CUSTOMER PERCEPTION ON SERVICE QUALITY OF NEW PRIVATE SECTOR BANKS IN TAMILNADU - AN EMPIRICAL STUDY

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ABSTRACT

PURPOSE – *The purpose of this paper is to evaluate the service quality in retail banking in the Tamil Nadu in general, and Erode District in particular, based on different levels of customers' perception regarding service quality.*

DESIGN/METHODOLOGY/APPROACH – *This is an analytical study based mainly on the primary data collected through a scientifically developed questionnaire. The questionnaire have been personally administered on a sample size of 240, chosen on a convenient basis from Three Private banks, ie.ICICI ,AXIS and HDFC Bank. The questionnaire has been designed on the basis of the study of previous scholars such as Berry et al., Parasuraman et al., Zeithaml and Bitner, and Stafford. A Qustionnaire elicted information on socio-demographic variables along with SERVQUAL dimensions of service quality added with four extra contemporary validated variables .*

FINDINGS – *The result indicates that customers' perception is highest in the tangibles area and lowest in the Product Variety area.*

PRACTICAL IMPLICATIONS – *In order to achieving higher levels of quality service in retail banking, banks should deliver higher levels of service quality and in the present context customers' perceptions are highest in the level of infrastructure facilities of the bank, followed by timing of the bank, and return on deposit. Owing to the increasing competition in retail banking, customer service is an important part and bank managers should be rethinking how to improve customer satisfaction with respect to service quality.*

ORIGINALITY/VALUE *– This paper makes a useful contribution given that there are only a few studies dealing with the assessment of service quality in banking environments.*

KEYWORDS*: Customer services quality, Customer satisfaction, Paper type: Research paper.*

INTRODUCTION

In turbulent and competitive environment organizations, in order to sustain their growth and increase their market share, need to understand how to satisfy customers as it plays a primary role since customer satisfaction is critical for establishing long-term client relationships (Patterson et al. 1997).

This is evident from the increased number of customer satisfaction surveys by service organizations. Thus, a fundamental understanding of factors impacting customer satisfaction is of great importance to service organizations, especially banks. Satisfaction of the customer depends on the quality of service. Research in this area suggests that service quality is an important indicator of customer satisfaction.

Service quality of late has emerged as the major attractant to many banks as a competitive differentiator (Newman, 2001). Measuring the customer satisfaction helps banks to understand the customers' needs and can thus change strategies accordingly. Customer satisfaction is defined as the result of a cognitive and affective evaluation, wherein a standard comparison is adopted for the actually perceived performance.

If the perceived performance is less than expected, customers will be dissatisfied and on the other hand, if the perceived performance exceeds expectations, customer will be delighted (Kotler, 2001).

RESEARCH OBJECTIVE

1. To Evaluate the Quality of Service in Selected New Private Sector Banks in Erode District.

2.To identify the gap between customer expectation and perception

3. To identify the areas that needs to improve by banks to deliver superior quality of service.

RESEARCH METHODOLOGY

The data was collected for the study 240 from customers of selected Private Sector Banks in Erode district in Tamilnadu, based on convenience and administered a modified SERVQUAL questionnaire containing two sections: customers' expectations and customers' perception each consisting of 32 questions of 9 dimensions.

The respondents were asked to rate their expectations and perceptions of service offered by the respective banks. A seven point Likert scale was used.

DIMENSIONS OF SERVICE QUALITY

The SERVQUAL scale is the principal instrument widely utilized to assess service quality for a variety of services. Parasuraman et al., (1988) have conceptualized a five dimensional model of service quality such as: reliability, responsiveness, empathy, assurance and tangibility. Their measurement instrument is known as SERVQUAL, which has become almost the standard way of measuring service quality. Further, each item of SERVQUAL has been used twice: to measure expectations and perceptions of service quality.

The central idea in this model is that service quality is a function of difference scores or gap between expectations and perceptions. The five dimensions of SERVQUAL Includes:

TANGIBLES: Physical facilities, equipment and appearance of personnel.

RELIABILITY: Ability to perform the promised service dependably and accurately.

RESPONSIVENESS: Willingness to help customers and provide prompt service.

ASSURANCE: Knowledge and courtesy of employees and their ability to inspire trust and confidence.

EMPATHY: Caring and individualized attention that the firm provides to its customers. and other Dimensions are Security Accessibility, Price ,Product variety.

