

IMPACT OF SERVICE QUALITY ON SATISFACTION LEVELS OF THE CUSTOMERS OF SELECTED BANKS

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Abstract

The banking industry has witnessed a major shift from physical to virtual banking to facilitate the customers in a better way and to cope up with the competition in this sector. The quality of service will help banks to create interest and motivate their customers. Delivering superior service quality will help in achieving success, thus banks have to take efforts to enhance their service quality and have to adopt techniques to address their customers. Service quality is an indispensable competitive strategy to retain customer base, as it plays an important role in ensuring customer satisfaction. This study compares customers' perceptions of service quality of public, private and multi-state cooperative banks to identify the attributes of the service quality perceived by the customers of banks. The service quality of the banks has been measured using modified servqual scale. This study compares the services rendered by the three categories of banks and evaluates its impact on the customer satisfaction. The paper concludes that there is a significant difference in the type of service quality offered by public, private and cooperative banks that lead to customer satisfaction. It is also observed that there is no significant relationship between the demographic variables and service quality offered by the banks under the study since the p-value is above 0.05. Further as regards determining dimensions of service quality among all sectors of banks it can be observed that in case of public sector banks empathy dimension of service quality, in case of private sector banks reliability dimension of service quality where as in case of cooperative sector banks empathy dimension of service quality are the most explaining variables among various sectors of banks under study from the remaining dimensions that predict customer satisfaction.

Keywords: Public, Private and Multi-State Cooperative Banks, SERVQUAL model.

Introduction

In Indian banking sector reforms like liberalization and deregulation were introduced so that best practices can be adopted by banks for service excellence. This resulted in stiff competition among banks in terms of the branch networking and innovations in service. Further on account of such move the banks are adopting strategies to increase customer satisfaction by improving their service quality. Thus service quality is one of the most effective means of establishing a competitive position and improving profit performance of the banks. To establish a competitive position, banks must measure and determine their level of service quality, so as to keep their consumers intact and satisfy their needs by continuously upgrading and improving their services. The future and sustainability of banking sector mainly depends upon the trust and loyalty of the customer to the bank with quality customer service and better customer relationship. Thus it is necessary for the banks to understand how customers evaluate the quality of service, choose banks and the way customers' build long-term patronage. When customers avail a service, they compare the quality of experience with their prior expectations which leads to either satisfaction or dissatisfaction. Therefore services marketing researchers base their work on developing service quality concepts which is focused on consumer behaviour. Thus it is important to evaluate service quality by comparing the actual performance with service expectations. Against this background considering the importance of service quality and its impact on the overall performance it is necessary to evaluate the service quality expectation and perception of the consumers across different categories of banks and identify the gaps, so that the banks can improve upon these gaps and be more competitive. The present paper tries to study service quality gaps pertaining to various categories of banks and evaluate its impact on the overall satisfaction levels of the customers.

Review of literature

The purpose of giving importance to service quality began in 1985 in the literature of marketing when Parasuraman et al. (1985) in their study opined that service quality is the function of customers' expectation and the service providers' performance.

Expectations are viewed as desires, wants and aspirations of consumer's i.e. what customers feel and expect about service provider should offer rather than what the service provider would offer to their customers.

Sureshchander et al. (2002) investigated the relationship between service quality and customer satisfaction in the banking industry and suggested five dimensions of customer satisfaction i.e. core service or service product; human element of service delivery; systematization of service delivery, tangibles of service and social responsibility.

Sudesh (2007) revealed that poor service quality in public sector banks is mainly because of deficiency in tangibility, lack of responsiveness and empathy. Private sector banks, on the other hand, were found to be more reformed in this regards. Above all, the foreign banks were relatively close to the expectations of their customers with regard to various dimensions of service quality.

Jyoti Agarwal (2012) in her study revealed that there exists wide perceptual difference among public sector banks regarding overall service quality with their respective customers, when compared to Private sector banks.

Vijay P.Gupta & P.K.Agarwal (2013) in their study on revealed that the highest customer satisfaction is demonstrated in the responsiveness area such as willingness to help customer, friendly attitude of staff, followed by the reliability area such as customer guidance, customer support and other hand, the moderate satisfactions are in the tangibles area, such as infrastructure facilities, decor, followed by empathy area such as banks business timing and return on investment.

Saravana kumar (2014) in his study pertaining to cooperative banks revealed that customer gave more importance to modern looking equipment , do the services as promised, prompt services, safe transaction and do the services as whole heartedly. Hence, banks should pay more attentions to these services.

