

STUDY ON CUSTOMER SERVICE QUALITY OF COMMERCIAL BANKS IN CHENNAI CITY

Mrs. M.Rajalakshmi,

Asst.Professor, Department of Management science,
S.A. Engineering College, Chennai-77, Tamilnadu, India.

ABSTRACT

Service Quality is the degree of excellence in the service performance. Quality in customer service is the only way a business can differentiate itself from its competitors. It is regarded as a strategic organizational weapon. This study aims to find out the most important attributes of service quality in commercial banks which can be used to evaluate the characteristics of banking service quality as perceived by customers and it attempts to measure and compare service quality among private, public and foreign banks in Chennai city on the basis of customer's expectations and perceptions of quality of services.

Service quality measure is based on modified version of SERVQUAL as proposed by Parasuraman et al. (1988), which involve five dimensions of Service quality, namely Reliability, Responsiveness, Empathy, Assurance, and Tangibles. With respect to customer services there are notable perceived differences. Hence this study on customer service quality of commercial banks looks for bringing out the differences between perceptions of customers of these banks. This study is descriptive and analytical in nature.

The collected data is analyzed by obtaining the mean scores of the various servqual dimensions both for expectations and perceptions. Such mean scores are compared with each other to find the gaps between expectations and perceptions. The service quality gaps of customers of various types of banks are compared. Further these gaps are cross tabulated with the profile of consumers. The research proves that empathy and responsiveness plays the most important role followed by tangibility, assurance, and finally the bank reliability. The gap scores on reliability, assurance and empathy dimensions seem to be more or less the same, all the three types of banks are lagging behind being responsive to customer requirements. The study adds value to in the field of banking service quality for development and also opens new areas of research.

Keywords: Service quality, Commercial Banks, SERVQUAL.

I INTRODUCTION

Service industries are playing an important role in the economy of many nations. In India more than 80% of Indian GDP comes from services. Indian banking industry has suddenly witnessed a major boom. It is facing rapid changes, such as: new technologies, economic uncertainties, fierce competition, more demanding customers and the changing climate which lead to an unprecedented set of challenges. Being a globalized market, the customers seek and demand world class products and services. In today's global market, the competitive advantage, differentiation and excellence lies in delivering high quality service to the customers. Growth and development of the enterprise majorly depends on the service quality.

II LITERATURE REVIEW

A. Service Quality

Kotler & Keller, 2009 define service as "any intangible act or performance that one party offers to another that does not result in the ownership of anything. According to Parasuraman et al. (1988), service quality can be defined as an overall judgment similar to attitude towards the service and generally accepted as an antecedent of overall customer satisfaction (Zeithaml and Bitner, 1996). Parasuraman et al. (1988) have defined service quality as the ability of the organization to meet or exceed customer expectations. It is the difference between customer expectations of service and perceived service (Zeithaml et al., 1990). Providing the quality service to attract and retain customers has been recognized as a strategic requirement in highly competitive business environments (Parasuram et al. 1985; and Zeithaml et al., 1990). Perceived service quality

results from comparisons by customers of expectations with their perceptions of service delivered by the suppliers (Zeithaml *et al.*, 1990). If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Parasuraman *et al.*, 1985; Lewis and Mitchell, 1990).

B. Assessing Service Quality Using SERVQUAL

An array of factors or determinants has been identified in the literature for measuring service quality. For instance, Sachev and Verma (2004) measure service quality in terms of customer perception, customer expectation, customer satisfaction, and customer attitude. Despite the numerous models for measuring service quality, Nyeck *et al.* (2002) admit that the SERVQUAL model remains as the most complete attempt to conceptualize and measure service quality. The model is extensive and widely used to measure service quality in the literature. A quantitative research was arranged by Parasuraman *et al.* in 1988 in which an instrument was developed for measuring the perception of consumers regarding service quality and after that research it became known as SERVQUAL. The dimensions of SERVQUAL model were:

Tangibles – physical attributes, Reliability –to give promised service, Responsiveness – showing interest to help customers and provide prompt services, Assurance –guarantee competence, courtesy, credibility, and security to customers by organization's employees using their knowledge, Empathy –the ability to understand and share the feelings of customers. The SERVQUAL questionnaire covers these five service quality dimensions using two portions. One portion is comprised of expectations of customer and other is based on received service quality perception. Each portion has 22 items. The use of SERVQUAL instrument has already been validated in assessing service quality of repair and maintenance service providing firm, long-distance telephone corporation, telecommunication, credit card company, information system, libraries, insurance, restaurant, health care and retail chains (Parasuraman *et al.* 1988; Van der Wal *et al.* 2002; Kilbourne *et al.* 2004; Lee and Ulgado 1997; Mels *et al.* 1997; Parasuraman *et al.* 1985; Jiang *et al.* 2000; Cook and Thompson 2001). Therefore this study adopts the SERVQUAL dimensions to measure service quality of commercial Banks in Chennai city.

