

## Customers' Satisfaction through Service-Quality across Commercial Banks

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### Abstract:

*In the nowadays competitive environment in the banking sector, the banks are totally focused towards retaining their customers. Creating customer satisfaction can lead to enormous benefits, along with harmonious relationship among the banks and their customers. The objective of this study was to estimate the service quality gap between the expectations and perceptions of the customers across commercial banks. This study employed the ex-post-facto survey design. Survey was conducted on 273 randomly selected customers' of five different banks namely PNB, SBI, Axis, HDFC and ICICI in the three districts of Uttarakhand (Dehradun, Haridwar and Rudrapur). The significant difference between the means of expectations and perceptions implied the dissatisfaction of the customers.*

**Key words:** Bank customers, satisfaction, expectation, perceptions, service-quality.

### Introduction

India is the world's largest democracy and a huge economy. In order to keep this huge economy healthy and growing, its banking sector is required to be effective. With the emergence

of new-age private sector banks in India, in the past thirty years, the banking sector has achieved a lot. Now banks are not confined to the metropolitans only, but have reached to the rural areas also. Nowadays banking has emerged as one of the major service sectors in the Indian economy. Credit availability, which is the most important function of banks, plays a very vital role in the development of any economy. As the Indian economy is in its developing stage, the role of banks has become very significant for it. Therefore, the quality of services, provided by the banks has emerged as a topic of discussion. As the competition has risen among the banks, they have become much more customer-oriented. Their focus has shifted towards customer retention rather than customer acquisition (sbank.com 2013). As customer acquisition takes away more resources and time than customer retention (Kotler, 2011).

In the day by day increasing competitive environment in the banking sector, there has evolved a very stressful situation among the banks for retaining their customers. Creating customer satisfaction can lead to enormous benefits, along with harmonious relationship among the banks and their customers. Customers can be satisfied by providing the benefits which are real and at par with their expectations. Expectation refers to beliefs that something is going to happen. Customers' expectation is a term used for the beliefs for a service delivery that are used as reference points which have been measured under certain dimensions by the researchers to judge performance (perceived service quality). Services are diverse and performance i.e. perceived service quality may differ through providers and employees. Sometimes services may differ through the same provider also. The degree of customers' willingness to accept this service variation is called the tolerance zone which is denoted as the minimum acceptance level of the customers. Below that level, customers are frustrated. On the other hand customers would be highly pleased if the services are above that level (Miller, 1997). The

research studies suggest that the zone of tolerance of the customers has dynamic boundaries and can be adjusted during the service delivery process. The satisfaction through the quality of service is not confined to a single transaction but it is the outcome of the transactions across a series of usage of the services of the banks and can fluctuate over a period based on the quality of delivery of services (Churchill and Surprenant, 1982). In order to retain customers, the major topic to confer in the competitiveness among the banks is the service quality provided to their customers. Managers at the top are inclined to measure the service quality that the banks provide to their customers. As with the passage of time, all over the world, customers have become more aware and conscious about the quality of services. Therefore, the requirements of the consumers of these services have increased (Lee, 2005). Due to the unique nature of services, it becomes very difficult for the providers of services to measure their quality (Douglas and Connor, 2003). The most widely accepted model to measure the quality of services is the SERVQUAL which has been developed by Parasuraman et al. (1988).

SERVQUAL focuses on the evaluation of the customers' perceptions and expectations of the specific dimensions of a service. These dimensions include tangibility, reliability, responsiveness, empathy and assurance (Zeithmal, 1990). Tangibility refers to the visually appealing appearance of the facilities such as physical equipment, writing materials as well as the appearance of the staff (Ananth et al., 2011). Reliability refers to handling services problems of the customers and providing services correctly within the stipulated time along with maintaining flawless records (Zeithmal et al., 1988). Responsiveness refers to the willingness of the employees to understand the customers, give them personal attention and ensure safety in the transactions (Kumar et al., 2009). Empathy refers to realize problems of the customers by imagining their situation and then try to resolve

.Assurance refers to the courtesy and knowledge of employees to develop confidence and trust among their customers (Parasuraman et al., 1985). In order to find the magnitude of customers' expectations, it is required to find out the customers' perceptions that how does a service meets or exceeds their expectations, (Czepiel, 1990). Customers' perceptions and expectations are the two main contents of service quality. The quality of service is judged by the customers as 'low' if their expectations do not meet their perceptions and 'high' if perception exceeds their expectations (Oliver, 1980).

