

Examination of Customer Perception on Quality of Banking Services: Evidence from Private Sector Banks and Public Sector Banks

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Abstract

This research paper mainly deals customer perception of select private sector banks and public sector banks. The research survey was based on SERVQUAL dimensions (Parasuraman et al. 1988) which measures service quality and internet service quality in terms of customer expectations and perceptions of banking services. This study is based on cross-sectional survey that employed the use of pre-structured questionnaire to collect primary data from a sample of 120 respondents through personal contact, field survey and email.

Keywords: Internet Banking, SERVQUAL, Customer Perception

Introduction

Customer satisfaction is a serious issue for the success of any organization. Service quality is the main indicator to measure the client satisfaction. The relation between expectations and perceptions are very important in business especially in service industry to identify the service quality. In modern business environment, providing high service quality is the major key for a sustainable competitive advantage. Being a service industry catering to the millions of customers, banks are constantly offering new products to satisfy their diverse client bases with varied tastes and preferences. In recent years, internet banking is one of the facilities are offering to their clients to ensure client satisfaction along with improved business. The internet banking or online banking is a win-win solution for both the banks and their clients. The clients are advantaged because of the convenience, flexibility and literally 24-hour banking solutions in their hands and the banks get benefitted because of lower operating costs, wider geographical reach and reduced client pressure on their branches. Present status of Indian commercial banks demonstrates that maximum amount of branches are computerized and with CBS (Core Banking Solution). Commercial banks working in rural areas also providing most of internet banking services like mobile banking, NEFT, RTGS, ATM, credit cards, POS etc. Basically e-banking includes all non-traditional and electronic means of banking such as ATM, internet banking (IB), mobile banking, banking through credit cards and debit cards etc.

Survey of Existing Literature:

Curry et al., (2002, p.197) in an attempt to assess the quality of physiotherapy services used the SERVQUAL model and three

physiotherapy services in Dundee, Scotland. They considered the ten original criteria for evaluation and combined them into five; tangibles, reliability, responsiveness, assurance (including competence, courtesy, credibility, and security) and empathy (including access, communication, and understanding). Avkiran (1999) used service quality instrument developed in Australia to measure service quality in retail banking as perceived by customers (BANKSERV). It was adapted from SERVQUAL to specifically suit the Australian banking industry. The major reason for customers to choose banks for investment funds is because of the dependability and reputation of banks. Banks always promise customers a high level of security during transactions. Banking service can increase customers' confidence and trust if employees are able to provide appropriate service to each customer. For instance, understanding the needs of each individual customer, such as knowing the customers' expected retirement age, annual income, and hobbies are required to help provide a good match of insurance and fund products for customers. Assurance is the knowledge and courtesy of employees and their ability to inspire trust and confidence. Bank commitments are important, as customers may save a large sum of money in banks. For complicated products such as insurance, funds, and margins, employees must provide a clear explanation of each product to customers, so that customers can feel confident about the services provided by banks. The final dimension is empathy, which represents the individualized attention that firms provide to its customers.

Service quality has a positive influence on customer satisfaction (Yee et al., 2010). Customer satisfaction is defined as the attitude resulting from what customers believe should happen (expectations) compared to what they believe did happen (performance perception) (Neal, 1998). Satisfaction reinforces quality perception and drives repeat purchases.

Zaim, Bayyurt, and Zaim (2010) found that tangibility, reliability and empathy are important for customer satisfaction, but Mengi (2009) found that responsiveness and assurance are more important. Siddiqi (2010) examined the applicability of service quality of retail banking industry in Bangladesh and found that service quality is positively correlated with customer satisfaction; empathy had the highest positive correlation with customer satisfaction, followed by assurance and tangibility.

On the other hand, Lo, Osman, Ramayah and Rahim (2010) found that empathy and assurance had the highest influence on customer satisfaction in the Malaysian retail banking industry. Arasli, Smadi and Katircioglu (2005) found that reliability had the highest impact on customer satisfaction. A number of studies have identified the dimensions of service quality as the antecedents of customer satisfaction. Kotler and Armstrong (2012) preach that satisfaction is the post-purchase evaluation of products or services taking into consideration the expectations. Researchers are divided over the antecedents of service quality and satisfaction. Whilst some believe service quality leads to satisfaction, others think otherwise (Ting, 2004).

