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A STUDY ON CUSTOMER'S PERCEPTION TOWARDS SERVICE QUALITY OF COMMERCIAL BANKS IN SALEM DISTRICT

Dr. A. SIVANANDAM

Assistant Professor of Commerce, Commerce Wing, DDE, Annamalai University, Annamalai
Nagar-608002

ABSTRACT

The aim of this paper was to examine the Services Quality of Customer's Perception in Commercial Banks in Salem District. For this investigation primary data was collected from 120 respondents through a structured questionnaire. It also includes the review of the various services provided by the under the study. Collected data was analyzed according to the objectives of the present research and result of the statistical analysis to compile the result. Hence it is suggested that operator should proactively observe preferences services quality of Customer's Perception in Commercial Banks with regard to the transaction fee; delivering of ATM card promptly and issue of new cards due to loss of original cards and facilitated modern services in order to retain and satisfied their customers.

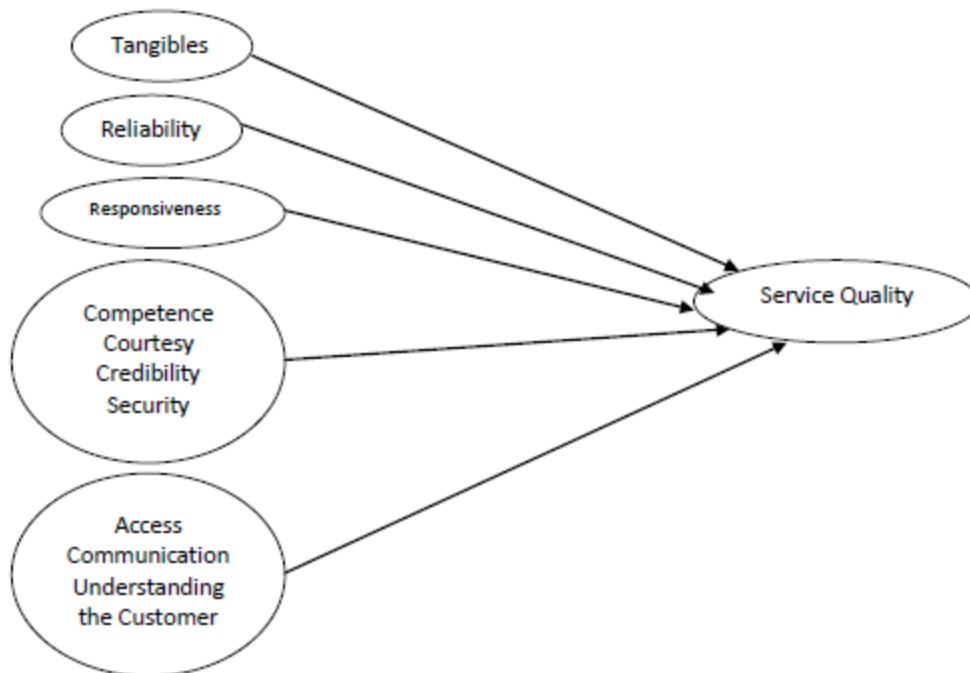
Key-Words: Commercial Bank, Services Quality, Perception, Satisfaction

Introduction

In many countries service sector plays dominant role in the markets. According to (Kotler, 2003), in the US economy, nearly 80 per cent of the employment opportunities provided and 76 per cent of the GDP contributed by the service sector. In India also service sector playing greater role in the nation's economy by contributing nearly 64 per cent of the GDP, having higher share in exports, 42 per cent of total exports from India and providing high number employment opportunities. This indicates that the growing importance of the service sector. That is the reason why, companies well recognized the need for the better

service quality and are looking for ways to perform better and attract and retain their customers in a high competitive manner (Wang. Y. 2003). Many researchers have been focused on this area of service quality for the last few years and recognized as one of the most important strategy of the business firms in the service sector to improve financial as well as marketing performance.

Dimension of Service Quality



Importance of Service Quality

Service quality is measured as the most significant determinant of competitiveness for establish and sustaining satisfying connection with customers (Lewis, 1989). Business firms counting banks have familiar the fact that the only one best way to manage the competition is the quality discrimination. Advance technology, customer orient company culture, a well planned service-system and exceptional information system are the major factors that choose the greater quality of service of an institute. Providing exceptional service quality and maintain the high customer pleasure is the vital issue and the confront facing contemporary service industry (Hung, 2003). Thus Service Quality is an important subject in both public and private sectors business firms and service industries. Banking sector is not an exception to this.

