

Assessing consumer perceptions of service quality in banking sector through servqual

¹Krupamani, ²Uma TG

¹ Assistant Professor, Department of Psychology, Maharani Women's Arts, Commerce and Management College, Seshadri Road, Bengaluru, Karnataka, India

² Assistant Professor, Department of Commerce and Management, Maharani Women's Arts, Commerce and Management College, Seshadri Road, Bengaluru, Karnataka, India

Abstract

The SERVQUAL model proposed by Parasuraman *et al.*, (1988) identifies five dimensions which are globally established standardised tool are used to measure the Service Quality of the banks. The current paper is imperative to identify the most effective ways of closing service quality gaps and choose which gaps to focus on. The service sector considers three additional P's of Marketing Mix, People, Physical Evidence and Processes. Service mechanism has to imbibe these to lead to service delivery. The Service Quality and Service Delivery is heavily dependent on these 3 P's. The paper investigates the various dimensions of service quality.

Keywords: Services, Customer, Perceptions, SERVQUAL

1. Introduction

There have been significant development in the e-banking sector in the past years. According to delving (1995). until the early 1970s functional demarcation was predominant with many regulatory restrictions imposed. One main consequence of this was limited competition both domestically and internationally. as a result there was heavy reliance on traditional branch based delivery of financial services and little pressure for change. This change gradually with deregulation of the industry during the 1980s and 1990s. whilst during the this time, The increasingly important role of information and communication technologies brought stiffer competition and pressure for a faster pace of change.

The internet is relatively the new channel for delivering banking services. the early form of online banking services requiring a PC, modem and software provided by financial services vendors were first introduced in the early 1980s, however it failed to gain widespread acceptance and most initiatives of this kind were discontinued, with a rapid growth of other electronic services since mid 1990s, banks renewed their interest in electronic modes of delivery using the internet. The bursting of the internet bubble in early 2001 caused speculation that the opportunities for internet services firms had vanished. the dot.com companies and internet players struggled for survival that time but e-commerce recovered from that shock quickly and most of the branches including e-banking have been steadily and in some cases dramatically growing in most part of the world. One survey conducted by techweb found e-banking to be the fastest growing commercial activity on the internet. The banks have discovered the benefits of e-banking and have become keener to it

2. Definition of Service

According to Phillip Kotler *et al* (1999), service is any activity or benefit that one party can offer t another that is essentially intangible and may not result in the ownership of anything.

Cannon (1998), viewed services as those separately identified, essentially intangible activities which provide want satisfaction and which are not necessarily tied to the sales of a product or another service.

In the option of Etzel, Walker, and Stanton (1997), service are the identifiable, intangible activities that are the main object of a transaction designed to provide want satisfaction to customers.

Jobber (2001), viewed a service as any deed, performance or effort carried out for the customer.

According to Palmer (2000), services are products which are essentially intangible and cannot be owned.

McCarthy and Perreault (1993), defined service as a deed performed by one party for another.

From the definitions as presented by the various authorities, it is clear that they all emphasis that service is essentially intangible. This means that a service cannot be seen physical but the customer experiences it.

The idea of service therefore is focused on the intangibility element and which essentially provides want satisfaction to the customer.

3. Marketing of Services

The world economy nowadays is increasingly characterized as a service economy. This is primarily due to the increasing importance and share of the service sector in the economies of most developed and developing countries. In fact, the growth of the service sector has long been considered as indicative of a country's economic progress. Economic history tells us that all developing nations have invariably experienced a shift from agriculture to industry and then to the service sector as the main stay of the economy.

This shift has also brought about a change in the definition of goods and services themselves. No longer are goods considered separate from services. Rather, services now increasingly represent an integral part of the product and this

interconnectedness of goods and services is represented on a goods-services continuum.

