ASSESSMENT OF SERVICE QUALITY OF PUBLIC AND PRIVATE BANK IN WOLAITA SODO, ETHIOPIA: A COMPARATIVE STUDY

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ABSTRACT

Service quality is one of the most critical success factors that generally influence the competitiveness of a service organization. Elements of service quality differentiates a bank from its competitors . The purpose of the study is to evaluate the service quality of Commercial bank of Ethiopia (public bank) and Bank of Abyssinia (private bank) in Wolaita Sodo, Ethiopia and suggest measures for improvement in it. The study was conducted on 200 bank customers of each bank in between 15 Dec to 28 Dec 2016 in Wolaita Sodo. Descriptive research design was employed. Systematic sampling technique was used to contact the customers so that the responses can be collected from the customers. Descriptive and inferential statistics was used for analyzing the data. Findings of the research show that the service quality of customers of both the banks is on average front and satisfied category in both a public and private bank. The technical aspects and functional aspect of service quality are on satisfactory but not above average and excellent. The private bank have significant higher service quality in relation to responsiveness and assurance dimension in comparison to public bank but still that requires a lot of improvement. The research outcome recommends that both the banks should work out on all service quality dimensions viz., tangibility, reliability, responsiveness, assurance and empathy. Both the banks should work hard towards these fronts as this can give banks a competitive advantage in increasing competitive environment.

Key Words: Service quality, Tangibility, Reliability, Responsiveness, Assurance, Empathy.

INTRODUCTION

The service sector is becoming increasingly competitive, and today banking industry is becoming highly attentive towards the dimensions service quality to remain at the forefront of services marketing literature and practice (Lasser et al., 2002). The interest in the importance and high inclination towards service quality by service organisations is primarily motivated by the fact that high service quality results in customer satisfaction and subsequently loyalty, larger willingness to suggest to someone else, lessening in complaints and improved customer retention rates (Levesque and McDougall, 1996). According to Auka et al (2013), service quality is one of the significant success factors that influence the competitiveness of a service organization. Today service quality dimensions differentiate one bank from its competitors. Otherwise customer will not hold or purchase service products from the bank. Service quality ensured by the bank persuades a customer to take up the service. Customers feel secured when they get quality service. Researchers have confirmed that offering good service quality to customers (Lovelock & Wirtz, 2011) retains the existing customers, attracts new prospective customers, leads to positive one to one personal recommendation, adds value to the organisation image , and above all guarantees survival and profitability (Negi, 2009; Ladhari, 2008). Banks that excel in quality service

can have a clear cut competitive edge in terms of higher revenues, increased cross-sell ratios, and higher customer retention and expanded market shares.

However even if this effort is done the public complaint about poor service, long queues , delivery and deficiency physical facilities direct effect on the level of service quality in the public sector organization. Tough it is not practically feasible to precisely measure service quality because of its unique characteristic namely intangibility, perishability, heterogeneity inseparability, (Rust and Oliver, 1994). In this context, our adopted model gains specific importance as it not only helps in learning the factors associated with it, but also provides a direction for improvements.

STATEMENT OF PROBLEM

The basic success of companies is how the customers perceive the resulting service quality (Collart, 2000). It is the perceived value that determines customer satisfaction. The banks now a day have started to track their customers' satisfaction through measuring their level of customer's perceived service quality. Spreng and Olshavsky (1993) stated that customer dissatisfaction or satisfaction is about the product or service and the post-use perception of product or service performance. According to Saravan and Rao (2007), as service quality remains critical in the service industries, the financial services, particularly banks, the services offered by them are undifferentiated; therefore service quality becomes a primary competitive weapon to battle for market share. (Stafford, 1996).

Today's business environment is very competitive in terms of its intensity and the consideration of service quality is of prime importance for the service sector players. Almossawi, (2001), in his researched on bank selection criteria employed by college students in Bahrain concluded that service quality is of prime importance for gaining competitive advantage. Hence, banks should be highly sensitive to the needs of their customers and accordingly should mould their technical and functional quality parameters.

In view of above discussion relating to importance of service quality the present research is designed to evaluate and compare the service quality of Commercial bank of Ethiopia (public bank) and Bank of Abyssinia (private bank) in Wolaita Sodo, Ethiopia and suggest measures for improvement in it. The both banks selected are the one largest in terms of operations in Wolaita Sodo, Ethiopia.

RESEARCH OBJECTIVES

The research is conceived with the objective of evaluating the expectations of banks' customers from their bank and the perception of the services delivered by their bank. The research tries to evaluate the service quality of both the banks and significant differences in service quality elements and extend the recommendation of grey areas for improvement in service quality and subsequently customer satisfaction.