Lee et al. (2000); Gilbert and Veloutsou (2006); Sulieman (2011) and Buttle (1996) suggest service quality leads to customer satisfaction. To achieve a high level of customer satisfaction, most researchers suggest that a high level of service quality should be delivered by the service provider as service quality is normally considered an antecedent of customer satisfaction. As service quality improves, the probability of customer satisfaction increases.

Wang et al. (2002) found in Chinese banks that reliability was the key drivers of the product quality & followed by tangibility. The authors argued in favor of improving service quality & product quality to build and enhance company reputation.

Understanding of select Literature Review

Study	Year	Objectives	Methodology and Findings
Customer perception on Service Quality in Banking sector: With Special Reference to Indian Private Banks in Moradabad Region : By Jain, V, Gupta S, Jain S	Feb, 2012	To understand the perception of service quality in banking sector and to evaluate how it helps in enhancing the reputation and attracts customer loyalty.	SERVQUAL tools (five dimensions); Compared the individual scores with average mean value scored by private banks. Reliability and Responsiveness are most relevant factor

<p>Impact of Service Quality in Commercial Banks on the Customers Satisfaction: An Empirical Study:</p> <p>By <i>Ghost F S, Gnanadhas E</i></p>	<p>Oct, 2011</p>	<p>To understand the various customer perceptions about service quality factors in the banking industry and satisfaction level towards the bank.</p>	<p>Data were collected on demographic and analyses the impact of these service quality (five dimensions of SERVQUAL). Study concludes saying about the existence of a close bond between the service quality factors and the customer satisfaction level. It also found that the impact of the service quality factors on customer satisfaction was varying with demography of the customer.</p>
<p>Service Quality Delivery and Its Impact on Customer Satisfaction in the Banking Sector In Malaysia</p> <p>By <i>Munusamy J, Chelliah S & Hor WaiMun</i></p>	<p>Oct, 2010</p>	<p>To study focuses on the measurement of the customer satisfaction through delivery of service quality in banking sector in Malaysia.</p>	<p>Data collection through random respondents of the general population. Study found that assurance has a positive relation with customer satisfaction. Tangibles include the appearance of the company and high positive relation with customer satisfaction. Study also found that no relation between empathy and satisfaction.</p>

Research Objectives

This study can be ascertained by the following Research objectives:

1. To discuss the impact of banking service quality on client satisfaction.
2. To analyze SERVQUAL dimensions on customer satisfaction.

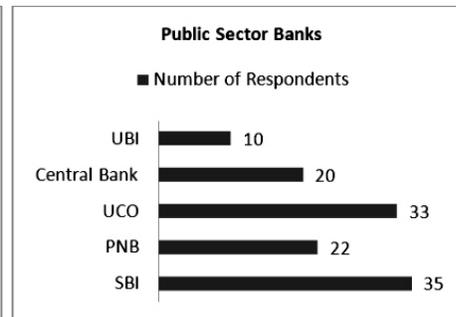
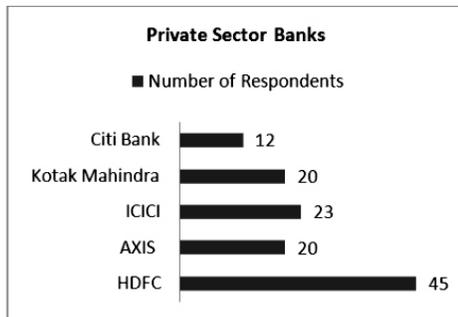
Research Methodology

Data for the study undertaken has been collected from the primary source, which is again collected through pre-structured questionnaire. The questionnaires include information on their name, sex, age, country and occupation.

Based on SERVQUAL's five dimensions sample size was restricted to 240 respondents (120 respondents each public and private sector bank). This study is representative in nature so far as the banks are concerned and focuses on client satisfaction of internet banking services and not on a particular bank's internet banking services.

Measures and Analysis

Primary data were collected using a predetermined personally administered questionnaire. The questionnaire was designed to capture sample characteristics and the objectives. It has a mix of quantitative and qualitative feedbacks. For the quantitative feedbacks, a five point Likert scale from 1 to 5 was used, where 1 was for the lowest satisfaction level and 5 was for the highest satisfaction level.