## **Review of Literature**

The review of literature investigates the most widely accepted SERVQUAL model given by Zeithmal, Parasuraman and Berry, 1985, in order to judge the service quality gap in the expectations and perceptions of the customers across commercial banks .For the purpose of this study a number of research papers, magazines and articles have been reviewed.

Lawson and Watt (1983) in a study investigated attitudes and perceptions of customers regarding banks and their services. With the help of consumer group surveys, they analyzed the impact of the price on services, reaction to price increases and possible alternative methods of pricing accounts, on the choice of a bank. The authors concluded that price is not a major factor in bank choice, that customers would pay more for some services. (Gronroos, 1984) initiated the SERVEQUAL concept and found that when customers compare their expectations with the service they receive, it leads towards a process of evaluation, which results in a set of perceived judgments for that service. (Patrick et al., 1996) found that with the increase in the intensity of competition and hostility in the environmental factors, the concern for the quality of service has grown. It has become the cornerstone for the strategy of

marketing. Therefore, it is required to know how to measure the service quality.

(East, 1997) suggested that customers' feeling after using a product leads to customers' satisfaction. (Oliver, 1980) in a study suggested that the complete fulfillment of customers' expectations leads to customers' satisfaction. Customers' intentions to purchase a product or service in future widely depend on customers' satisfaction (Taylor & Baker, 1994). Those customers, who are satisfied, share their positive experiences with others leading towards advertising through word of mouth (Richens, 1983). Word of mouth and repeat purchase increases the profitability of a firm (Dabholkar, Thorpe and Rentz, 1996). The most serious aspect for managing service firms is the service quality (Robledo, 2001). Service quality is one of the very few ways of attracting and retaining customers (Venetis and Ghauri, 2004). Improved service quality helps the organizations by reducing costs and attracting and retaining customers (Keiningham et al, 1995). Perception of the customers regarding service reflects its quality (Zeithmal, Berry and Parasuraman, 1988). Customer loyalty and satisfaction can be achieved through the services and products which are of high- quality and those which provide value for money (Zeithmal, Berry and Parasuraman, 1990). Service quality comprises of customers' perceptions and expectations (Robledo, 2001). Perception of a service quality is a function of customers' prior expectations for the encounter of future service. Customers evaluate service quality by making a comparison between their expectations and perceptions. A prerequisite of the superior service delivery is to understand customers' expectations delivery (Boulding, Klara, Staetin and Zeithmal, 1993).

Gordan H G Mcdougall & Terrence J Levesque (1995) examined two major issues of concern to service marketers; the dimensions that comprise service quality and the approach to service quality measurement. Two investigations which

comprised a revised set of service quality items and repetition of SERVQUAL were made. It was concluded that in the retail banking sector, measures of performance were found to be superior and efficient measures of service quality, and service quality comprised of three underlying dimensions related to process, outcomes and tangibles. Yingzi, Robert Goedegebuure & Bealrice Vander Heijden (2008) in a study proposed a mediation model that links customer perceived service value via customer satisfaction to customer loyalty. Results showed that customer satisfaction do play a mediating role upon the relationship between customer perceived service value and customer loyalty. The study suggested that customer perceived service quality had a significant effect upon customer satisfaction; customer perception of relational benefits had a positive impact upon customer satisfaction, and was positively related with loyalty in terms of willingness to pay more and to be related with the business. Moreover, the results indicated that the five dimensions as distinguished in SERVQUAL were compressed within two dimensions-IT provision and service attitude. Outcomes suggested that managers should initiate service policies aimed at securing improvement in customer satisfaction.

## **Research Methodology**

The objective of the study was to estimate the service quality gap between the expectations and perceptions of the customers across commercial banks. This study employed the ex-post-facto survey design. This design is suitable for the study as it sought to examine the service quality gap between the expectations and perceptions of the customers across commercial banks.

## **Sample and Sampling Technique**

A sample of 300 customers was randomly selected from a list of 2000 customers who opened their accounts in the month of May

2014, from the five selected banks (SBI, PNB, HDFC, ICICI and Axis bank). Survey was conducted on 273 customers who gave back the completely filled and usable questionnaires.