4. Service Based Components of Quality

The distinctive nature of services requires an equally distinctive approach to defining and measuring service quality. Because of the intangible multifaceted nature of many services, it may be harder to evaluate the quality of a service than a good. Because customers are often involved in service production particularly in people processing services. The perceived quality of a service will be the result of an evaluation process in which customers compare their perceptions of service delivery and its outcomes against what they expected. (K. Ramachandra and V. Sathyanarayana Gowda 2008)¹

Parasuraman and his supporters introduce 5 general dimensions of service quality of any service provider. These dimensions include:	
1. Tangibility	Physical facilities, tools, machines, personnel, materials and communication channels.
2. Trustworthiness	the ability to provide promised services in a proper and reliable way.
3. Accountability	to have the interest in providing appropriate service and generally helping customers.
4. Reliability	knowledgeable and polite personnel and their ability to win customers trust and confidence.
5. Sympathy	taking care and paying attention to individuals
Source: Service Quality Dimensions in the Banking Industry and Its Effect on Customer Satisfaction (Case Study) ²	

5. Measuring Satisfaction

To measure customer satisfaction with different aspects of service quality, Zeithmal, A. Parasuraman, and Leonard L. Berry developed a survey research instrument called SERVQUAL. It is based on the premise that customers can evaluate a firm's service quality by comparing their perception of its service with their expectations. SERVQUAL is a generic measurement tool that can be applied across a broad spectrum of service industries. In its basic forms, the scale contains 21 perception items and a series of expectation items, reflecting the five dimensions of service quality. Respondents complete a series of scales that measure their expectations of companies in a particular industry on a wide array of specific service characteristics; subsequently they are asked to record their perceptions of a specific company whose services they have used on those same characteristics. When perceived performance rating are lower than expectations, this is a sign of poor quality, the reverse indicate good quality.

Table 1: SERVQUAL: A Multiple Item Scale for Measuring Consumer Perceptions of Service Quality in the context of Banking Sector

Tangibles
<ul style="list-style-type: none"> • Excellent banks will have modern-looking equipment. • The physical facilities at excellent banks will be visually appealing. • Employees at excellent banks will be neat in appearance. • Materials associated with the service (like brochure or statements) will be visually appealing in an excellent

bank.
Reliability
<ul style="list-style-type: none"> • When excellent banks promise to do something by a certain time, they will do so. • When customers have a problem, excellent banks will show a sincere interest in solving it. • Excellent banks will perform the service right the first time • Excellent banks will provide their services at the time they promise to do so. • Excellent banks will insist on error-free records.
Responsiveness
<ul style="list-style-type: none"> • Employees of excellent banks will tell customers exactly when service will be performed. • Employees of excellent banks will give prompt service to customers. • Employees of excellent banks will always be willing to help customers. • Employees of excellent banks will never be too busy to respond to customer request.
Assurance
<ul style="list-style-type: none"> • The behaviour of employees of excellent banks will instill confidence in customers. • Customers of excellent banks will feel safe in their transactions. • Employees of excellent banks will be consistently courteous with customers. • Employees of excellent banks will have the knowledge to answer customer questions.
Empathy
<ul style="list-style-type: none"> • Excellent banks will give customers individual attention. • Excellent banks will have operating hours convenient to all their customers. • Excellent banks will have employees who give customers personal attention. • The employees of excellent banks will understand the specific needs of their customers.

Adapted from A. Parasuraman, Valarie A. Zeithmal, and Leonard Berry, "SERVQUAL: A Multiple Item Scale for Measuring Consumer Perceptions of Service Quality", Journal of Retailing 64 (1988):12-40.

