CUSTOMER PERCEPTION ON SERVICE QUALITY DIMENSIONS OF RETAIL BANKS

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Introduction

The process of globalization and liberalization has strongly influenced the Indian banking sector. The ongoing banking sector reforms with their thrust on transparency, efficiency and sustainability have created a competitive environment before Indian banks by the emergence of new private sector banks and the opening up of new branches of foreign banks in India. Cost consciousness, credit management, profitability and overall efficiency have got overriding importance for the survival and growth of banking business. To achieve these, banks in India have obliged to change the objective of maximizing profits to develop long-term relationship with the customers. Today the customers are not interested in purchasing a product on the basis of its brand name, physical characteristics or price alone. Now an important question is raised by each bank regarding customer's service expectations, by cutting operational costs and managing competition. After a lot of exercise and thought, they have found out "Retail Banking" or "Personal Banking" whose superficial aim is "banking at your doorstep".

Retail banking in India is not a new phenomenon and it has always been prevalent in India in various forms. For the last few years, it has become tantamount with mainstream banking for many banks. Retail banks provide basic banking services to the general public, including savings accounts, CDs, safe deposit boxes, mortgages and second mortgages, auto loans, and unsecured and revolving loans such as credit cards. Today's retail banking sector is characterized by multiple products, multiple channels of distribution and multiple customer groups. Retail banking is a major form of commercial banking which mainly involves individual customers rather than corporate clients. In order to make them economically viable and competitively strong, Indian banks are gradually providing more importance to the individual customers for increasing their resource base.

Research Methodology

The service quality model developed by Zeithamal, Parasuraman and Berry(1988) has been used in the present study. The main assumption of the model is that service quality is multidimensional concept. These dimensions contribute to the assessment of the service quality in any setting. The statements have been grouped under five dimensions. In order to ascertain the perceptions of service quality, Likert's 5-point scale has been used for its suitability to estimate the range and variations in the perceptions. The scale 1-5 represents '5' as mostly agree and '1' as mostly disagree. The sample size of 100 respondents, after the ascertaining of the validity, the data was analyzed to reach at conclusions regarding the customer's perceptions of service quality.

Objectives of the study

1. To learn and understand the customer perception regarding service quality
2. To learn and understand the different dimension of service quality in banks.

Hypothesis

Service quality dimensions namely; tangibility, reliability, responsiveness, assurance and empathy and the bank they belongs have any influence on their satisfaction with the retail banking.

Service Quality

One of the most popular models, SERVQUAL, used in service marketing, was developed by Parasuraman (1). SERVQUAL has been widely adopted for explaining consumer perception of service quality. Originally 10 dimensions of service quality were proposed (reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding the consumer, and tangibles). Later these were reduced to five (reliability, responsiveness, empathy, assurances and tangibles). Three of the original dimensions remained intact i.e. tangibles, reliability and responsiveness. Assurance and empathy were introduced but they were consequences of pooling competence, courtesy, credibility and security (Assurance) and access, communication and understanding the customer (Empathy). The later model of five quality dimensions considered the following issues.

1. Tangibility
    It denotes appearance of physical facilities, equipment, personnel and communication material (physical evidence of facilities).
2. Reliability
    It denotes the ability to perform the promise service dependably and accurately.
3. Responsiveness
    It denotes the willingness to help customer and provide prompt service.
4. Assurance
    It denotes the knowledge and accuracy of employees and their ability to convey trust and confidence.
5. Empathy
    It denotes caring, individualized attention the firm provides to its customers.

TABLE - 1 TANGIBILITY OF BANKS

Banks	Tangibility Factor	Rank
Indian Bank	4.36	2
State Bank of India	4.42	1
Indian Overseas Bank	3.65	3
Canara Bank	3.35	4
Mean	3.95	

Source: Computed

The comparison between the average score of tangibility factor and individual scores, it can be concluded that all the banks have an overall positive perception. However, the state bank of India has the score more than the average score. This can be interpreted as the bank has a potential to lead in terms of tangibility.

TABLE – 2 RELIABILITY OF BANKS

Banks	Reliability Factor	Rank
Indian Bank	4.43	3
State Bank of India	4.79	1
Indian Overseas Bank	4.57	2
Canara Bank	3.82	4
Mean	4.40	

Source: Computed

The comparison between the individual bank scores and average scores also indicates that the calculated mean value is 4.40, which is less than the Indian Bank, State Bank of India and Indian Overseas Bank.