Objectives

- 1) To explore the opinion of the customers of public, private and cooperative banks in relation to service quality in both expectation and perception level and to identify the service quality gaps.
- 2) To analyse the customer satisfaction in case of public, private and cooperative banks and identify the determining dimensions of service quality.
- 3) To study the influence of demographic variables on the service quality perception of the customers

Methodology:

The data was collected from customers of selected public sector banks, private sector banks and multi-state cooperative banks in Goa, Karnataka and Maharashtra based on convenience and administered a modified SERVQUAL questionnaire containing two sections: customers expectations and perception each consisting of 45 questions and 8 dimensions. Likert's scale, ranging from strongly disagree to strongly agree, was used. The eight dimensions of service quality used in the study include: Tangibility, Reliability, Responsiveness, Assurance, Empathy, Post-service Follow up, Innovative services and Physical facilities.

Sample size: A total of 299 customers responses were collected based on convenience sampling with the help of a pre designed questionnaire based on

Period of Study: May 2018 to September 2018

Area of Study: Customers of selected Public sector, private sector banks and multi-state cooperative banks residing in selected towns of Goa, Maharashtra and Karnataka were selected for the study.

Analysis and discussion

Table 1.1 – Cronbach's Alpha

To check whether the data is suitable for analysis, Cronbachs' alpha test was used

Reliability Statistics

Cronbach's Alpha	N of Items
.963	106

(Source: Primary data)

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
314.20	1218.236	34.903	106

(Source: Primary data)

From the table no. 1.1, it can be observed that the alpha for selected 106 items has been observed to be more than 0.7 which is a good indicator to carry out analysis, as per analysis .963 shows significant level of internal consistency of the scale used in the present study.

Testing of Hypothesis H1

H1-“There is no significant difference in the quality of service offered by public sector, private sector and Multi-state cooperative banks”

In the present hypothesis basically one variable have been investigated, namely; ‘Quality of services offered’ which has been quantified using five point Likert scale through question number 11 in the main questionnaire.

Now to test the hypotheses descriptive statistics and anova has been made and presented with the help of **Table 1.2** and **Table 1.3**.

Table 1.2 Descriptive statistics

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
					Lower Bound	Upper Bound
1	100	3.01	.882	.088	2.84	3.18
2	99	3.36	.706	.071	3.22	3.50
3	100	3.65	.520	.052	3.55	3.75
Total	299	3.34	.762	.044	3.25	3.43

(Source: Primary data)

Table 1.3 - ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	20.555	2	10.277	19.929	.000
Within Groups	152.649	296	.516		
Total	173.204	298			

(Source: Primary Data)

On scrutinizing the results of calculations mentioned above in Table 1.3 and 1.4 the inferences are as follows-

In case of hypothesis-H1, it can be concluded that since the significance value obtained show a tendency to be less than 0.05. Since, confidence intervals lie entirely below 0.0; in case of this hypothesis H1, we reject the null hypothesis and the results can be interpreted as there is a significant difference observed in the quality service offered by the categories of banking sectors, namely, public, private and Multi-state cooperative banks.

Testing of Hypothesis H2

H2- “There is no significant relationship between demographic variables of the bank customers under study and service quality perceptions of the customers”

Table.1.4- Showing correlation between demographic variables and service quality perceptions of the customers.

		Age	Gender	Marital status	Income	Qualification	Occupation
AVG Perception	Pearson Correlation	-.078	.063	.019	.066	-.027	.099
	Sig.(2-tailed)	.178	.277	.739	.252	.641	.089
	N	299	299	299	299	299	299

(Source: Primary data)

From the above table it can be said that there is no significant relationship existing between service quality perceptions and demographic variables in all categories of bank under study since all the values mentioned Sig.(2-tailed) observed is greater than 0.05, thus we accept the null hypothesis that there is no significant relationship between demographic variables and the perception level of the customers across various categories of banks.

Testing of Hypothesis H3

H3- “There is a significant difference in expectation and perception levels of customers related to quality of services offered by public sector, private sector and Multi-state cooperative banks”

Present hypothesis deals with difference between two variables such as, expectation of customers and perception of customers. There are different eight dimensions have been used for investigating an understanding of expectations and perceptions of the customers regarding quality of the services provided by banks. Now to test the hypotheses anova has been used

Table 1.5 Descriptive statistics

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
						Lower Bound	Upper Bound
AVG_EXP	1.00	100	3.88	.474	.047	3.78	3.97
	2.00	99	3.92	.506	.051	3.82	4.03
	3.00	100	3.96	.540	.054	3.85	4.06
	Total	299	3.92	.507	.029	3.86	3.98
AVG_PERC	1.00	100	2.03	.422	.042	1.95	2.12
	2.00	99	2.01	.439	.044	1.92	2.09
	3.00	100	1.99	.402	.040	1.91	2.07
	Total	299	2.01	.420	.024	1.96	2.06
DEVIATION	1.00	100	1.84	.647	.065	1.72	1.97
	2.00	99	1.92	.636	.064	1.79	2.05
	3.00	100	1.97	.685	.069	1.83	2.11
	Total	299	1.91	.656	.038	1.84	1.99

(Source: Primary data)

Table 1.6- ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.789	2	.394	.915	.402
Within Groups	127.573	296	.431		
Total	128.362	298			

(Source: Primary data)

On scrutinizing the results of calculations mentioned above in **Table 1.5 and 1.6** the inferences are as follows-

In case H3 it can be concluded that since the significance value obtained show a tendency to be greater than 0.05 we accept the null hypothesis and the results can be interpreted as there is no significant difference observed between expectations and perception levels of customers related to quality of services offered to the extent of public sector, private sector and Multi-state cooperative banks. In another words results can be simplified as there is a difference observed between expectations and perceptions of the customers in all sector banks but with reference made to present hypothesis there is no significant difference observed sector wise.

