

SERVICE QUALITY IN COMMERCIAL BANKS: A STUDY OF PUBLIC SECTOR BANKS IN WARANGAL DISTRICT

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ABSTRACT

This study attempts an investigation of the service quality process in public sector banks, and the customers' satisfaction thereof. In addition, it will evaluate the existing literature and establish the identity of the gaps in the literature, which will provide the framework on which this research is based. One of the study's major contributions to the advancement of knowledge is the investigation of the service quality process from a comparative perspective of different commercial banks customer perceptions and expectations. Most of the existing literature refers almost exclusively to the perception of service quality and determining customer satisfaction based on disconfirmation of expectation from customer perspective. The concept advanced within the present study focuses on the role of discriminating customers as satisfied and dissatisfied for the assessment of customer satisfaction on banking services as a refined process. This chapter emphasizes on discussion of the evolution of the literature on customer satisfaction, then the relationship between customer satisfaction and service quality, measuring service quality using modified SERVQUAL model, research gap, and conceptual framework.

Key words: Service quality, SERVQUAL Model, Quality Dimensions, Customers' Satisfaction.

Cite this Article: D.Srinivas and N. Hanumantha Rao, Service Quality in Commercial Banks: A Study of Public Sector Banks in Warangal District. *Journal of Management*, 5(4), 2018, pp. 9–17.

<http://www.iaeme.com/jom/issues.asp?JType=JOM&VType=5&IType=4>

1. INTRODUCTION

Nowadays, banks offer many types of services that are spanning from creating a savings bank account to online banking, offering loans to providing insurance, offering locker facilities to remitting the money to those living in foreign countries. The customers of the banks are from all walks of life from uneducated peasants, company employees to global companies conducting the commercial activities all over the world. The banks should please all these types of customers who are from various social groups. Being a service provider, the roles of these banks are very crucial in creating a good perception in the customer's minds about the banks. Since the services provided by the banks could bring or estrange a customer, much stress is put on the service delivery by many of the banks. The relation between the customer satisfaction and service quality has undergone an intense examination by a few service quality investigators (Bolton & Drew, 1994; Bitner & Hubbert, 1994). Since survival of the fittest has been the motto of the banking industry, each bank is competing with each another in order to magnetize and retain the best customer, who is common for all. Without an iota of doubt, because of the belief that offering high quality service is much demanded for achieving the customer satisfaction and that there are many desirable behavioral outcomes, the past few years have seen many researches dealing with the relationship among the satisfaction, service quality, and behavioral outcomes (Olorunniwo & Hsu, 2006; Thamaraiselvan & Raja, 2007)

2. REVIEW OF LITERATURE

Cronin and Taylor (1992) observe that service quality is a form of attitude which comes from the comparison between the performance and the expectations. Schneider and White (2004) state that service quality can be described as the difference between customers' anticipation for the service performance before the encounter of the service and their perceptions from the received service. These researchers also say that service quality can be also delineated as "a judgment about a service's overall excellence or superiority". Indeed, service quality is one of the crucial success parameters which impact the competitiveness of a company. Bahia and Nantel (2000) state that a bank can distinguish itself from its rivals by offering a high-quality service. Sharma and Sharma (2006) voice that the business and progress of the bank do not only rely on its size of funds but in addition on its capability to offer quality services to its customers on a reasonable basis.

Parasuraman et al. (1985) recommended the SERVQUAL framework to evaluate the level of customer satisfaction. Parasuraman et al. (1988) proposed a SERVQUAL model that is based on five dimensional constructs of perceived service quality called as tangibles, reliability, responsiveness, assurance and empathy- with item reflecting both expectation and perceived performance. Parasuraman (2000) voiced that excellent customer service and excellent marketing are the two sides of the same coin. Vijayakumar (1999) states that the interaction of motives, individual needs, perception and attitudes with environmental influences enable the customer to act. The research has recommended that banks can increase the level of customer satisfaction by focussing on prompt and good customer service; pleasant reception and courtesy; decoration of the branch; display; convenience in terms of time and location; friendly and obliging attitude of the employees; and recommendations/reputation. The research done by Kumar (1999) has stressed on properly and regularly conducting the customer service committee meetings, customer relations, and customer council programme to know the customers' requirements and anticipations from the bank that are of great advantage in planning the scheme and offering proper direction to services. Dixit (2004) recommended that the first step in servicing the customers is courtesy. Lately, customers have more awareness and they are unwilling to be conducted generically. Ahmed (2008) observes that a bank can be stated to be oriented towards the customers, when its many organisational activities like staffing,