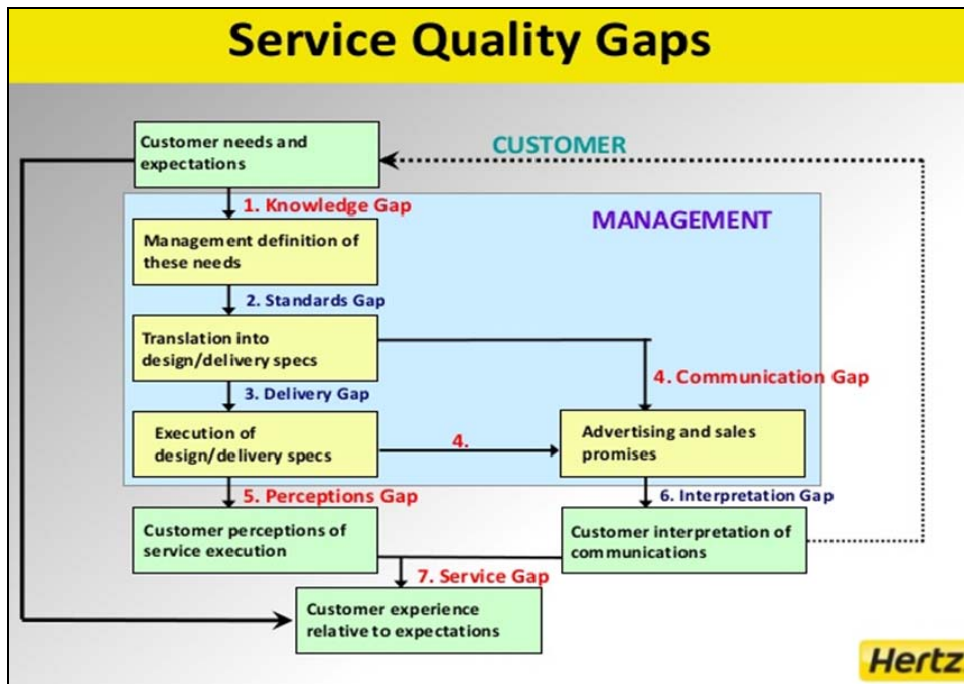
6. Gaps in Service Design and Delivery

Zeithmal, Berry and Parasuraman identify four potential shortfalls-or gaps-within the service organisation that may lead to the fifth and most serious gap, the difference between what customers expected and what they perceived was delivered. The other shortfalls are:

- Note knowing what customers expect
- Specifying service quality standards that do not reflect what management believes to be customers' expectations.
- Failing to ensure that service performance matches specifications.
- Not living up to the level of service performance that are promised or implied by marketing communication.

Improving quality requires identifying the specific causes of each gap and then developing strategies to close them.

¹ Services Management, Himalaya Publishing House, 2008 edition pp 93
² www.intechopen.com



Source: Adapted from an earlier model by V.A. Zeithaml, A. Parasuraman, and L.L. Berry

Fig 1: Seven Service Quality Gaps

1. *The knowledge gap*- The difference between what service providers believe customers expect and customers' actual needs and expectations.
2. *The standards gap*- The difference between management's perceptions of customers expectation and the quality standards established for service delivery.
3. *The delivery gap*- The difference between specified delivery standards and the service provider's actual performance on these standards.
4. *The internal communications gap*- The difference between what the company's advertising and sales personnel think are the product's features, performance, and service quality level and what the company is actually able to deliver.
5. *The perceptions gap*- The difference between what is actually delivered and what customer perceive they have received (because they are unable to accurately evaluate service quality)
6. *The interpretation gap*- The difference between what a service provider's communication efforts (in advance of service delivery) actually promise and what a customer thinks was promised by these communications.
7. *The service gap*- The difference between what customers expect to receive and their perceptions of the service that is actually delivered.

7. Conclusion

Banking sector has become very competitive with the co-existence of public, private and foreign banks. The public sector orient towards the societal goals in comparison with the private sector banks. The banking sector is very dynamic in nature as the customers become more demanding and financial literate. With the changing times, the sector has to consider the demands of the customer and deliver the service effectively in the backdrop of the Information Technology arena. V.A. Zeithaml, A. Parasuraman, and L.L. Berry provide the

dimensions of service quality that can be effectively employed for better service delivery.

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