TABLE – 3 RESPONSIVENESS OF BANKS

Banks	Responsiveness Factor	Rank
Indian Bank	4.68	2
State Bank of India	4.81	1
Indian Overseas Bank	4.44	3
Canara Bank	3.71	4
Mean	4.41	

Source: Computed

The analysis of the third dimension of service quality i.e. responsiveness indicates that the dimension has a lot of significance in the service quality, SBI has scored a very high value among three of the four banks under study. It is only the Canara bank, for which the score has been the lowest. Among the other banks, it is again the SBI bank, which has the highest value of 4.81 followed by Indian bank at 4.68. Indian overseas bank is at the third place with a score of 4.44. The average mean score for responsiveness has been worked at 4.41. On comparing the individual values with the average mean, it can be concluded that again all the three banks except Canara bank have higher than average scores.

TABLE – 4 ASSURANCE OF BANKS

Banks	Assurance Factor	Rank
Indian Bank	4.35	2
State Bank of India	4.43	1
Indian Overseas Bank	3.90	3
Canara Bank	3.35	4
Mean	4.01	

Source: Computed

The comparison between the individual bank scores and average scores indicates that the calculated mean value is 3.86, which is less than the Indian bank, state bank of India. Again, it is the Indian Overseas Bank, Canara Bank which has the assurance value less than the average value. Assurance dimension of service quality deals with the approach towards the customers and understanding their needs effectively. The analysis of the responses of the customers towards assurance indicated that the SBI bank has scored the highest value of 4.43. It is followed by Indian bank with a score of 4.35. Indian Overseas bank follows them with an empathy value of 3.90 and last among all is Canara bank with a score of 3.35. The analysis of the scored clearly depicts that the two banks in the sample viz. SBI and Indian bank have the scores higher than '4', which represents more satisfaction of the consumers. On comparing the individual scores with the average mean score, it can be said that SBI and Indian bank have higher than average scores; whereas Indian Overseas bank and Canara bank have value lesser than average.

TABLE – 5 EMPATHY OF BANKS

Banks	Empathy Factor	Rank
Indian Bank	4.33	2
State Bank of India	4.40	1
Indian Overseas Bank	3.55	3
Canara Bank	3.25	4
Mean	3.88	

The comparison between the individual bank scores and average scores also indicated that the calculated mean value is 3.88, which is less than the SBI bank and Indian bank. Empathy dimension of service quality deals with the approach towards the customers and understanding their needs effectively. The analysis of the responses of the customers towards empathy indicated that the SBI bank has scored the highest value 4.40. It is followed by Indian bank with a score of 4.33, Indian overseas bank follows them with an empathy value of 3.55 and last among all is Canara bank with score of 3.25. The analysis of the scores clearly depicts that the two banks in the sample viz. SBI bank and Indian bank have the scores higher than '4', which represents more satisfaction of the consumers. On comparing the individual scores with the average mean score, it can be said that SBI bank and Indian bank have higher than average scores; whereas Indian Overseas bank and Canara bank have values lesser than average.

Service Quality of Retail Banks

The analysis reveals that among the private sector banks all the dimensions of service quality are equally important. However, the scores have been different for these banks. While comparing the dimensions, the scores for State Bank of India bank has been higher in comparison to other banks.

TABLE 6 SERVICE QUALITY OF RETAIL BANKS

Factor	Retail Banks
Tangibility	3.95
Reliability	4.40
Responsiveness	4.41
Assurance	4.01
Empathy	3.88
Mean	4.12

The analysis of the retail banks clearly identifies reliability and responsiveness as the most relevant factor of quality perception, as it has the highest value among the dimensions. Empathy has scored the minimum value in the retail banks, which certainly is a big factor contributing towards the lower quality perception of the retail banks. Comparison of individual scores with the average mean value also confirms the above average perceptions in retail banks. Only reliability and responsiveness dimensions have score higher than average values.

Findings

The study included five dimensions of service quality perceptions, which are tangibility, reliability, responsiveness, assurance and empathy. The analysis of these dimensions identified that, among the four banks under study, it is the State Bank of India, which has the highest reliability in terms of the employees, physical evidence and ambience. The analysis of the other dimensions, responsiveness represents the SBI again as the front-runner among the four banks followed by Indian Bank, Indian Overseas Bank and Canara Bank respectively. This can be interpreted as the employees' capability to respond to the customers. This fact is well represented in the voluminous increase in the retail trade of these banks. Measurement of the empathy dimension identifies better understanding of customers' needs, as being very high in the SBI bank, followed by Indian Bank, Indian Overseas Bank, Canara Bank.

Suggestions

There is an urgent need for the banking services to reaffirm themselves in view of the cutthroat competition, which is close on the anvil. The retail banks shall have to reorient themselves in terms of the customer service parameters to instill the concept of quality service in the mind of the customer and therefore the growth. The growing needs of the customers are evident from the wide array of services being offered by the banks like insurance, mutual funds,

depository services, etc. The retail banks to train their employees to treat the customers with empathy. The retail banks should make relevant strategies for gaining reliability.

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