LITERATURE REVIEWS

Several studies have been carried out by various researchers of India and abroad, to find out the various service quality factors that lead to customer satisfaction. There is a growing body of literature regarding the effect of quality service on the functioning and success of the banks. Given the growth of services over the past several years, there have been a variety of studies on different issues pertaining to service quality; many researchers have recognized the need to develop measures of service quality.

One of the most often used measures is the SERVQUAL based on extensive research in generic determinants of perceived service quality (Parasuraman, Berry et al. 1985; Parasuraman, Berry et al. 1988; Zeithaml, Parasuraman et al. 1990; Parasuraman, Berry et al. 1991; Parasuraman, Berry et al. 1993; Parasuraman, Berry et al. 1994). Various models have been developed measuring service quality (Stafford, 1996; Bahia and Nantel, 2000). The SERVQUAL model of Parasuraman et al. (1988) proposed a five dimensional construct of perceived service quality-tangibles; reliability, responsiveness, assurance and empathy- with items reflecting both expectation and perceived performance.

Previous research suggested that the dimensionality of service quality might depend on the type of services under study. Based on this background, studies have investigated various attributes, which determine consumers' perception of service quality of retail banking industry (Stafford, 1996; Angur et al., 1999; Bahia, 2000; Sureschandar et al., 2002). According to Grönroos (1982), the quality of a service perceived by customers will differ depending on the strategy the service organization (banks) chooses to deliver and promote that service. The service quality model by Grönroos holds that the quality of a service, as it is

perceived by the customer can be divided into technical quality and functional quality dimensions.

KoushikiChoudhury (2007) in his study suggests that customers distinguish four dimensions of service quality in the case of the retail banking industry in India, namely, attitude, competence,tangibles and convenience. Identifying the underlying dimensions of the service quality construct in the Indian retail banking industry is the first step in the definition and hence provision of quality service. The paper has drawn upon the findings of the service quality dimensions to contend the initiatives that bank managers can take to enhance their employees' skills and attitudes and instill a customer-service culture.

Sandip Gosh Hasra and BL Srivastava (2009) in their study indicated that the bank should pay attention to these dimension of service quality and pay more attention to dimension of assurance-empathy to increase loyalty to a company, willingness to pay, customer commitment and customer trust.

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. Further, the study revealed that there existed service quality variation across demographic variables and suggested that management of banks should pay attention to potential failure points and should be responsive to customer problems.

Joshua A J and Moli.P.Koshi(2005) in their study on 'Expectation and perception of service quality in old and new generation banks', observed that the performance of the new generation banks across all the service quality dimensions are better than those of old generation banks.

Al-Fazwan (2005) in his study found that the bank should concentrate on accessibility dimension. He stated that the particular bank should take maximum efforts to raise the level of services to meet out the customer expectations.

DATA ANALYSIS AND FINDS

DEMOGRAPHIC PROFILE OF THE RESPONDENTS:

TABLE 1: CUSTOMER PROFILE

Sample Size:240

Parameters		Frequency	Percentage
Age:	Below 30 years	30	12.5
	30-40 years	110	45.8

	40-60 Years	60	25.0
	60 years and above	40	16.7
Education	Up to HSC	60	25
	Graduate	70	29.2
	Post Graduate	80	33.3
	Professional	30	12.5
Gender	Male	191	79.6
	Female	49	20.4
Occupation	Salaried	132	55
	Self employed	20	8.3
	Professional	10	4.2
	Business	25	10.4
	Student	30	12.5
	Retired	15	6.3
	House wife	08	3.3
Income	Less than Rs.1 laks	80	33.3
	Rs 1- 2 laks	82	34.2
	Rs 2- 3 laks	40	16.7
	Rs 3- 4 laks	28	11.7
	Rs 4 laks and above	10	4

TABLE 2:GAP ANALYSIS SCORE

Statements	Expectations	Perception	Service Gap (E-P)

I.Tangibles:			- 44 -
Modern looking equipment	6.7	6.2	0.5
The physical facilities	6.5	6.1	0.4
Employees Neat appearance	6.7	6.0	0.7
Materials associated with the service			
	6.7	6.1	0.6
II. Reliability:			
Banks promise to do something by a certain time, they do.	6.6	5.7	1.1
Bank will show a sincere interest in solving it.			
Bank will perform the service right the first time	6.6	5.6	1.0
	6.5	5.7	0.8
Banks provide the service at the time they promise to do so.			
Error free records	6.6	5.9	0.7
	6.7	6.2	0.5
III. Responsiveness:			
Prompt service to customers.	6.6	5.8	0.8
Banks will always be willing to help customers.	6.7	5.9	0.8
	6.2	5.7	0.5
Tell you about performance of service	6.5	6.1	0.4
Willingness to help	6.4	6.0	0.4
Not busy to respond queries			