III RESEARCH METHODOLOGY

A. Research Problem:

In the quest to improve its services, retain and attract customers, commercial banks has introduced innovative measures like extended business hours, ATM network, internet banking, and improved banking facilities among others, all in the interest of enhancing customers comfort. Customer's preferences and expectations seem not to match up with the bank's initiatives. There is incessant complaint of long waiting at the banking hall, failure of network system and Automatic Teller Machines; and defection to other banks. The emerging situation calls for the assessment of service quality in relation to customer expectation and service performance to help commercial Banks to develop strategies to improve the quality of service delivery and enhance satisfaction so as to ensure customer retention. Moreover this will enhance the Bank's competitive position in the banking industry and ensure survival of the bank especially in this era of keen competition.

B. Objectives of the Study

(i) Primary Objective:

The main object of the study is to assess the service quality of public, private and foreign banks.

(ii) Secondary Objectives

1. To identify importance attached to different attributes of service quality viz. reliability, responsiveness, empathy, tangibles and assurance by the customers.
2. To examine the performance of public, private and foreign banks on the basis of quality of services.
3. To find the gap between customers' expectations and perceptions of quality of services for public, private and foreign banks.
4. To make suggestions for improvement of quality of services in banks.

C. Data Collection

(i) Questionnaire Design

Data is collected through pre structured questionnaire. Part-I of the Questionnaire was set to obtain personal information (gender, age, education Level, income, occupation and Customer's Bank) of the respondents. The SERVQUAL Model was used for Questions in Part-II, consisted of 22 questions to measure the key dimensions of service quality i.e. reliability, empathy, responsiveness, assurance, tangibles and through this the gap between perception and expectation will be analyzed. The questions were divided into two parts whereby the first part evaluated actual quality of service offered (according to perception and experience) and the second part into expected quality of service i.e. what customers expect from all banks to provide. Questions were set in Likert scale where rating of each statement started with 1 indicating "strongly disagree" and ended with 5 being "strongly agree". The qualitative is data converted into quantitative and then details analysis is

made with appropriate statistical tools.

ii) Sample

The study limited to customers of public, private, foreign banks which are located in Chennai. Convenience random sampling method has been adopted to select customers from bank. Sample constituted of total two hundred of customers equally in male and female, aged 18 and above, were requested to fill the questionnaire.

D. Reliability and Validity

Reliability measurement is established by testing for both consistency and stability. Cronbach alpha has been employed to evaluate the reliability scale of construct, dimension of each construct and to ensure that the data collected is reliable. The Cronbach Alpha is calculated to measure the reliability of the five dimensions, i.e, Reliability, Responsiveness, Assurance, Empathy and Tangibility.

Table 3.1: Cronbach's Alpha of all the Variables

Variables	Perception	Expectation
22 Items	0.725	0.821
Reliability	0.865	0.725
Responsiveness	0.884	0.791
Assurance	0.828	0.845
Empathy	0.832	0.762
Tangibility	0.831	0.736

From Table 3.1, it can be seen that all the coefficients of alpha are all above 0.7 for all the dimensions. Fujian et al. (2007) states that a Cronbach's alpha of greater than 0.7 indicates that the data is internally consistent. Thus it can be concluded that the data is reliable.

IV DATA ANALYSIS AND INTERPRETATION

A) Demographic Profile of Respondents:

In total, a sample of 200 respondents from different bank branches participated in the survey. Details of the respondents profile are provided in table 4.1 below

Table 4.1: Demographic Profile of the Respondents

Demographic Characteristics		Frequency	Percentage (%)
Gender	Male	100	50
	Female	100	50
Age group	18-25	32	16
	26-35	58	29
	36-50	42	21
	51-60	36	18
	Above 61	32	16
Educational level	Secondary level	39	19
	Higher Secondary	47	24
	UG Degree	64	32
	PG Degree	50	25
Income	0-10000	32	16
	10001-20000	68	34
	20001-30000	55	28
	Above 30000	45	22
Occupation	Employed	33	17
	Professionals	29	15
	Business	48	24
	Student	32	16
	Home maker	31	15
	Retired	27	13
Customer's Bank	SBI	30	15
	ICICI	24	12

	HDFC	33	17
	Axis	22	11
	Indian Bank	26	13
	Bank of Baroda	28	14
	HSBC	12	6
	RBS	16	8
	Yes Bank	09	4

It can be noted from the above table that, respondents are equally divided into male and female with a frequency of 100 each. The highest number of respondents falls in the age group 26-35. It can be further noted that the highest level of education attained by most respondents was under graduates, followed by Post graduates, Higher Secondary. In terms of income, 34 % of the sample falls in the range Rs.10001- Rs.20, 000. Concerning occupation, it can be seen that the highest number of respondents come from Business Category (24%) followed by 17 % employed. Regarding Customer's bank 17% respondents are from HDFC, 15% respondents are from SBI.

