



## Asian Research Consortium

Asian Journal of Research in Social Sciences and Humanities  
Vol. 6, No. 12, December 2016, pp. 1108-1118.

ISSN 2249-7315

A Journal Indexed in Indian Citation Index

DOI NUMBER: 10.5958/2249-7315.2016.01353.8

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Asian Journal  
of Research in  
Social Sciences  
and  
Humanities

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# Customer Perception on Service Quality in Commercial Banks in the Techno Era

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## Abstract

Perception of the customer with regards to service quality in the technology banking has gained more importance due to the customer service quality is considered as strong predictor of customer satisfaction and loyalty. In a new competitive scenario, service quality has become an important competitive tool. For this purpose, 447 sample respondents have been taken for the study. The primary data has been collected through well-structured questionnaire by using Non-Probability convenience sampling method. The study conducted in Erode district. The research found that with customers' perception, and their expectation. This study reveals that the importance of understanding the customers' perception by the service providers especially banking services providers.

**Keywords:** SERVQUAL, Service Quality Perception, Dimensions of Service Quality, Commercial Banks, Customers' Perception, Techno Banking Services.

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## Introduction

Perception of the customer with regards to service quality in the technology banking has gained more importance due to the customer service quality is considered as strong predictor of customer satisfaction and loyalty. Many studies revealed that the relationship between customer satisfaction

and customer loyalty with service quality (Dabholkar et al., 2000). Most of the studies evaluated that the service quality linked to techno based banking service processes such as internet banking, ATM banking and phone banking (Al-Hawari et al., 2005). So there is a greater need for the identification of service quality dimensions in the view of customers. The dimensions of service quality can be said into five major aspects such as Tangibility, Reliability, Responsiveness, Assurance and Empathy (Parasuraman et al., 1988; Zeithaml et al., 1990).

## **Dimensions of Service Quality**

### **1. Tangibility**

It means the physical appearances of the service providers in terms of infrastructure, neatness of the bank employees and the physical objects used in transformation of service to the customers. These qualities are indicates for the customers to understand the capability of the service providers.

### **2. Reliability**

Reliability refers the trust being built by service providers amongst the customers. Since, in the technological grounds, the customers are interacting with the Information Technology rather than the bank employees. Hence, the service providers are in the greater need of building trust on their technology and their operations too. This helps the service provider to build the customers confidence.

### **3. Responsiveness**

It means the service providers have to provide prompt service to its customers. The employees of the bank have to be willful in providing the service on the customers' demand.

### **4. Assurance**

It is related to the knowledge and courtesy of the bank employees and their ability to provide assured service and build the trust and confidence among the customers. The employees should provide the service as per the demand of the customers.

### **5. Empathy**

It refers individualized attention and personal care on the customers by the employees required. The Service providers and the employees should be ready for customizing their services according to the customers' demand.

In the electronic era, many of the service providers are bringing more innovative technologies in their process to build the relationship among their customers. Influence of technology has evolved in many of the retail sectors. Due to modernization the customers also expect more and more convenience in the process of receiving the services from the service providers. Banking process is most influencing drives and determining force of the economy in the retail sector. In this regard, the service providers are in the need of updating their service process

regularly to maintain the competitive advantage. With this background, this study focuses on Customer Perception on Service Quality in Commercial Banks.

## **Objectives of the Study**

- To analyze the Customer Perception towards Service Quality in Commercial Banks

## **Review of Literature**

Urban and Pratt (2000) presents the results of a telephone survey of 801 consumers concerning the relationship between bank mergers and service quality perceptions. The setting of the study is a US state which has seen much merger activity. The survey results provide evidence of a significant relationship between bank mergers and service quality perception that differs based on the demographic characteristics of the respondents. Among these demographic characteristics are gender, ethnicity, education, and income. In addition to the survey results, the article also contains several managerial implications, including a need for complementarity of marketing strategies for both acquired and non-acquired banks.

Oppewal and Vriens (2000) in their study observed that the use of integrated conjoint experiments to measure perceived service quality. It also demonstrates the process of modelling the hierarchical relations between operationally defined service attributes, strategically relevant service dimensions, and overall preference for banks or banking products. The proposed method, which is based on hierarchical information integration theory, avoids some of the limitations and problems of SERVQUAL and traditional conjoint analysis. The approach is demonstrated with an application to retail banks involving four service dimensions and 28 attributes. Conclusions are drawn about which dimensions and attribute changes will yield the strongest improvements in a bank's utility and competitive position. The paper ends with a discussion of topics for further research.

