



Service quality and customer satisfaction at Indian Banks

Ramesh Kumar Chaturvedi

Assistant Professor, Department of Management Studies,
Gurughasidas Vishvavidalaya, Bilaspur, (C.G.)

Abstract

This article examines whether service quality of Indian commercial banks is correlated with customer satisfaction that fosters customer loyalty. Further an analysis is done to study the perceptual difference of public and private sector bank customers with respect to service quality rendered to them. The Service quality is assessed through well-established SERVQUAL dimension. Data were collected from 100 valued customers of public and private scheduled commercial bank branches in Bilaspur Chhattisgarh. A questionnaire eliciting information on SERVQUAL dimensions to measure service quality was served to respondents. The data collected is analyzed through Correlation analysis and ANOVA analysis. A significant correlation between quality of service and customer satisfaction is found. Further public sector and private sector banks differ in service quality offered by them as per perception of their customers.

Keywords: Service Quality, Indian Banks, SERVQUAL, Customer satisfaction

Introduction:

Most of the economic activities are now days service based and, rather than product-oriented. At most developed economies the share of service industry is as high as 80 percent of GDP. Service quality holds a prominent position in the marketing and management point of view (Chau and Kao, 2009). Quality of service rendered has been revealed as a key factor in search for sustainable competitive advantage, differentiation and excellence in the service sector (Jabnoun and Al Rasasi, 2005 Jun et al., 1998). Service quality researchers such as Parasuraman, Zeithmal and Berry (1985), Parasuraman, Zeithmal and Berry (1988), Jabnoun and Al Rasasi (2005) and Jun, Peterson and Zsidisin (1988) interpret service quality as a multidimensional construct where it is often related to five underlying construct reliability, responsiveness, tangibility, assurance and empathy, not in order of importance. It desired that service provider must deliver services that meet five generic quality features

The manner banks delivered their products and services would define their success within the industry. As products and customers services within the banking industry getting less differentiated and substitutable, switching costs of customers are diminishing. The

competitive nature within the industry has become more challenging these days. Within an intense competitive industry "the bank that has the largest customer base and the highest customer retention rate will be a market leader in the industry" (Khong& Richardson, 2001). With appropriate customer relationships management (CRM), banks could optimize customer life time value (Best, 2005). In order of acquire success within the industry, banks must compete rigorously using their competitive advantages to differentiate their services. Superior quality of customer services could become an important and critical success factor. Banks delivering quality of services better than their competitors would have greater possibilities of success (Tang &Zairi, 1998).

Based on the above discussion following two objectives are defined for the study:

1. To study the relation between customer perception of service quality of banks and customer satisfaction.
2. Compare the service quality rendered byPublic and private sector banks through perception of their customers.

Service manager's ability to perform on service quality front depends on performance feedback mechanism and availability of relevant information. It is important for managers to know what customers expect from them how they perform on thee expectations. Various dimensions of SERVQUAL provide a suitable framework to do this analysis. The scope of this paper is to bring forward the performance of Indian Banks in terms if services rendered by them through SERVQUAL dimensions.

Literature review

Service quality was defined as the difference between the dimensions in customers' perceived service and expectations of service(Parasuraman et al., 1988). This was shown in gap five of generic model of service quality gap analysis model of Parasuraman. Parasuraman's SERVQUAL model was perhaps one of the most widely-used frameworks in addressing service quality.The service gap described in the model highlighted the disparity between the dimensions of expectation and perception in service experience.

Customer satisfaction is related to the experience of consuming a particular product consisting of physical goods and services. When consumption of products fulfils the needs and wants of consumers, they are likely to feel satisfied. Since the construct "customer satisfaction" is abstract in nature, the quantification of this construct is complex and complicated. There were many texts that elucidated the relationship between SERVQUAL and Customer Satisfaction. One such text was from Zeithaml et al. (1993). The augmented SERVQUAL by Zeithaml et al. (1993) illustrated the association between service quality and customer satisfaction. The model also assumed linearity between services attributes to performance with customer satisfaction (Tan &Pawitra, 2001). In this paper, service attributes to performance in banks were defined within the service dimension of Reliability, Responsiveness, Assurance, Empathy and Tangibles. Using the already mentioned linearity assumption, the aim of the paper to explore the perception of bank customer towards service attributes and access the quality of service perceived by them. Customer satisfaction is measured through five item construct designed and tested by the author that has internal consistency based on Conbach alpha of 0.78 (Nunnally and Bernstein, 1994; Nunnally, 1978). A comparative study is also done between public and private sector banks for perception of service quality rendered by them to their customers.

Hence the objectives of study imply the following:

(H₁): Perception of service quality is positively related with customer satisfaction.

(H₂): Public and private sector banks do not differ in perception of their customers for service quality rendered to them

The strength of association between the independent and dependent dimensions depended on the correlation analysis and one way ANOVA is applied to study the perception of customers for quality of services delivered by banks through SERVQUAL dimensions.

Data Analyses Methodology

Data is collected through intercept survey questionnaire executed in a time frame to one month in the month of December 2013. Sample constituted of total one hundred customers bifurcated into fifty customers of five public sector banks and five public sector banks. The banks and their branches for data collection were randomly selected from all the banks in Bilaspur. The correlation and one way ANOVA analysis are performed on data for analysis through support of SPSS software.

Discussion and conclusion

In confirmation with previous studies at other industries and regions, it is found that there is a strong correlation between Service quality perception and Customer satisfaction. The correlation coefficient 'r' = 0.78 and significant at 0.05. Further One way ANOVA shows $p = .135$ at 0.05 level of significance, leading to rejection of second hypothesis. It is concluded that there is significant difference in perception of consumers of public and private banks with respect to quality of services rendered by them. A mean score analysis reflects that though the difference is significant in service quality perception, customers of Private sector banks have only slight higher mean value for perception for quality of service rendered to them in comparison of perception of customers of public sector banks.

In order to benefit from the service quality, banks must constantly benchmark their service levels based on their service attributes to performance. From these SERVQUAL indices, banks could identify inadequacies in their service quality. With inadequacies established, banks could distinguish essential service attributes that offer the highest possibilities in enhancing the criterion, e.g. customer satisfaction or business performance. It is important for managers of banks to understand how to create and offer value to customers so that customer satisfaction and their retention increases, keeping this thing in mind the bank manager has to measure the service quality attributes for performance timely. Customer value has already been identified as a critical factor for the successful management of customer relationships and re-patronage, further customer value is known to be underpinned by customer satisfaction (Ravald, 1996; Yap, 2001). Sasser (1990) reported a high correlation between customer retention and profitability in a range of industries; hence by providing superior services banks could enhance customer satisfaction that in turn will ensure to develop sustainable customer relationship and patronage that is critical for growth and profitability.

Limitations and Future Research Scope

Although this study produces several relevant findings for the management but there are some limitations. First, data of sample ($n=100$) for this study is collected only few bank from Bilaspur, further research can be to test the generalizability of researcher findings. Construct used for Measuring Customer Satisfaction could be further standardised for Content, Criterion and construct validity before generalisation of findings. Third, a fundamental

limitation of this study is its cross sectional design through intercept survey; for future research some studies could deploy more rigorous data collection methods such as some interview can be contacted after taking the proper time from the customer.

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