Service Quality Dimension in Commercial Banks

Several researchers have suggested that the search for universal conceptualization of the service quality construct may be futile (Levist, 1981; Lovetock, 1983). The service quality construct is either industry or context specific (Babakus and Boller, 1992). The measurement of the service quality construct is multidimensional. In its original structure, service quality consists of five dimensions (Parasuraman et al., 1988; Carman, 1990; Rust and Oliver, 1994). These are:

- The tangibility aspects of the service
- The reliability of the service provider
- The assurance provided by the service provider
- The responsiveness of the service provider; and
- The service provider's empathy with customers.

The included variables to measure the service quality of commercial banks were ranging from seventeen to fifty seven variables (Narul Islam, 2005; Verma and Vehra, 2000; Sharma and Mehta, 2004; Elango and Gudep, 2006; Sharma and Sharma, 2007; Bhat, 2004; Levesque and Gorden, 1996; Bhat, 2005; Zillur, 2005; Gani and Bhat, 2003). In the present study, the included service quality variables are twenty.

Review of Literature

It is relevant to refer briefly to the previous studies and research in the related areas of the subject to find out and to fill up the research gaps. The following are the some studies conducted by the eminent authors and practitioners on the area of service quality of commercial banks.

(Dhandabani, 2010), examined the nature of linkage between service quality and customer loyalty in Indian retail banking. Study used confirmatory factor analysis to identify the service quality dimension. The resulted dimensions are Reliability, Responsiveness, Knowledge and recovery; and Tangibles. The service quality dimensions lead to customer satisfaction and the customer's satisfaction leads to customer's loyalty. The structural equation model reveals that there is no significant direct linkage between service quality and customers loyalty. At the same time, the service quality has a significant indirect impact on customer's loyalty especially through customer's satisfaction.

Study was conducted **(Santhiyavalli, 2011)** to evaluate the service quality of SBI by adopting the SERVQUAL technique developed by A.parasuraman et al (1988) and found that that

among five dimensions 'Reliability', 'Responsiveness', 'Empathy' and 'Tangibility' are the major factors responsible for customer satisfaction which stood at 90 percent regarding the services provided by State Bank of India. Thus based on the percent level of customer satisfaction, the State Bank of India has scope to improve the quality of the service rendered to its customers to ensure their loyalty.

(Jain, 2012) In their study “Customer Perception on Service Quality in Banking Sector: With Special Reference to Indian Private Banks in Moradabad Region” try to learn and understand the customer perception regarding service quality and to learn and understand the different dimension of service quality in banks. The Sample size used is 100 and the sample universe is Moradabad.

Objectives of the Study

- To measure and analyze the quality of services provide by Commercial Banks in Salem District.
- To measure the customer satisfaction in selected Commercial banks by analyzing the gap between expected quality and their perceived quality of banking services using SERVQUAL model.

Methodology

In this paper an attempt has been undertaken to carry out a descriptive study regarding various factors of service quality in selected commercial banks in Salem District.

Data Collection

The study was conducted by taking three commercial banks, one from public sector (PNB), one from private sector (AXIS) and one from Regional Rural Banks (RRBs).

The required data was collected from two sources namely Primary Data and Secondary Data. Primary data was collected through structured questionnaire from the existing bank customers. Secondary data was collected from the previous publications.

Sampling Unit

The sample unit consists of customers of the public sector, the private sector banks and RRBs of rural areas in Salem district of Tamil Nadu in India. The respondents are farmers, Employees, Business Persons and SHGs.

ANALYSIS OF DATA

Demographical Profile

Age Distribution					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 30	25	10	10.0	10.0
	31-40	110	44.0	44.0	54.0
	41-50	74	29.6	29.6	83.6
	51-60	41	16.4	16.4	100.0
Total		250	100.0	100.0	

Income					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Upto 20000	73	29.2	29.2	29.2
	20001-3000	81	32.4	32.4	61.6
	30001-40000	96	38.4	38.4	100.0
	Total	250	100.0	100.0	

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	152	60.8	60.8	60.8
	Female	98	39.2	39.2	100.0
	Total	250	100.0	100.0	

Taluks					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Salem	45	18.0	18.0	18.0
	Omalur	43	17.2	17.2	35.2
	Attur	48	19.2	19.2	54.4
	Mettur	42	16.8	16.8	71.2
	Sankari	43	17.2	17.2	88.4
	Yercaud	29	11.6	11.6	100
	Total	250	100.0	100.0	