Sudhamani and Kalyanaraman (2003) discussed in their study that service quality has become an gradually more important factor for achievement in the banking sector. It has become an important research topic because of its relationship with marketing and its performance. The main aim of this paper is to study the customers' perception of service quality in private sector banks and to identify the areas in which bank has to improve the quality of services. For this purpose, the 4 branches of HDFC bank have been selected and structured questionnaire were built and 100 respondents were selected. Demographic factors were represented by age, gender, profession and income influences the quality of services among the customers. Service providers attribute such as location of ATM, availability of cash, availability of cheque drop box, internet banking, customer care, account balance enquiry, printed statement of enquiry, availability in website and credit card information were the tested attributes to study the service quality. ANOVA was used to research the customers' perception about the service quality of the banks.

## **Methodology**

This study has been carried out through Descriptive in nature. It describes about the customers' perception, service quality and dimensions of service quality. Primary data and secondary data have been used in this study. A well-structured questionnaire has been used to collect the primary data

from the respondents. Secondary data have been collected through journals and websites. The sample respondents were chosen from Erode District. Non-Probability convenience sampling technique was adopted to collect the primary data from the sample customers. The Questionnaire schedule has issued to 550 customers and received 484 questionnaires. Among that 37 unfilled and semi-filled questionnaires were rejected. Finally 447 valid responses have been taken for the study. For the purpose of analysis simple percentage, crosstabs, Chi-Square analysis and ANOVA statistical tools have been used.

## **Analysis and Interpretation**

**Table-1 Frequency Distribution of respondents by Demographic Details**

<b>Educational Qualification</b>	<b>Frequency</b>	<b>Percent</b>
Schooling	37	8.3
Diploma	43	9.6
UG	177	39.6
PG	130	29.1
Professional	60	13.4
<b>Total</b>	<b>447</b>	<b>100.0</b>
<b>Occupation</b>	<b>Frequency</b>	<b>Percent</b>
Govt. Employee	30	6.7
Private Employee	238	53.2
Self-Employed	41	9.2
Professional	35	7.8
Others	103	23.0
<b>Total</b>	<b>447</b>	<b>100.0</b>
<b>Monthly Earnings</b>	<b>Frequency</b>	<b>Percent</b>
Below Rs.15000	192	43.0
Rs.15000-30000	172	38.5
Rs.30001-45000	66	14.8
Rs.45001-60000	13	2.9
Rs.60000 & above	4	.9
<b>Total</b>	<b>447</b>	<b>100.0</b>
<b>Frequency of visit to the bank</b>	<b>Frequency</b>	<b>Percent</b>
Daily	22	4.9
2-3 Days	31	6.9
Once in a week	57	12.8
Twice in a week	111	24.8
Once in a Month	146	32.7
Rarely	80	17.9
<b>Total</b>	<b>447</b>	<b>100.0</b>

From the above table, 39.6% of the customers are undergraduates in educational qualification, 53.2% of the customers are Private Employees, 43% of customers are earning below Rs.15000 and 32.7% of the customers are visiting the bank once in a month.

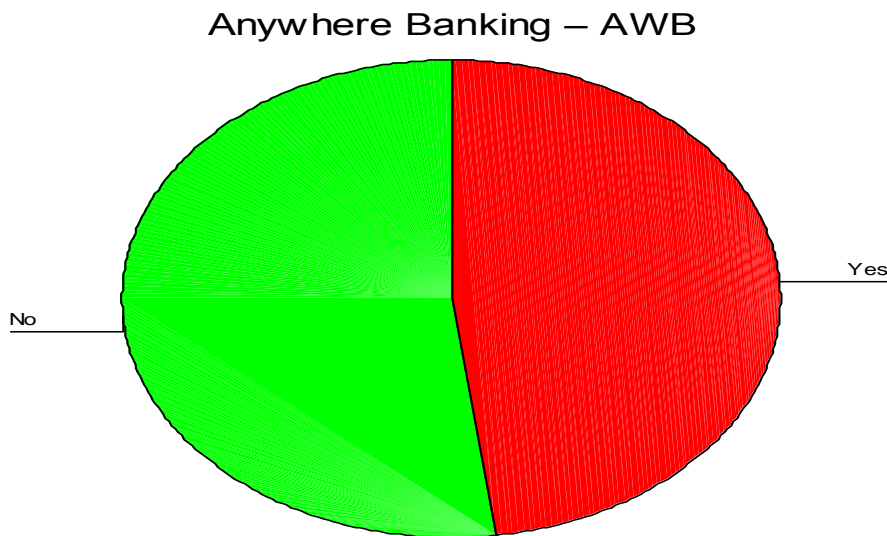
**Table – 2 Frequency Distribution of the respondents Using E-Banking Services**