LITERATURE REVIEW

Service is essentially intangible and may not result in the ownership of anything (Phillip Kotler et al, 1999). Cannon (1998), said that services are essentially intangible activities which provide want satisfaction.

The interest in service quality has been influential in contributing significantly to the growth of the general services marketing field over the last three decades. Baron, Harris and Hilton (2009) maintain that Service quality is the single most researched area in service marketing to date. As poor quality places the firm at a disadvantage to the rest of the competition, potentially driving away dissatisfied customers, is the reason for the vast interest in service quality. (Lovelock & Wirtz, 2011). Service organizations are operating in extremely sturdy environments, and service supervisors now comprehend that improving service quality is crucial for gaining a competitive advantage (Baron et al., 2009).

Reeves and Bednar (1994) summarized different definitions of quality as quality as excellence; quality as value; and quality as meeting or exceeding customer's expectations. According to Gronroos (1984), there are

three distinct dimensions of service quality viz., quality (what consumer gets), functional service qualities (how consumer gets the service) and corporate image (how consumers perceive the firm and its services). *Technical quality* refers to the basis of technical accuracy and procedures. It is the core services provided by the banks. It can be considered as the competence of the staff as they go about performing their schedules. These consist of the operating skills of the bank employees. *Functional quality* is how the service is provided. It is the process by which the bank services are delivered, e.g. attitudes of manager and employees toward the customers, cleanliness of the facilities etc. Boshoff and Du Plessis (2009) define service quality in terms of three main variables, namely: functional quality , technical quality, and quality of image. *Technical quality* means the service provided by the service organization, for instance, open an account or processing a car loan application. *Functional quality* means how service is delivered, for example, quickly and reliably processing a car loan application. *Quality image* refers to the result of both technical and functional quality. After customers get the service and they make an image in their mind about the service organization based on the service delivered (Boshoff & Du Plessis, 2009).

Asubonteng et al., (1996) declares that the difference between these two aspects of service quality (technical quality and functional quality is widely accepted although different terminology is occasionally used. Conceptualization of service quality should include both the process of service delivery (Parasuraman et al., 1985) as well as the outcome of service (Lehtinen and Lehtinen, 1991). Similarly, Lehtinen and Lehtinen (1991) stated that there are three dimensions of service quality, namely physical, corporate and interactive . *Physical quality* is all about the physical quality of products that involved in service delivery and consumption. *Interactive dimension* is related with the interaction between the employees' of service organization and customers. *Corporate quality* refers to the corporate image as perceived by the customers. Literature on service quality literature has also highlighted that service quality consists of interaction, physical environment and outcome quality (Brady and Cronin, 2001).

Kapoor, Paul, and Halder (2011) view service quality as the dimension of the standards of services provided to the customer by the service provider to get the best satisfaction of the recipient. Jayaraman et al. (2010) defined service quality as the customer's overall feeling and cognitive judgement of the relative inferiority or superiority of an organization's services or as the difference between expectation of the customer from the service organization and the perceptions of the service received. Prakash and Mohanty (2013) stated that the superior the levels of the produced service quality, the higher will be the stage of customer satisfaction, which can lead to superior sales and in increased intensions.

The following gaps in service delivery are important:

- Differences between customers' expectations and management perceptions of customers' expectations. i.e. not knowing what patients expect.
- Differences between management perceptions of customers' expectations .
- Differences between service quality provision and service really delivered. i.e. the service presentation gap
- Differences between service delivery and what is communicated about the service to customers.
- Differences between customers' expectations and perceptions, which depends on the size and direction of the above mentioned four gaps associated with the delivery of service quality on the service provider's side.