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 30	56	22.4	22.4	22.4
	31-40	93	37.2	37.2	59.6
	41-50	55	22.0	22.0	81.6
	51-60	27	10.8	10.8	92.4
	More than 60	19	7.6	7.6	100.0
	Total	250	100.0	100.0	

Marital Status					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	234	93.6	93.6	93.6
	Single	16	6.4	6.4	100.0
	Total	250	100.0	100.0	

Type of Account					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Savings Bank Account	202	80.8	80.8	80.8
	Current Account	48	19.2	19.2	100.0
	Total	250	100.0	100.0	

Occupation					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Farmers	68	27.2	27.2	27.2
	Business	59	23.6	23.6	50.8
	Employees	66	26.4	26.4	77.2
	SHGs	57	22.8	22.8	100.0
	Total	250	100.0	100.0	

Prime Bank					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	PNB	105	42.0	42.0	42.0
	AXIS	74	29.6	29.6	71.6
	RRBs'	71	28.4	28.4	100.0
	Total	250	100.0	100.0	

To collect the required data, seven hundred and twenty questionnaires were distributed to selected three (PNB, AXIS and RRBs) bank customers in rural areas to know their preferences in selection of bank in selected six Taluks of Salem district in Tamil Nadu state in India and six hundred and thirty returned. The response rate was 87.5 per cent. An average of 16.67 per cent of total respondents was responded from each taluks. The results of demographic profile of the respondents under study revealed that gender was almost evenly split in the proportions of 78.25 per cent males and 21.75 per cent females. 22.22 per cent of the respondents were below the age group of 30 years. 50% were in the age group of 21-25 years, 39.21 per cent in between 31 – 40 years, 23.49 per cent of respondents in between the age group of 41 – 50 years, 10.16 per cent in between the age group of 51 – 60 and 4.44 per cent respondents belonged to above 60 years. 94.76 per cent of respondents were married and 5.24 per cent respondents were unmarried. The highest number of respondents i.e. 28.73 per cent of the total respondents possessed the degree qualification, 19.68 per cent had 10 class qualification, 16.35 per cent respondents had completed intermediate education 15.71 per cent of respondents had possessed only formal education i.e. less than 10 class and 8.10 per cent possessed master degree qualification. The remaining 8.73 per cent of the total respondents did not have any formal education. These were illiterates and mostly belonged to farmers and SHGs categories.

12.03 per cent of the respondents are businessmen, 32.81 per cent are employed, 48.75 per cent are professionals, 5.62 per cent are students and 0.72% is housewives. 58.75 per cent of the respondents have monthly income upto Rs.20000 and 31.09 per cent have Rs.20001 to Rs.30000 as monthly income. 7.81 per cent of the respondents have monthly income Rs.30001-40000. About 2.34 per cent of the respondents have above Rs.40000 as monthly income. Out of 640 respondents, 43.75%, 37.50% and 18.75% of the respondents belong to PNB Bank, RRBs' and Axis Bank respectively. 75 per cent of the respondents have savings bank account and 25 per cent of the respondents have current account.

Level of Importance of the Factors Influencing the Respondents to Prefer Services from the Prime Bank

		Level of importance					Total
		Very Important	Important	Neither Important nor Not important	Not important	Not at all important	
M	Friendliness of the bank staff	10	7	12	3	8	40
O	Fast and efficient service	1	3	2	1	0	7
T	Location of the bank	7	8	3	3	6	27
I	Lower service charges	11	8	7	1	9	36
V	Perceived confidentiality of bank	18	11	7	5	3	44
A	Loan with favourable terms	2	1	0	1	2	6
T	Reputation and image of the bank	2	0	1	1	0	4
I	image of the bank hours	9	3	1	0	1	14
O	Security in transacting business	6	5	3	4	4	22
N	Range of services	5	3	0	1	0	9
F	Higher interest payment for savings	1	2	2	0	1	6
A	Lower interest for loans	3	2	2	0	4	11
C	Lower interest for loans	1	2	1	0	2	6
T	Personal services	3	4	3	5	3	18
O	Total	79	59	44	25	43	250
R							

Source: Computed from Primary data

Table shows the important levels of various factors motivating the respondents to prefer banking services from new generation private banks. The overall influence of all the fourteen factors is considered 'very important' in motivating the customers to prefer banking services by 41.09 per cent of the respondents, as 'important' by 36.85 per cent of the respondents, 'neither important nor not important' by 15.46 per cent of the respondents, as 'not important' by 4.21 per cent of the respondents and as 'not at all important' by 2.34 per cent of the respondents. The average attitude score reveals that friendliness of the bank staff is the most important factor (4.35) for the respondents to prefer banking services from their

prime bank, followed by fast and efficient service (4.30). However, with regard to personal services, the respondents assign least importance (3.99).