<b>Anytime money – ATM</b>	<b>Frequency</b>	<b>Percent</b>
Yes	444	99.3
No	3	.7
<b>Total</b>	<b>447</b>	<b>100.0</b>
<b>Anywhere Banking – AWB</b>	<b>Frequency</b>	<b>Percent</b>
Yes	213	47.7
No	234	52.3
<b>Total</b>	<b>447</b>	<b>100.0</b>
<b>Credit cards – CC</b>	<b>Frequency</b>	<b>Percent</b>
Yes	223	49.9
No	224	50.1
<b>Total</b>	<b>447</b>	<b>100.0</b>
<b>Debit cards – DC</b>	<b>Frequency</b>	<b>Percent</b>
Yes	347	77.6
No	100	22.4
<b>Total</b>	<b>447</b>	<b>100.0</b>
<b>Internet Banking – IB</b>	<b>Frequency</b>	<b>Percent</b>
Yes	273	61.1
No	174	38.9
<b>Total</b>	<b>447</b>	<b>100.0</b>
<b>Mobile banking – MB</b>	<b>Frequency</b>	<b>Percent</b>
Yes	297	66.4
No	150	33.6
<b>Total</b>	<b>447</b>	<b>100.0</b>
<b>Phone Banking – PB</b>	<b>Frequency</b>	<b>Percent</b>
Yes	259	57.9
No	188	42.1
<b>Total</b>	<b>447</b>	<b>100.0</b>
<b>Electronic fund transfer – EFT</b>	<b>Frequency</b>	<b>Percent</b>
Yes	233	52.1
No	214	47.9
<b>Total</b>	<b>447</b>	<b>100.0</b>
<b>Electronic clearing system – ECS</b>	<b>Frequency</b>	<b>Percent</b>
Yes	163	36.5
No	284	63.5
<b>Total</b>	<b>447</b>	<b>100.0</b>

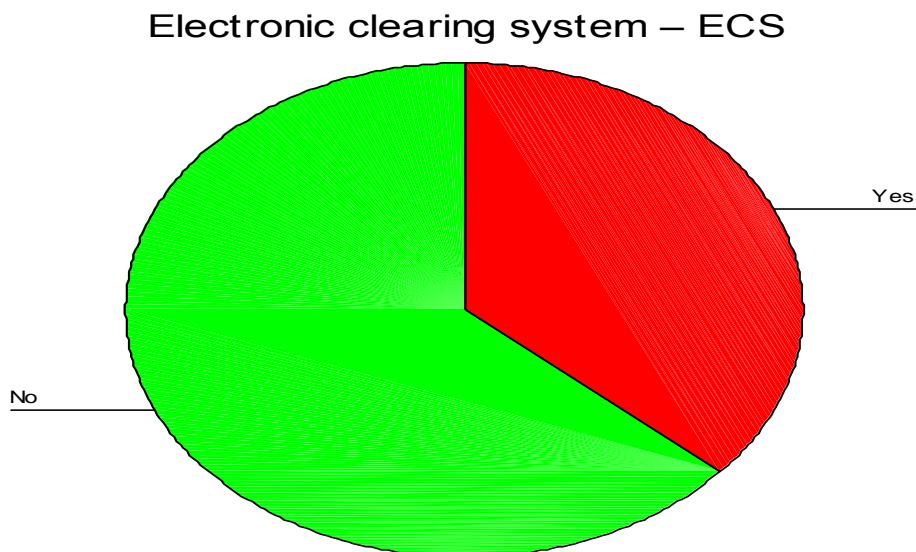
From the above table, 99.3% of the customers are using Any Time Money (ATM) facilities, 47.7% of the customers are accessing Any Where Banking (AWB) facilities, 49.9% of the customers are using Credit Card facilities, 77.6% of the customers are using Debit Card facilities, 61.1% of the customers are using Internet Banking facilities, 66.4% of the customers are

using Mobile Banking facilities, 57.9% of the customers are using Phone Banking facilities, 52.1% of the customers are doing Electronic Fund Transfer facilities and only 36.5% of the customers are doing Electronic Clearing System facilities in their banking services.