Analysis of Perception Customer Service Quality and Interpretations
Table: 2 SERVQUAL Dimensions in Banking industry

SERVQUAL Dimensions	Descriptions
Assurance	Reasonable cost and price, Communicate and interact with customers to understand their needs, Assured safety, Trustworthy
Tangibility	Comfortable waiting lounge, Neat & clean internal environment, Staff appearance is well dressed, Proper maintenance of equipment and instruments, Centrally Located
Responsiveness	Customer support, low waiting time, Strongly positive service attitude, Treat customers with politely, Instant Service(On demand)
Empathy	Understanding needs and wants, location factor of branch, Willing to help, Sincerity concern
Reliability	Online reliability, reliable information, error free services, Perform well right from the first time

Sources: Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1988). SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality, *Journal of Retailing*, 64 (1), p.12-40.

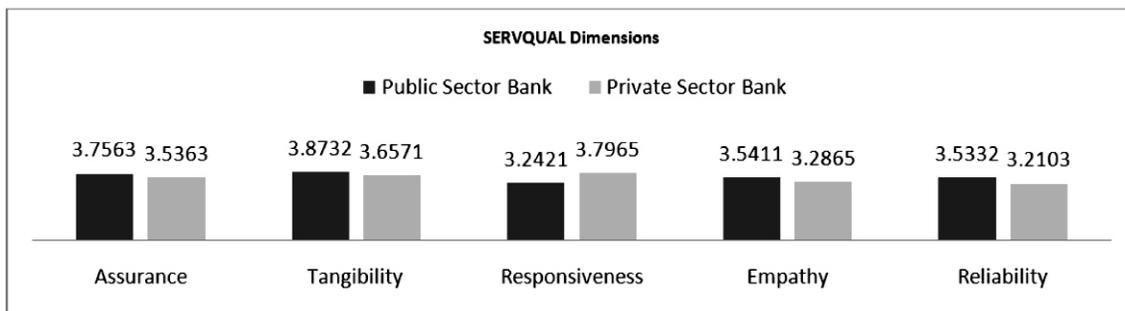


Fig. 1 SERVQUAL dimensions of Public and Private Sector Bank

Above figure shows that the mean scores of perception of customers on SERVQUAL dimensions public sector banks gain attention as these banks are rated high except

responsive dimension by the customers than private sector bank.

Reliability

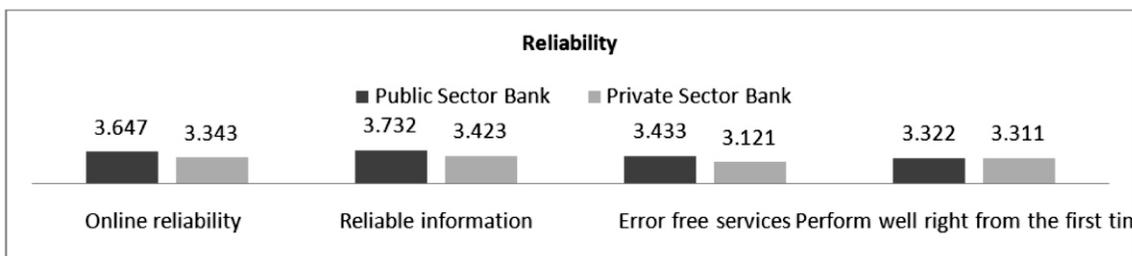


Fig.2 Customer Perceptions of Reliability dimension of Public and Private Sector Bank

Above figure depicts that in case of public sector bank providing reliable information (3.732) is higher, followed by online reliability (3.647), error free services (3.433) and perform well right from the first time (3.322). In case of

private bank reliable information (3.423) is higher followed by online reliability (3.343), perform well right from the first time (3.311) and error free services (3.121).