B) Hypothesis to Test Independence of Service Quality rating from Categorical Variables

H0: Service quality assessment is an independent of variables such as gender, age, education Level, income, occupation and Customers' Bank.

H1: Service quality assessment is not independent of variables such as gender, age, education Level, income, occupation and Customers' Bank.

Table 4.2: Results of the ANOVA Test to establish Relationship of Service Quality Satisfaction with Categorical variables

Independent Variables	F Statistic	P Value	Significance At 5%	Acceptance of Hypothesis
Gender	0.932	0.453	Not significant	H0 is accepted
Age	0.856	0.479	Not significant	H0 is accepted
Educational level	2.546	0.173	Not significant	H0 is accepted
Income	5.761	0.0504	Significant	H1 is accepted
Occupation	4.589	0.074	significant	H1 is accepted
Customer's Bank	5.327	0.058	Significant	H1 is accepted

From the above table, it is noted out that customer service quality assessment varies with categorical variables like income, occupation and Customer's bank. However, customer service quality assessment does not vary with age and gender and Educational Level.

C) Servqual Gaps - Identification of Gaps (Expectation vs. Perception) in Customer Service Quality (parameter-wise gaps) Reliability, Assurance, Empathy, Responsiveness and Tangibility between three types of Banks.

The gap score is the difference between the mean score of perceptions and the mean score of expectation. It was observed that responsiveness gap is higher (0.876), followed by reliability gap (0.812), empathy gap (0.832), assurance gap (0.801) and tangibility gap (0.702). The tangibility dimension holds a least servqual gap between the customers' expectations and perceptions. The gap between the customers' expectations and perceptions on the responsiveness is the highest. This gap score shows, among all the dimensions of service quality, banks are lagging behind the Responsiveness dimension of Service quality. However, the gap scores on reliability, assurance and empathy dimensions seem to be more or less the same. The banks should focus more on "Responsiveness" dimension to satisfy and retain the customers.

V CONCLUSION

The present study identified, responsiveness, reliability, and empathy is the most important dimensions of services having stronger impact on service quality. This study identified that, customer service quality satisfaction varies with categorical variables like, income, occupation and Customer's bank. However, customer service quality satisfaction does not vary with age gender and Educational Level, The tangibility dimension (Location, Employees dressing, Printed materials, Availability of equipment & visually appealing layout) holds a least servqual gap between the customers' expectations and perceptions. It is very obvious that, the gap between the customers' expectations and perceptions on the responsiveness dimension (Customer support, less waiting time, ease of location and quick response) is the highest. This show, of all the dimensions of service quality, banks are lagging behind in being responsive to customer requirements. However, the gap scores on reliability, assurance and empathy dimensions seem to be more or less the same. It is advisable that the banks should focus more on "Responsiveness" dimension to win the customers. Banks also have to look into aspects like reliability, empathy and assurance in delivering their services. Banks have created enough tangible cues to impress upon the customers.

REFERENCES

1. Bakar, A. I. (2007). "Service Quality Gap and Customers' Satisfactions of Commercial Banks in Malaysia". *International Review of Business Research Papers Vol. 3 No.4*, pp.327-336.
2. Dr. Manasa Nagabhushanam, "A Study on Customer Service Quality of Banks in India" pp300-342.
3. Jain, Vibhor., Gupta, Sonia., Jain, Smrita. (2012). Customer Perception on Service Quality in Banking Sector: With Special Reference to Indian Private Banks in Moradabad Region. *IJRFM*, Volume 2, Issue 2, February 2012, ISSN:2231-5985, 597-610.
4. Kang, G. D. & James, J. (2004). Service quality dimensions: An examination of Gronroos's service quality model. *Managing Service Quality*, 14(4), 266-277.
5. Kotler.Phipil,"Management Marketing", New Jersey, United of America, 2003, p 415.
6. L.Shostack, G. and Upah, G. (Eds), *Emerging Perspectives on Services Marketing*, American Marketing Association, Chicago, IL, pp. 99-107.
7. Munusamy, Jayaraman.Chelliah, Shankar, Mun, HorWai. (2010). Service Quality delivery and its impact on customer satisfaction in the Banking Sector in Malaysia. *International Journal of Innovation, Management and Technology*, Vol 1, No. 4, October 2010, ISSN:2010-0248, 398-404.
8. Saravanan.R & Rao , K. S. P. (2007), Measurement of service quality from the customer's perspective – An empirical study, *Total Quality Management*, Vol. 18(4), pp. 435-449.
9. Sureshchander, G.S., Rajendran, C. and Anatharaman, R.N. (2002), "The relationship between service quality and customer satisfaction: a factor specific approach", *Journal of Services Marketing*, Vol. 16 No. 4, pp. 363-79
10. Zeithaml, V. A., Berry, L. L. & Parasuraman, A. (1996). The behavioral consequences of service quality. *Journal of Marketing Research*, 60(2), 31-46.