GENDER AND SATISFACTION TOWARDS SERVICES OF THE BANKS

Gender is the biological difference of man and woman and the variants between. Gender has always been a distinguishing segmentation variable. As far as banking services are concerned, men have greater idea about the banking services, their significance and convenience.

Gender and Level of Satisfaction towards Services of the New Generation Banks

		Prime Bank					
		Highly Satisfied	Satisfied	Neither Satisfied Nor Dissatisfied	Dissatisfied	Highly Dissatisfied	Total
Gender	Male	105	42.0	42.0	42.0		
	Female	74	29.6	29.6	71.6		
Total		71	28.4	28.4	100.0		
		250	100.0	100.0			

Association between Gender and Satisfaction

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-Sided)
Pearson Chi-Square	.516	4	.972
Likelihood Ratio	.515	4	.972
Linear-by-Linear Association	.172	1	.678
N of Valid Cases	250		

The calculated chi square value (17.285) is greater than the table value (9.728) at 5 per cent level of significance. The test is significant. This means that there is a significant association between the satisfaction level of male and female respondents towards services of the selected new generation private banks in Chennai Therefore, the null hypothesis (Hoi) is rejected. Further, the average satisfaction score of the female respondents (4.14) is 123 high, followed by the mean satisfaction score of the male respondents (4.09). Thus, female respondents are more satisfied towards services of the select new generation banks in Salem District.

AGE AND SATISFACTION TOWARDS SERVICES OF THE BANKS

The association between employees' age and their insight in organizational affairs holds significant interest in management research. Age is a very useful demographic variable for unique segment. Responses have been excellent in the 20 to 30 age group and above 30 age group. Between the two categories, 20 to 30 age group category has clearly been more forthcoming, indicating that they have the avenues as well as revenues to go in for the banking products. The 20 to 30 group is an upcoming group, and with the explosion of the knowledge industry, this group is expected to perform well in the near future, and thus forms a potential group to be concentrated upon for offering banking products. Therefore, the customers from different age groups were asked to state their level of satisfaction towards services of the select new generation private banks and an attempt was made to find out the association between age and satisfaction.

Age and Level of Satisfaction towards Services of the Banks level of Satisfaction

			Level of Satisfaction					Total
			Highly Satisfied	Satisfied	Neither Satisfied Nor Dissatisfied	Dissatisfied	Highly Dissatisfied	
Age	Less than 30	Count	13	16	11	10	6	56
		Expected Count	16.1	11.6	10.1	9.9	8.3	56.0
		% of Total	5.2%	6.4%	4.4%	4.0%	2.4%	22.4%
	31-40	Count	30	17	17	14	15	93
		Expected Count	26.8	19.3	16.7	16.4	13.8	93.0
		% of Total	12.0%	6.8%	6.8%	5.6%	6.0%	37.2%
	41-50	Count	15	10	11	9	10	55
		Expected Count	15.8	11.4	9.9	9.7	8.1	55.0
		% of Total	6.0%	4.0%	4.4%	3.6%	4.0%	22.0%
	51-60	Count	10	5	3	5	4	27
		Expected Count	7.8%	5.6%	4.9%	4.8%	4.0%	27.0
		% of Total	4.0%	2.0%	1.2%	2.0%	1.6%	10.8%
	More than 60	Count	4	4	3	6	2	19
		Expected Count	5.5	4.0	3.4	3.3	2.8	19.0
		% of Total	1.6%	1.6%	1.2%	2.4%	0.8%	7.6%
Total		Count	72	52	45	44	37	250
		Expected Count	72.0	52.0	45.0	44.0	37.0	250
		% of Total	28.8%	20.8%	18.0%	17.6%	14.8%	100.0%

Chi-Square

Chi-Square	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.120 ^a	16	.908
Likelihood Ratio	8.772	16	.922
Fisher's Exact Test	.c		
Linear-by-Linear Association	.255	1	.614
N of Valid Cases	250		

The calculated chi square value (15.125) is less than the table value (21.026) at 5 per cent level of significance. Therefore, no significant association is found among the satisfaction level of the respondents belonging to different age groups towards services of the select new generation private banks in Chennai. Therefore, the null hypothesis (Hoi) is accepted. The average satisfaction score of the respondents in the age group upto 35 years (4.15) is high, followed by the respondents in the age group 36-45 years (4.10). Therefore, the respondents in the age group upto 35 years are more satisfied towards services rendered by the select new generation private banks in Salem District.