Empathy

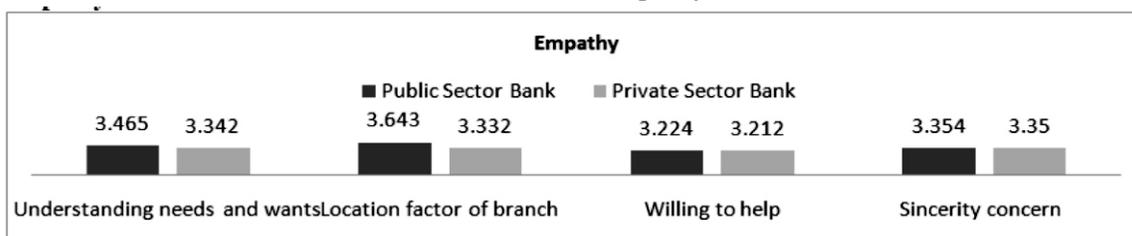


Fig.3 Customer Perceptions of Empathy dimension of Public and Private Sector Bank

Above figure shows that in case of public sector bank location factor (3.643) is higher, followed by understanding needs and wants of customer (3.465), sincerity concern (3.354) and willing to help (3.224). In case of private bank

understanding needs and wants of customer (3.342) is higher followed by location factor (3.643), sincerity concern (3.350) and willing to help (3.212).

Responsiveness

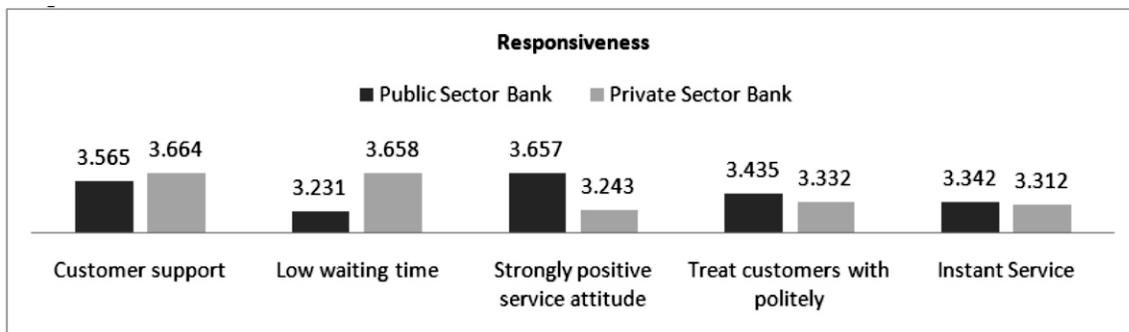


Fig.4 Customer Perceptions of Responsiveness dimension of Public and Private Sector Bank

Figure 4 depicts that in case of public sector bank strong positive service attitude (3.657) is higher, followed by customer service (3.565), treat customers with politely (3.435), instant service (3.342) and low waiting time (3.231). Again in case of private sector bank customer

service (3.664) is higher, followed by low waiting time (3.658), treat customers with politely (3.332), instant service (3.312) and strong positive service attitude (3.243).

Tangibility

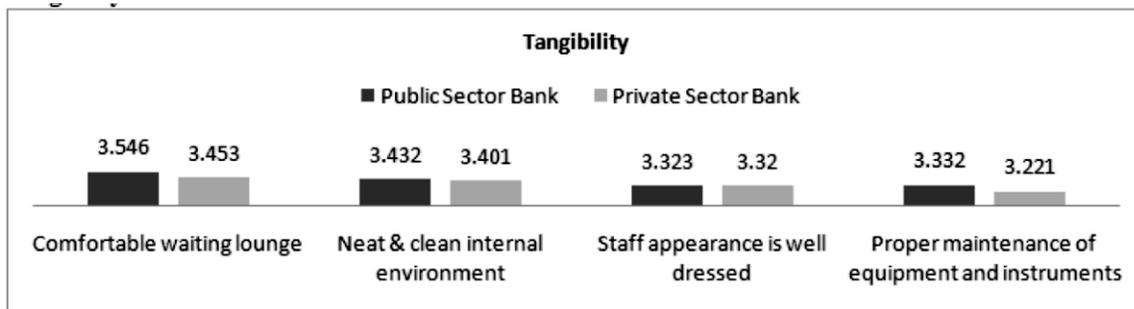


Fig.5 Customer Perceptions of Tangibility dimension of Public and Private Sector Bank

Above figure depicts that in case of public sector bank comfortable waiting lounge is higher (3.546), followed by neat & clean environment (3.432), proper maintenance of equipment (3.332) and staff appearance (3.323). In case of private sector bank comfortable waiting lounge (3.453) is

higher, followed by neat & clean environment (3.401), staff appearance (3.320) and proper maintenance of equipment (3.221).