### **Measurement**

In order to collect the data a standardized SERVQUAL questionnaire was adopted. The instrument consisted of 22 items measuring SERVQUAL dimensions i.e. tangibility, reliability, responsiveness, assurance and empathy. The scale employed 5 point likert scale ranging from 1= strongly disagree to 5=strongly agree. The internal reliability of the scale was measured by Chronbach's Alpha statistics. For the whole scale Chronbach's Alpha  $\alpha > .7$

### **Administration**

The standardized SERVQUAL questionnaire was administered to measure the gap between the expectations and perceptions of the customers across commercial banks. Total of 300 questionnaires were distributed out of which 273 were recovered giving a return rate of 91 percent.

**Analysis and Results:** The data was analyzed through SERVQUAL Gap Analysis. For the purpose of analysis the banks were coded as A for PNB, B for SBI, C for HDFC, D for ICICI and E for Axis. Demographic profile was analyzed through frequency and percentage. Table1 presents the demographic profile of the respondents.

**TABLE1: Demographic profile of the respondents.**

Demographic Profile	Criteria	Frequency	Percentage
Age	20-35 yrs	140	51.28
	35-50 yrs	111	40.66
	50 or above	22	8.06
Annual Income	0-5lakhs	210	76.92
	5-10 lakhs	49	17.95
	5 lakhs or above	14	5.13
	Male	132	48.35

Gender	Female	141	51.65
Marital Status	Married	211	77.29
	Unmarried	62	22.71
Occupation	Service	167	61.17
	Business	84	30.77
	Other	22	8.06

Table shows that the majority of the respondents were in the age-group of 35 to 50 years. Most of them had an annual income of maximum 5 lakhs. The majority of respondent was female and married belonging to the occupation of service.

**Table 2: shows the results of the paired sample t-test**

**Paired Samples Test**

		Paired Differences				t	df	Sig. (2-tailed)			
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference						
					Lower				Upper		
Pair 1	Tangibility perceptions Tangibility expectations	-.815	.806	.049	-.911	-.719	-16.698	272	.000		
Pair 2	Reliability perceptions Reliability expectations	-.840	.706	.043	-.924	-.755	-19.637	272	.000		
Pair 3	Responsiveness perceptions Responsiveness expectations	-.937	.915	.055	-1.045	-.828	-16.917	272	.000		
Pair 4	Assurance perceptions Assurance expectations	-.887	.753	.046	-.977	-.798	-19.479	272	.000		
Pair 5	Empathy perceptions Empathy expectations	-.891	.762	.046	-.982	-.800	-19.304	272	.000		

The results of the t- test show that there is a significant difference in the means of perceptions and expectations of tangibility ( $t = 16.698$ ,  $p < 0.05$ ), reliability ( $t = 19.637$ ,  $p < 0.05$ ), responsiveness ( $t = 16.917$ ,  $p < 0.05$ ), assurance ( $t = 19.479$ ,  $p < 0.05$ ) and empathy ( $t = 19.304$ ,  $p = 0.05$ ).



**Table 3: Overall Means, standard deviations and Gap in the banks' service quality.**

Factors		Perceptions	Expectations	Gap
Tangibility	Mean	3.35	4.16	<b>-0.81</b>
	S.D	0.71	0.49	
Reliability	Mean	3.32	4.16	<b>-0.84</b>
	S.D	0.64	0.46	
Responsiveness	Mean	3.23	4.17	<b>-0.94</b>
	S.D	0.78	0.52	
Assurance	Mean	3.30	4.19	<b>-0.89</b>
	S.D	0.67	0.48	
Empathy	Mean	3.31	4.20	<b>-0.89</b>
	S.D	0.69	0.44	

Gap=Perceptions-Expectations

+indicates satisfaction

- indicates dissatisfaction

To find out the service-quality gap, the overall means of the perceptions and expectations for the five service-quality dimensions i.e. tangibility, reliability, responsiveness, empathy and assurance were calculated.