organisational restructuring, and co-ordination are on the pathway of accomplishing the need of the customers. This research is on the basis of the public sector banks in the Barak valley in relation to the customer satisfaction and it has been identified that the customers are not satisfied with the function of the bank. Paul and Barman (2010) voiced that in an era of competition, the banks must necessarily focus on the customers' satisfaction levels by means of offering regular, prompt, and quality service to maintain the current customers and at the same time, they must enhance the quality of services each day in order to get new customers. Ananth et al. (2011) did a study to assess the quality of service offered by the selected private sector banks. The research followed the SERVQUAL as the framework, but added one additional dimension called "accessibility" to the existing five dimensions of SERVQUAL in order to fit into the research. It has been seen in the research that reliability, empathy, and assurance are the chief dimensions positively impacting the quality of service for bank customers. Kailash (2011) commented that optimising the customer experience is currently an important component of getting and retaining the customers so as to grow and defend a profitable business. Islam and Ali (2011) scrutinised the relationship among satisfaction, service quality and customer loyalty. It is identified in the research that the customer satisfaction and repute of the bank will result in greater loyalty. The research offers a framework for bankers to provide a quality service.

Carrillat et al. (2007) probed the difference between SERVQUAL and SERVPERF's predictive validity of service quality. The details from 17 studies containing 42 effect sizes of the relationships between SERVQUAL and SERVPERF with overall service quality (OSQ) are meta-analyzed. In the end, the researcher found that SERVQUAL and SERVPERF are equally valid predictors of overall service quality.

Zeithaml and Bitner (1996) indicate that content and delivery of a service are important parameters for assessing the service quality. When the customers assess the quality of service, the service providers are able to ascertain the content of the service provided. Edvardsson (1998) argues that the concept of service must be viewed from the standpoint of the customers. Since the customer's overall perception of the outcome is the "service" and the customer outcome is produced in a process where the service is provided by means of that process, customers' inclusion in the service process is required, as they are the co-producers of the service. The service process could be a service delivery, performance, interpersonal interaction, or customer's experience of service.

Dissanayake and Wanninayake (2007) in their research opined that the customers of public sector banks had a higher gap in the service when compared to the service offered by the private sector banks. In their research, they identified that the interactive service marketing and process efficiency are poor in public sector banks. Amanfi and Benjamin (2012) have opined that the public sector banks have been found to be slow and indifferent to the requirements of the customers. Problems like poor work ethics, poor working conditions, and out-dated systems, procedures and practices are the factors that impact the service quality delivery by public sector banks negatively. Hence, service quality specifically in the public sector banks has been given utmost importance in optimising the customer satisfaction.

3. PROBLEM STATEMENT

The bank's top management, managers, and policy makers can better understand the customers' requirements by measuring the customer satisfaction. They can also predict their needs and expectation gaps. This will definitely assist the management of the bank in finding the particular elements of service delivery and product that result in satisfaction and hence the banks can prioritise the actions that can have impact on customer satisfaction and that will bring in the reforms in the operations. Such strategy will refine the operation and better use of present infrastructure in the Indian banks (Grovar, 2016). The arrival of new generation technologically

driven private banks makes the banking sector highly competitive. In order to deal with the current scenario in the banking sector, the management of banks must come out of the old strategies, alter the practices, improve customer satisfaction and take up a different approach to meet the challenges ahead. In a highly competitive market, non-monetary parameters such as customer service become more vital (Kotler & Armstrong, 1999).

In this background, a research on the customer's perception on the service quality and an examination of the services offered by both public sector and private banks are very important. Such a study will offer the banks an estimate of their services with details like whether banks are meeting the customer's expectations. Hence, this research is an attempt on the analysis and comparison of the service quality of commercial banks, both public sector and private in Warangal district of Telengana, India.

4. RESEARCH METHODOLOGY AND OBJECTIVES

The present research aims at the development of a modified Service Quality (SERVQUAL) scale for the measurement of service quality in select public and private sector banks in Warangal district, Telengana, India. In this regard, the following objectives are framed:

- To determine the perceptions of customers regarding the quality of service delivered by public and private banks
- To determine the relevant dimensions of service quality for the banking sector
- To identify the dimensions of SERVQUAL that ensure maximum satisfaction for customers in the banking sector.
- To analyze and compare the service quality perceptions of the customers in public sector banks
- To study customer's perceptions and their expectations levels provided by public sector banks

Sources of data

The study explores the service quality of the public sector banks in Warangal district of Telangana. The descriptive research design has been followed to fulfil the objectives of the research.

5. SELECTION OF BANK BRANCHES

There are 29 public sector banks functioning in the Warangal district with a total of 166 branches. Among the public sector banks functioning in Warangal district, State bank of India, Andhra bank and Canara bank have a large number of branches. Therefore, these banks are selected for the study. They have established 52, 20 and 8 branches respectively in the district. Ten branches from two banks and 6 from one bank were selected by convenience sampling technique. Thus 27 bank branches were selected for the study.