FINDINGS

- The highest literacy rate (60%) of the respondents is degree level. 7.81 per cent of the respondents have got upto H.Sc education and 7.50 per cent have got Diploma/ITI education. 24.69 per cent of the respondents have postgraduate and above qualifications.
- 12.03 per cent of the respondents are businessmen, 32.81 per cent are employed, 48.75 per cent are farmer, 5.62 per cent are students and 0.72% are SHG's.
- 58.75 per cent of the respondents have monthly income upto Rs.20000 and 31.09 per cent have Rs.20001 to Rs.30000 as monthly income. 7.81 per cent of the respondents have monthly income Rs.30001- 40000. About 2.34 per cent of the respondents have above Rs.40000 as monthly income.
- Out of 640 respondents, 43.75%, 37.50% and 18.75% of the respondents belong to PNB, Axis Bank and RRB's Bank respectively. 75 per cent of the respondents have savings bank account and 25 per cent of the respondents have current account.
- A significant association is found in the satisfaction level of the respondents belonging to different genders, educational status groups, occupations and banks towards services of the select new generation private banks. However, there is no significant association in the satisfaction level of the respondents belonging to

different age groups, monthly income groups and having different accounts towards services of the select new generation banks.

- Gender, age, occupation, monthly income and type of account of the respondents have no significant effect on the perceived service quality in the select new generation private banks in Chennai. Respondent's education has significant effect on the perceived service quality in the select new generation private banks at 5 per cent level of significance.
- Gender, age, education, occupation, monthly income and type of account of the respondents have no significant effect on the perceived service quality in the PNB Bank, Axis Bank and RRB's Bank in Salem District.

SUGGESTIONS

- On the basis of the detailed study of the perception of the customers towards service quality of the new generation private banks, it is clear that service quality plays a vital role in the banking industry. The various suggestions for improving service quality of the select new generation banks are follows:
- Since customers look for banks with convenience, flexibility having innovative ideas, changing their offerings according to the needs of the customers, the select new generation private banks must know and prepare offers according to the changing environment. The select new generation private banks must open the aperture and create operational benchmarks that include financial institutions in other segments of the market. The customer strategy should create differentiation through the bank's own operational strengths and by emulating the capabilities of the bankers outside of its peer group. Therefore, the select new generation private banks must keep innovating and serve their customers with better quality services.
- The employees of the new generation private banks should never turn their back on the customers. They should suggest alternative banking services to the customers' benefit. This can be one way of ensuring "customers delight. Since service quality is the most important factor in customer's choice, the banks should focus on hiring competent and friendly personnel, and train them in order to increase their efficiency and develop interpersonal communication skills. The new generation private banks should design programs to train staff with the skills and knowledge required to deal with customers effectively. With a view to enhance service quality levels in terms of responsiveness, reliability, empathy and assurance aspects, the training and retention of staff should be

given special care to empower them to exercise responsibility, judgments and creativity in responding to customer's problems.

- The select new generation private banks should strive to improve the implemented service quality programmes and develop new ones to ensure customer satisfaction with the service encounters and the various dimensions of service quality. The select new generation private banks should establish a system for gathering information on customer's expectations and design their products according to their expectations. This system should be done continuously because of the frequent changes in customers' expectations in the globalized era. Therefore, the select new generation private banks should focus more on the segmentation analysis before they introduce the new product.

CONCLUSION

Service quality should be used as a strategic tool to get a competitive advantage over the competitors. With the increasing levels of globalization of the Indian banking industry, and adoption of universal banks, the competition in the banking industry has intensified. Anywhere and any time banking now become a reality. Recognition of service quality now acts as a competitive weapon. The SERVQUAL model was used to assess and compare the service quality delivered by three major banks operating in rural areas of Salem District. Analysis of gap score reveals that the highest gap score in the dimension 'Responsiveness' in the case of AXIS (0.98) and PNB (0.96) indicates poor service quality.

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