Factors		A			B			C			D			E		
		P	E	Gap	P	E	Gap	P	E	Gap	P	E	Gap	P	E	Gap
Tangibility	Mean	3.45	4.13	-0.68	3.51	4.11	-0.6	3.14	4.31	-1.17	3.30	3.99	-0.69	3.27	4.22	-0.95
	SD	0.45	0.72		0.72	0.44		0.72	0.47		0.67	0.57		0.66	0.51	
Reliability	Mean	3.43	4.14	-0.71	3.48	4.09	-0.61	3.02	4.37	-1.35	3.20	3.92	-0.72	3.32	4.20	-0.88
	SD	0.57	0.39		0.67	0.41		0.6	0.35		0.66	0.55		0.62	0.49	
Responsiveness	Mean	3.28	4.09	-0.81	3.31	4.11	-0.8	3.01	4.40	-1.39	3.18	4.04	-0.86	3.31	4.20	-0.89
	SD	0.81	0.41		0.89	0.48		0.67	0.44		0.81	0.59		0.67	0.60	
Assurance	Mean	3.26	4.23	-0.97	3.48	4.07	-0.59	3.04	4.36	-1.32	3.30	3.97	-0.67	3.36	4.25	-0.89
	SD	0.69	0.46		0.61	0.39		0.65	0.43		0.68	0.57		0.64	0.49	
Empathy	Mean	3.38	4.14	-0.76	3.5	4.10	-0.6	3.08	4.38	-1.3	3.11	4.07	-0.96	3.32	4.28	-0.96
	SD	0.73	0.42		0.62	0.37		0.57	0.40		0.73	0.49		0.67	0.44	

**Table 4 :Bank-Wise Means, standard deviations and Gap analysis.**

Bank-wise means were calculated to find out the service quality gap for tangibility, reliability, responsiveness, empathy and assurance across all the banks included in the study.

## **Findings and Discussion:**

The overall results of the t-test show that the customers gave higher importance to reliability ( $t= 19.637$ ), assurance ( $t= 19.479$ ) and empathy ( $t= 19.304$ ), while responsiveness ( $t= 16.917$ ) and tangibility ( $t= 16.698$ ) were not accorded that much importance respectively. The significant difference between means of expectations and perceptions implies the dissatisfaction of the customers and vice versa.

To find out the service-quality gap, the overall means of the perceptions and expectations for the five service-quality dimensions were calculated. It showed that 'tangibility' had the highest mean in perceptions followed by reliability, empathy, assurance and responsiveness. Looking into the means of expectations, 'empathy' had the highest mean followed by assurance and responsiveness. Tangibility as well as reliability had the same and least means for expectations. The gap for all the five dimensions were found negative with the highest gap for responsiveness followed by empathy, assurance, reliability and tangibility. The gap for empathy and assurance were found to be same. The gap analysis of the data reveals that the customers are dissatisfied in all the five dimensions. The level of dissatisfaction is highest in case of responsiveness, then assurance and empathy with same gap, followed by reliability and tangibility respectively.

Looking into the bank-wise means of the service quality dimensions, the mean for the perception of the customers for the service quality dimension of tangibility is highest in case of bank D followed by B, A, E and the least in case of bank C. The expectations for tangibility are highest for bank C followed by E, A, B and least in the case of D. In the case of reliability, the highest mean for perception is of bank B followed by A, C, D and the least being bank E. For the expectations in reliability, the highest mean is of bank C followed by E, A, D and least in

the case of bank D. For the dimension of responsiveness bank B and E both have same and the highest means followed by A, D and C. In the case of expectations from responsiveness, the highest mean is of bank C, then E, B, A and D. For the dimension of assurance, the highest perceptions mean is of bank B followed by E, D, A and C. In the case of assurance expectations, the highest mean is of bank C, then E, A, B and D. In the case of empathy the highest mean for perceptions is of bank B, then A, E, D and the least in the case of bank C. For the expectations in empathy, the highest mean is of bank C followed by E, A, B and D.

### **Implications of results:**

The results of the study imply that the customers are dissatisfied in respect of tangibility, reliability, responsiveness, assurance and empathy. It appears that in all the cases of banks customers expect better physical equipment like smoothly working ATMs with availability of cash, immediate confirmation of transactions through messaging, cash deposit machines, pass-book updating machines and cash counting machines at the cash counter. The customers also expect more dependable and prompt services like debit/credit card machines. They also want the staff to be more supportive and sympathetic to handle customer queries. Therefore, the banks should focus on the service-quality for increasing the level of customer satisfaction and retention in the banks. The banks should conduct customer surveys regularly studying their perceptions and expectations to identify appropriate methods to reduce the service- quality gap.

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