6. LIST OF PUBLIC SECTOR BANKS

S.No	Name of the Bank	No. of Branches
1	Andhra Bank	20
2	Andhra Pradesh Grameena Vikas Bank(APGVB)	20
3	AP MAHESH Cooperative Bank	1
4	Allahabad Bank	3
5	Bank of Baroda(BOB)	4
6	Bank of India(BOI)	2
7	Bank of Maharastra	1
8	Canara Bank	8
9	Central Bank of India	4
10	Corporation Bank	2
11	City Union Bank(CUB)	1
12	Dena Bank	1
13	Indian Bank	4
14	Indian Overseas Bank(IOB)	7
15	IDBI Bank	2
16	Karnataka Bank	1
17	Karimnagar DCCB	2
18	Oriental Bank of Commerce(OBC)	2
19	Punjab National Bank(PNB)	3
20	Punjab &Sind Bank	1
21	State Bank Of India(SBI)	52
22	Syndicate Bank	3
23	Telangana Grameena Bank(TGB)	5
24	Union Bank of India	5
25	Uinited Bank of India	1
26	UCO Bank	1
27	Vijaya Bank	2
28	Warangal District Cooperative central Bank(WDCCB)	3
29	Warangal Urban cooperative	5
	TOTAL	166

Source: Lead District Manager,SBI,Warangal

The study will be based on mainly on primary data. The secondary data will be used to supplement the primary data. The main sources of primary data will be the customers of both public sector banks. The secondary data will be gathered from the annual reports, records of the bank.

7. METHODOLOGY

The methodology adopted in collecting the data, selection of the sample, analysis of data and interpretation of data is presented below:

8. TECHNIQUES OF DATA COLLECTION

For the purpose of collecting primary data from the customers of public sector banks, a structured questionnaire is designed and administered on sample respondents of the bank customers.

Apart from questionnaire method and group discussion, observation techniques are adopted to elicit adequate information from the respondents. For the purpose of obtaining the data relating to the selected banks in Warangal district of Telangana state.

9. SAMPLE DESIGN

As a pilot study data collected from 100 respondents from Warangal District , which is based on convenience sampling basis.

10. DATA ANALYSIS

The study will be based mainly on primary data generated from the responses from both public and private sector bank customers form the questions relating to customers expectations and their perceptions towards service performance In order to quantify these responses, scaling techniques will be adopted. For measuring service quality, Likert type five point scale with the rating-strongly disagree, disagree, neutral agree, and strongly agree will be used. Suitable score values will be assigned to the responses obtained for each point. Similarly, to assess the perceptions and expectations, five-point scales will be used to quantify the responses.

11. DATA ANALYSIS AND INTERPRETATION

Primary data will be obtained for both quantitative and qualitative analyses.

For the quantitative approach, SPSS (version 20.0) is used. The analysis of collected quantitative data is performed using IBM SPSS software (version 20.0). The SPSS statistics tool is used to statistically analyse collected data and also aids in facilitating certain functions such as data documentation and management. One important advantage of SPSS statistics tool is that the functions are easy even for beginners. The tool is used in various fields of research such as education, health and social science (SPSS, 2015).

Table 1 Customer Satisfaction/Dissatisfaction

S.No	Satisfaction/DisSatisfaction	Respondents	%
1	Satisfied with bank service	51	51
2	Dissatisfied with the Bank service	49	49
	Total	100	

It is clear from the Table1, that only a few i.e. about 49%, respondents are dissatisfied with the services provided by the banks where as maximum of the respondents i.e. about 51% are satisfied with the services offered by their bank .

Table 2 Measuring the SQ of satisfied customers

S.No	Service quality Dimensions	.Expected	Actual
1	Tangibility	80.21	60.25
2	Reliability	85.26	50.21
3	Responsiveness	87.24	43.25
4	Assurance	79.46	55.38
5	Empathy	75.55	42.78

It is clear from the above Table 2 that in case of satisfied customers regarding the tangibility the expected rate is 80.21% as against 60.25% actual rate. About 85.26% are satisfied with the reliability of bank employees, where as the actual rate is 50.21%. Likewise, the rate of other types of expected and actual service qualities are 87.24% and 43.25% in case of responsiveness, 79.46% and 55.38% in case of assurance and finally, 75.55% and 42.78% in case of empathy .

12. CONCLUSION

The dissatisfied customers find responsiveness and empathy dimension as the twin concept that is lacked by the bank. So far as the satisfied customers are concerned, there exist a long gap between the expected service quality (what type of services the customers expect exactly from the bank) and actual service quality (what type of services they are getting from bank in real sense). The suggestion of the customers is that the bank should generate a strong confidence among the customers that its primary objective can be achieved through the provision of a good SQ level accurately and timely with a strong performance.

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