by the public sector banks in Erode district.

### *Hypothesis of the Study*

- There is no significant association between the selected five measured variables like empathy, assurance, tangibility, reliability and tangibility and the latent variable (Service Quality).

## Validity of the Measurements

Table 3 shows the fit indices of the selected five factor model.

## Table 3 : Model Fit Summary

| No. | Test Factor | Value | Result |
|-----|-------------|-------|--------|
| 1 | Chi-Square | 12.850 | Sig. at 5% level |
| 2 | Chi-Square / df (5) | 2.570 | Good Fit |
| 3 | GFI (Goodness-of-Fit Index) | 0.992 | Good Fit |
| 4 | AGFI (Adjusted goodness-of-Fit Index) | 0.975 | Good Fit |
| 5 | CFI (Comparative Fit Index) | 0.953 | Good Fit |
| 6 | NFI (Normed Fit Index) | 0.952 | Good Fit |
| 6 | TLI (Tucker-Lewis Index) | 0.969 | Good Fit |
| 7 | RMSEA | 0.051 | Good Fit |

A model is said to be fulfilling the criteria of goodness of fit, if it satisfies certain values. In this case, the calculated value of the chi-square analysis is 12.850 on 5 degrees of freedom, which gives a p-value of 0.000 and this model is a good fit for the analysis. The value of "chi-square/df" should be less than or equal to 5. Based on these values, estimated value for the model is 2.570 which satisfy the required condition. Similarly, the required value of Root Mean Square Error of Approximation (RMSEA) should be less than 0.07. Against this value, the estimated model value is 0.051 which highly validates the result. Similarly, rest all model fit indices (GFI, AGFI, CFI, NFI and TLI) for the 5-factor model indicates that the model fits well in representing the dataset of 26 service quality factors. The regression weights between items and factors variables are shown in the following path diagram. The real strength of the SEM is to approximate further complicated path models, with dominant variables between the independent and dependent variables, and the latent factor as well.

## Diagram 3: Relationship between Factors that Influence on Service Quality Perception
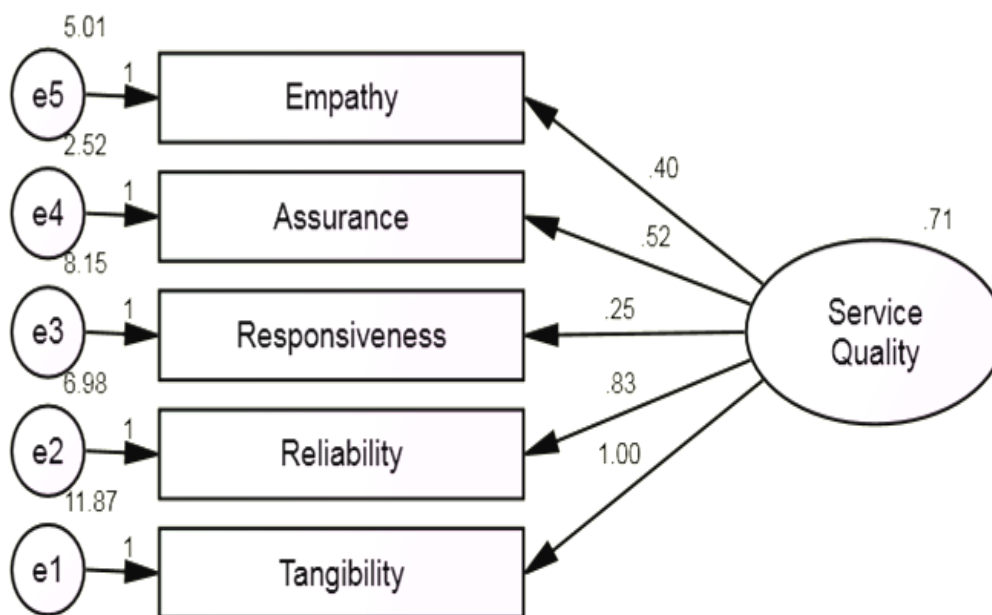


## Impact of Service Quality Dimensions

The impacts of five service quality dimensions on the Banking Service Quality are examined with the help of regression weights and presented in Table 4.

### Table 4 : Regression Weights

| Measured Variable | | Latent Variable | Estimate | S.E. | C.R. | Result |
|---|---|---|---|---|---|---|
| Tangibility | <--- | Service Quality | 1.000 | | | |
| Reliability | <--- | Service Quality | 0.690 | 0.505 | 14.176 | 1% |
| Responsiveness | <--- | Service Quality | 0.393 | 0.327 | 16.045 | 1% |
| Assurance | <--- | Service Quality | 0.769 | 0.356 | 6.576 | 1% |
| Empathy | <--- | Service Quality | 0.106 | 0.297 | 17.219 | 1% |

From the path diagram, measured variables with latent variable of influencing factors is having positive relationship and also significant at 1 percent. The analysis of the model, from the viewpoint of the antecedent of service quality, the hypothesis is rejected and suggests that all the measured variables Tangibility, Reliability, Responsiveness, Assurance and Empathy are significantly associated on service quality perception of the customers towards services offered by selected public sector banks. Among the five dimensions of the service quality variables, tangibility is having the highest influencing factor for service quality of the public sector banks in Erode district.

## 1.5 Findings and Conclusion

It is found from the analysis that public sector banks must give highest priority to that aspect of service quality improvement subject to the importance of the dimension. When compared with customers" expectations, empathy and responsiveness dimensions of service quality shows the highest shortfall considering all public sector banks together and the dimension of assurance shows the smallest gap. The type of account is the demographic variable in the given context that could be used to profile the two segments. Responsiveness is the most important dimension in influencing overall quality perception, overall customer satisfaction, likelihood for recommendation and loyalty intention. The tangible is the second most important dimension in influencing the above constructs.

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