**Chart-1 Frequency Distribution of respondents by using Anywhere Banking Services**



**Chart-2 Frequency Distribution of respondents by using Anywhere Banking Services**



**Table – 3 Chi-Square Test for Association between Monthly Earnings and Employees have a Neat and Professional appearance**

Monthly Earnings	Employees have a neat, professional appearance					Total	Chi-Square Value	P Value
	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree			
Below Rs.15000	9 (4.7%) [39.1%]	13 (6.8%) [40.6%]	30 15.6% 41.7%	115 59.9% 45.6%	25 13.0% 36.8%	192 100.0% 43.0%	46.429	<0.001**
Rs.15000-30000	11 6.4% 47.8%	14 8.1% 43.8%	18 10.5% 25.0%	98 57.0% 38.9%	31 18.0% 45.6%	172 100.0% 38.5%		
Rs.30001-45000	3 4.5% 13.0%	2 3.0% 6.3%	14 21.2% 19.4%	35 53.0% 13.9%	12 18.2% 17.6%	66 100.0% 14.8%		
Rs.45001-60000	0 .0% .0%	1 7.7% 3.1%	8 61.5% 11.1%	4 30.8% 1.6%	0 .0% .0%	13 100.0% 2.9%		
Rs.60000 & above	0 .0% .0%	2 50.0% 6.3%	2 50.0% 2.8%	0 .0% .0%	0 .0% .0%	4 100.0% .9%		
Total	23	32	72	252	68	447		

Note:

1. The value within ( ) refers to Row Percentage
2. The value within [ ] refers to Column Percentage
3. \*\* Denotes significant at 1% level

Since P value is less than 0.01, the null hypothesis is rejected at 1% level of significance. Hence it is concluded that there is an association between monthly income and Employees have a neat, professional appearance. Based on the row percentage, monthly income of below 15000, 59.9% customers are giving more importance and 4.7% customers are giving less importance to Employees have a neat, professional appearance.

**Table – 4 Chi-Square Test for Association between Monthly Earnings and Bank Employees provide Services as promised**

Monthly Earnings	Bank employees provide services as promised					Total	Chi-Square Value	P Value
	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree			
Below Rs.15000	4 2.1% 36.4%	22 11.5% 51.2%	62 32.3% 53.4%	83 43.2% 36.4%	21 10.9% 42.9%	192 100.0% 43.0%	27.115	0.040*
Rs.15000-30000	4 2.3% 36.4%	15 8.7% 34.9%	44 25.6% 37.9%	95 55.2% 41.7%	14 8.1% 28.6%	172 100.0% 38.5%		
Rs.30001-45000	3 4.5% 27.3%	5 7.6% 11.6%	8 12.1% 6.9%	40 60.6% 17.5%	10 15.2% 20.4%	66 100.0% 14.8%		
Rs.45001-60000	0 .0% .0%	1 7.7% 2.3%	0 .0% .0%	8 61.5% 3.5%	4 30.8% 8.2%	13 100.0% 2.9%		
Rs.60000 & above	0 .0% .0%	0 .0% .0%	2 50.0% 1.7%	2 50.0% .9%	0 .0% .0%	4 100.0% .9%		
Total	11	43	116	228	49	447		

Note:

1. The value within ( ) refers to Row Percentage
2. The value within [ ] refers to Column Percentage
3. \*\* Denotes significant at 1% level

Since P value is less than 0.05, the null hypothesis is rejected at 5% level of significance. Hence it is concluded that there is an association between monthly income and Employees have a neat, professional appearance. Based on the row percentage, monthly income of Rs.30001-45000, 60.6% customers are giving more importance and 4.5% customers are giving less importance to Bank employees provide services as promised.

**Table – 5 ANOVA for Significant difference between Occupation with respect to Frequent Usage of Bank**

Frequent Usage of Banks	Occupation					F Value	P Value
	Govt. Employee	Private Employee	Self-Employed	Professional	Others		
Deposit	7.97 <sup>b</sup> (2.51)	7.06 <sup>ab</sup> (2.43)	6.41 <sup>a</sup> (2.46)	6.60 <sup>a</sup> (2.42)	6.67 <sup>a</sup> (2.47)	2.418	0.048*
Withdrawal	7.13 <sup>a</sup> (1.76)	7.93 <sup>a</sup> (1.82)	7.22 <sup>a</sup> (2.03)	7.29 <sup>a</sup> (1.25)	7.19 <sup>a</sup> (2.12)	4.226	0.002**
Locker	5.40 (3.22)	5.84 (2.72)	6.20 (2.66)	6.77 (2.66)	5.92 (2.47)	1.305	0.267
Updating Passbook	7.03 <sup>c</sup> (2.36)	5.26 <sup>a</sup> (2.48)	4.29 <sup>a</sup> (2.69)	4.89 <sup>ab</sup> (2.01)	5.75 <sup>b</sup> (2.09)	6.937	<0.001**
DD	4.93 (2.84)	4.79 (2.28)	4.46 (2.73)	5.23 (2.07)	5.07 (2.06)	.807	0.521
Getting Debit / Credit Cards	6.67 <sup>b</sup> (2.59)	5.69 <sup>ab</sup> (2.39)	4.93 <sup>a</sup> (2.77)	5.86 <sup>ab</sup> (2.18)	5.64 <sup>a</sup> (2.11)	2.398	0.050*
Loan Transactions	6.63 (2.33)	5.54 (2.62)	5.22 (2.45)	5.51 (2.55)	5.26 (2.03)	1.982	0.096