Testing of Hypothesis H4

H4-“There is no significant difference in the quality dimensions of service quality (tangibles, reliability, responsiveness, empathy, assurance, service follow up, innovative services and physical facilities) of customers within public sector, private sector and Multi-state cooperative banks”

Now to test above hypotheses calculation of anova has been made and presented with the help of **Table 1.7**. Further post hoc multiple comparisons have been made with the help of Tukey Honestly HSD¹ (Significant Difference) technique and presented in **Table 1.8**.

Table 1.7 - ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Tangibility	Between Groups	.084	2	.042	.190	.827
	Within Groups	65.212	296	.220		
	Total	65.296	298			
Reliability	Between Groups	.104	2	.052	.263	.769

	Within Groups	58.474	296	.198		
	Total	58.578	298			
Responsiveness	Between Groups	.083	2	.041	.222	.801
	Within Groups	55.180	296	.186		
	Total	55.263	298			
Assurance	Between Groups	.097	2	.048	.297	.743
	Within Groups	48.195	296	.163		
	Total	48.292	298			
Empathy	Between Groups	.123	2	.062	.275	.760
	Within Groups	66.294	296	.224		
	Total	66.418	298			
Post Service Follow up	Between Groups	.238	2	.119	.393	.675
	Within Groups	89.599	296	.303		
	Total	89.837	298			
Innovative Services	Between Groups	.197	2	.099	.432	.650
	Within Groups	67.584	296	.228		
	Total	67.781	298			
Physical Facilities	Between Groups	.132	2	.066	.345	.708
	Within Groups	56.625	296	.191		
	Total	56.757	298			

(Source: Primary data)

Table no.1.8 HSD TUKEY Test

HSD TUKEY TEST	Public sector banks			Private sector banks			Cooperative banks		
	Beta value	T value	Sig	Beta value	T value	Sig	Beta value	T value	Sig
(Constant)	1.366	4.367	.000	1.512	4.243	.000	1.676	5.47	.000
Tangibility	-.101	-.110	.912	-.407	-.410	.683	.008	.010	.992
Reliability	.628	.424	.673	.676	.513	.609	-.520	-.483	.630
Responsiveness	.199	.425	.672	-.374	-.777	.439	-.865	1.71	.091
Assurance	-.001	-.004	.997	.126	.313	.755	.405	1.04	.301
Empathy	-.855	-.695	.489	-.641	-.638	.525	1.08	1.05	.295
Post service follow up	.032	.043	.966	.542	.692	.490	.358	.653	.515
Innovative services	.336	1.01	.314	.036	.097	.923	-.498	1.37	.173
Physical facilities	-.175	-.805	.423	.025	.125	.901	-.062	.320	.750

(Source: Primary data)

On scrutinizing the results of calculations mentioned above in Table 1.7 and 1.8 the inferences are as follows-

In case of H3 it can be concluded that because of the significance value obtained show a tendency to be greater than 0.05 in ANOVA as well as in TUKEY Table. we accept the null hypothesis and the results can be interpreted as there is a significant difference observed in the quality dimensions service in case of public, private and Multi-state cooperative banks. The same inferences may be drawn based on the results mentioned in Table 1.8 regarding Post Hoc test called TUKEY because significance values have been found greater than 0.05 meaning none of the dimension shows significant variation internally.

Conclusion

In the present world of competition keeping customer satisfaction as the focus point bankers should try their level best to provide efficient services for retaining customers and helping the banks to prosper in terms of higher profitability. In the present scenario, banks would be able to face competition in a better way only if the requirements and expectations of the customers are known in advance and satisfy them at the earliest all the necessitates the bankers to understand the factors that contribute to satisfying customers. The present study investigates service quality gaps amongst public private and cooperative banks so as to know the impact of service quality on the end users of the banks. The study reveals there is no significant relationship between the demographic variables and service quality offered by the under the study since the p- value is above 0.05. Further it can be observed that there is a significant difference in the quality of service offered by the banks under study. As regards determining dimensions of service quality among all sectors of banks it can be observed that in case of public sector banks empathy dimension of service quality, in case of private sector banks reliability dimension of service quality where as in case of cooperative sector banks empathy dimension of service quality are the most explaining variables among various sectors of banks under study among the remaining dimensions that predict customer satisfaction.

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