Assurance

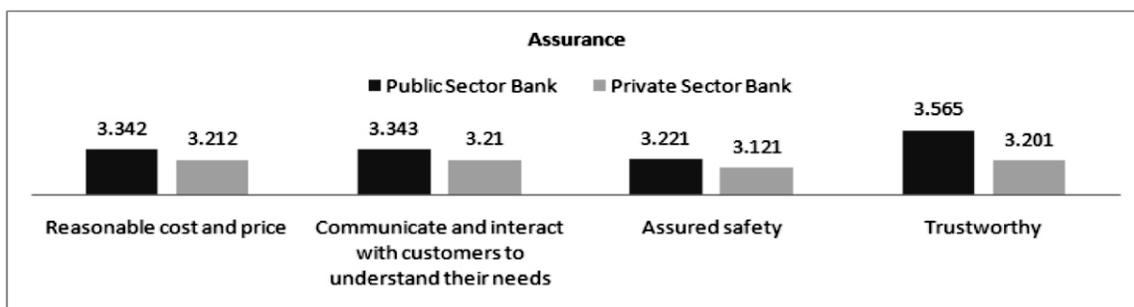


Fig.6 Customer Perceptions of Assurance dimension of Public and Private Sector Bank

Above figure depicts that in case of public sector bank trustworthy (3.565) is higher, followed by communicate and interact with customers to understand their needs (3.343), reasonable cost and price (3.342) and assured safety (3.221). In case of private sector bank reasonable cost and price (3.212) is higher, followed by communicate and interact with customers to understand their needs (3.210), assured safety (3.220) and trustworthy (3.201).

Findings of the Study

This study reveals that among all SERVQUAL dimensions, public sector bank rated higher by the customers except responsiveness which is higher in private sector bank. This present study depicts that among all reliability parameters, reliable information provided by public sector bank has been highly rated by customers. This study indicates that well right from the first time service in reliability dimension public and private sector banks are to some extent nearby rated by the respondents. This study reveals that public sector banks location factor rated highly by customers whereas willing to help to customers of private sector banks rated low score. This present study also depicts that considering two types of banks it is clearly understood that customer support of private sector banks remain the highest parameter of responsive dimensions. This present study reveals that waiting time of public sector bank is high rather than private sector bank due internet link failure or lack of expertise. Present study depicts that in assurance dimension trustworthy parameter of public sector bank is high as customer relies on Government organization than private organizations. This present study depicts that according to customer public sector banks should provide better infrastructure like – toilet for customer, drinking water, Customer Care personnel etc. Service quality is a vital part for any organization for attracts more customers and customer loyalty. Service quality is most important and action like rapid response, efficient staffs, commitment, right service at right time, quick complaint solution, competencies, trustworthy, awareness, accessibility, rigidity, navigations, communications, web customizations are most vital factors to increase satisfaction, provide better infrastructures like automated pass book vending machine which reduce customers waiting time and zone of tolerance, efficient official staffs, quick and error free services , quick response for customer quires etc.

Conclusion

The nature of administration can be accessed through steady criticism instrument for diverse administration measurements and this can help the banks to perform all the more adequately and productively. Clients are the spirit of any business organization and banks being in the administration division are likewise customer driven and are continually overhauling their operations to guarantee better

client fulfillment. Be that as it may, expanding standards, regulations, advancements, rivalry and vicinity of tech-adroit customers make a bank more helpless against diverse parts of administration quality. This requires an inside and outside examination of present managing account operations to oblige new administration quality measurements in both conventional and virtual banking operations. Easy navigated website would be soothing for customers and they would like better to use online services. Trustworthy and secured online system, if provided, would make the decision easy for the customer moving to internet banking. It is very significant that their transactions and personal information must be fully secured. In case of any query there must not be communication gap and customer have access to the management and banking staff when needed. If banks works on these determinants that it would surely increase its customers using online banking.

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