Note:

1. The value within ( ) refers to Standard Deviation
2. \*\* denotes significant at 1% level
3. \* denotes significant at 5% level
4. Different alphabet among Area of the bank denotes significant at 5% level using Duncan Multiple Range Test (DMRT)

Since P value is less than 0.01, null hypothesis is rejected at 1% level with regard to the Frequent Usage of Banks in Withdrawal and Updating Passbook in Occupation. Hence there is significant difference between Frequent Usage of Banks in Withdrawal and Updating Passbook in Occupation.

Based on Duncan Multiple Range Test (DMRT), there is no significant difference among Govt. Employee, Private Employee, Self-Employed, Professional, Others in Withdrawal in Occupation. Govt. Employee is significantly differed with Private Employee, Self-Employed, Professional and Others and also Others is significantly differed with Self-Employed in Updating Passbook in Occupation at 5% level, but there is no significant difference among Private Employee, Self-Employed and Professional and also Private Employee, Others and Professional in Updating Passbook in Occupation.

Since P value is less than 0.05, the null hypothesis rejected at 5% level with regard to Frequent Usage of Banks in Deposit and getting Debit and Credit Card in Occupation. Hence there is significant difference between Deposit and getting Debit and Credit Card in Occupation.

Based on Duncan Multiple Range Test (DMRT), Govt. Employee significantly differed with Self-Employed, Professional and Others in Deposit in Occupation at 5% level, but there is no significant difference among Self-Employed, Professional and Others in Deposit in Occupation and also between Private Employee and Govt. Employee in in Deposit in Occupation. Govt. Employee significantly differed with Self-Employed and Others in getting Debit and Credit Card in

Occupation at 5% level, but there is no significant difference among Private Employee, Self-Employed, Professional, Others and also among Govt. Employee, Private Employee and Professional Others in getting Debit and Credit Card in Occupation

There is no significant difference between Occupation with respect to Frequent Usage of Bank in Locker, DD and Loan Transaction, since P value is greater than 0.05. Hence the null hypothesis accepted with regard to Occupation with respect to Frequent Usage of Bank in Locker, DD and Loan Transaction.

## **Results and Discussions**

Using of Anywhere Banking facilities and doing electronic clearing services in the banking operation 47.7% and 36.5% are respectively. In particular indicates that the awareness about anywhere banking and electronic clearing services are less amongst the customers. Hence, the banking service providers to build trust and confidence level of the customer in the above regards to be increased more added.

There is an association between monthly income and Employees have a neat, professional appearance. Based on the row percentage, monthly income of below 15000, 59.9% customers are giving more importance and 4.7% customers are giving less importance to Employees have a neat, professional appearance. So, majority of the customers are giving most importance neat, professional appearance of the employees in the bank. There is an association between monthly income and Employees have a neat, professional appearance. Based on the row percentage, monthly income of Rs.30001-45000, 60.6% customers are giving more importance and 4.5% customers are giving less importance to Bank employees provide services as promised.

Null hypothesis is rejected at 1% level with regard to the Frequent Usage of Banks in Withdrawal and Updating Passbook in Occupation. Hence there is significant difference between Frequent Usage of Banks in Withdrawal and Updating Passbook in Occupation. Null hypothesis rejected at 5% level with regard to Frequent Usage of Banks in Deposit and getting Debit and Credit Card in Occupation. Hence there is significant difference between Deposit and getting Debit and Credit Card in Occupation. There is no significant difference between Occupation with respect to Frequent Usage of Bank in Locker, DD and Loan Transaction, since P value is greater than 0.05. Hence the null hypothesis accepted with regard to Occupation with respect to Frequent Usage of Bank in Locker, DD and Loan Transaction.

## **Conclusion**

The service quality plays a vital role in the banking services in the competitive scenario. The banker who adopts and updates innovative technologies in their service processes will keep up themselves in the present market. The banking service providers to build the trust and confidence level in the above regards to be increased added. Majority of the customers are giving most importance neat, professional appearance of the employees in the bank. The customers perceive that the bankers should build and maintain cordial relationship among the customers. This may improve the business performance in the globalized competitive scenario.

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