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IV. **ASSURANCE**			
Instills confidence	5.9	5.2	0.7
Employees are consistently courteous	6.2	5.8	0.4
Employee have enough Knowledge	6.1	5.2	.9
V.EMPATHY			
Gives individual attention	6.4	5.2	1.2
Convenient operating hours	6.6	5.9	0.7
Gives personal attention	6.2	5.2	1.0
Best interest in heart	6.5	5.9	0.6
VI.ACCESSIBILITY			
Convenient branch locations	6.8	5.9	0.7
Extended working hours	6.5	6.0	0.5
ATM network	6.5	6.1	0.40
Safe net banking	6.4	5.8	0.6
VII. Security:			
Feel safe in transactions	6.9	5.9	1.0
Provide financial security and Confidentiality of account information.	6.8	6.0	0.8
Bank's site is secured for your credit card information	6.5	5.6	1.1

VIII. Price:				-
banks will give competitive interest rate	6.2	5.7	0.5	
bank will charge reasonable service charge	6.5	5.2	0.8	
IX. Product variety:				
The bank offers products and services according to the needs of individual	6.7	5.7	1.0	
The bank offer a wide range of products and services				
	6.4	5.2	1.2	

TABLE NO: 3 AVERAGE GAP SCORE OF PRIVATE SECTOR BANKS (UN WEIGHTED)

S.NO	DIMENSIONS	GAP SCORE
1	Average score for Tangibles	0.550
2	Average score for Reliability	0.820
3	Average score for Responsiveness	0.580
4	Average score for Assurance	0.667
5	Average score for Empathy	0.875
6	Average score for Accessibility	0.55
7	Average score for Security	.967
8	Average score for price	.65
9	Average score for Product variety	1.1
	TOTAL	6.759
	Average un-weighted score	0.751

TABLE NO: 4 HIGHEST GAP SCORE OF PRIVATE SECTOR BANKS

S.NO	Attributes	Dimensions	Gap score
1	Gives individual attention	Empathy	1.2
2	The bank offer a wide range of products and services	Product variety	1.2
3	bank's site is secured for your credit card information	Security:	1.1
4.	The bank offers products and services according to the needs of individual	Product variety	1.1

INFERENCE

The table 3 represents the attributes having the highest scores observed from the table. There exist highest gap between customer expectations and Perceptions of bank services in these attributes. This indicates that the customers are not satisfied with the service in these attributes. Hence it was observed that the more gaps are identified in Product variety Dimensions.

TABLE NO: 5 LOWEST GAP SCORE OF PRIVATE SECTOR BANKS

S.NO	Attributes	Dimensions	Gap score
1	The physical facilities	Tangibles	0.4
2	Willingness to help	Empathy	0.4
3	Extended working hours	Accessibility	0.5
4.	Safe net banking	Accessibility	0.6

INFERENCE

The table 4 represents the attributes having the lowest scores observed from the table. There exist lowest gap between customer expectations and Perceptions of bank services in these attributes. This indicates that the customers are satisfied with the service in these attributes. Hence it was observed that the less gaps are identified in Accessibility.

FINDINGS

The Gap analysis shows that Product variety is having more gap between customer expectation and perceptions of service quality. Banks have to understand the changing needs of customers, their aspirations and expectations to create value. Banks should have a strong customer relationship management system that would indicate the worth of the customer and able to understand his needs .

The bank has to reduce this gap by introduce new type of bank products based on customer needs .Next there is more gap in Security of transactions, the bank will give much attention on these area.

CONCLUSION

The banking business is becoming more and more complex as result of liberalization and Globalizations. With aggressive marketing strategies for generating business opportunities, banks have developed innovative products, keeping in view the needs of different classes of individual customers. Considering the present day competition, new private banks are becoming more conscious of the needs of the customer.

LIMITATIONS OF THE STUDY AND FUTURE RESEARCH

Three limitations have been identified in this study. First, the limited number of financial banks (only three banks) covered under the study. Second, the sample size and the number of actual respondents are limited and finally, a more robust analysis is needed to reach a strong conclusion. The result obtained through the study relate to only those respondents chosen through convenience sampling and since the profile of the sample is not a model of actual market share of different private sector banks in India.

In order to measure customer satisfaction, overall satisfaction and SERVQUAL measures have been considered. Service loyalty as an after effect of satisfaction could be added as an additional variable for further research.

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