Fig 1: A Conceptual model of service quality
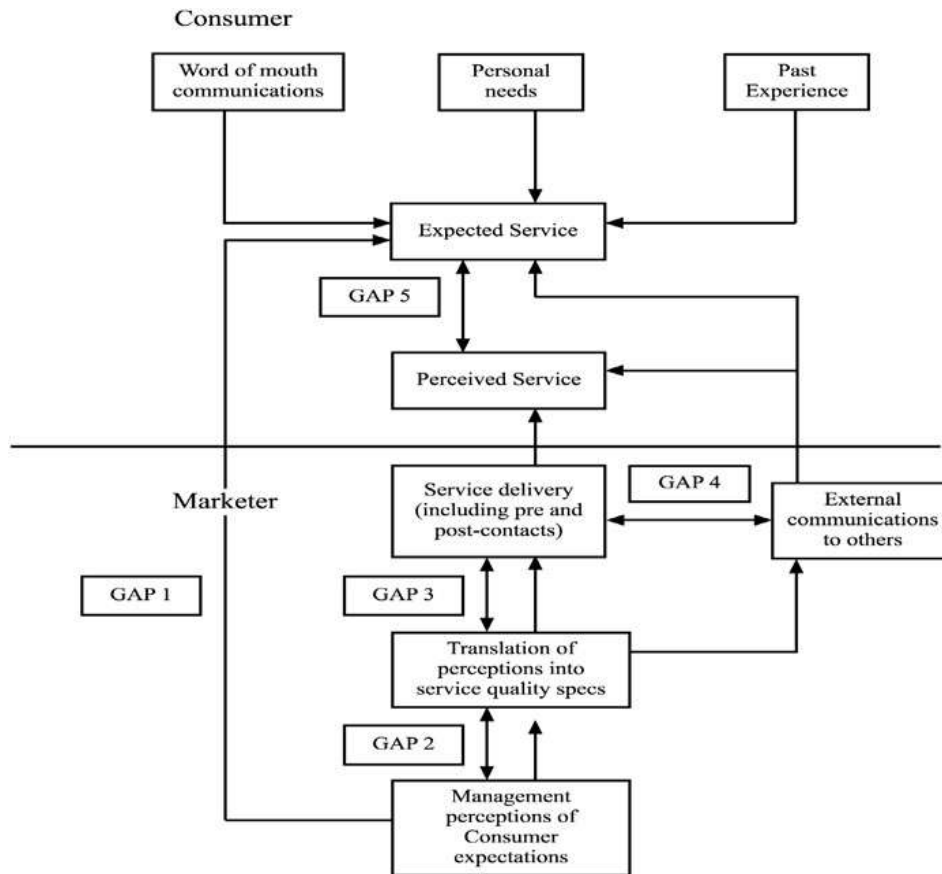
Source: Parasuraman *et al.* (1985)

According to this model, the service quality is a function of perception and expectations and can be modelled as:

$$\text{Service Quality} = \sum_{i=1}^{k} (E_{ij} - P_{ij})$$

Where:

SQ = overall service quality; k number of attributes.

E_{ij} = Service quality expectation for attribute j that is the relevant norm for stimulus i.

P_{ij} = Performance perception of stimulus i with respect to attribute j.

Service quality occurs when the customer expectations are equal to or less than customer perception and a service gap occurs if expectations are not met (Parasuraman et al., 1985). The gap score for each statement is computed as the expectation score minus perception score. Gap scores can be analyzed for overall service quality as well as for each dimension.

Following are the five dimensions in the banking service provided by the banks.

- Tangibility includes those attributes pertaining to physical items such as equipment, buildings, and the facade of both personnel and the devices used to communicate to the consumer. For instances, the customers can assess the premises of the banks, or perhaps the appearance of the bank's staff.
- Reliability is the extent to which the service is delivered to the standards expected and promised (Siddiqi, 2011) or it represents the customer getting what they feel they have paid for. It shows the customers' confidence that banks will fulfill the promised terms and conditions which will not go against customers' interests.

- Responsiveness is the desire and willingness to assist customers and deliver prompt service makes up the dimension of responsiveness. Responsiveness dimension is concerned in dealing with the customer's requests, questions, and complaints promptly and attentively (Siddiqqi, 2011). Parasuraman, et al (1991) include such elements in responsiveness as telling the customer the timeframe within which services will be delivered, promptness of service, willingness of assistance, and never too busy to respond to customer requests. It is the responsibility of banks to communicate with the customers regarding the duration they will get back the customers enquiries and how would them in handling or managing the customers' problems. Companies should understand the concerns rise from the customers rather than their individual's perspective (Zeithaml, Bitner & Greenier, 2009).

- Assurance is the degree of trust and confident of customers to feel that the services providers are competent to provide the services (Siddiqi, 2011). The customer will not be satisfied if he or she did not feel assured about the competence of the service provider. The banks should build the confidence to the public in order to get the higher rates of customers satisfaction and to increase the professionalism in their services especially the assurance they promise to customers i.e. to competent their roles and responsibilities. Thus, the banks should always re-examine their assurance whether they fulfill the customers' expectations. This is a way to retain the customers and would become a significant to that particular bank in public. Parasuraman, et al (1991) included courtesy by the serving employees as important element of assurance.

- Empathy is the caring and personalized attention the organization provides to its customers. Empathy is regarding the way to serve the customer whether the customers able to feel the uniqueness or special care from the banks (Srinivasan, 2010). Parasuraman, et al (1991) included individual attention and convenient operating hours as prime elements of empathy. Ananth et al., (2011) research highlights that better understanding of customer's specific needs, convenient working hours, enhanced communication between management and customers and individualized attention have a positive impact on customer satisfaction. There are quite numbers of small companies using this technique to provide a customized services as a competitive advantages over the larger organizations (Zeithaml et al., 2009). This dimension is important where it is able to determine the 'survival' of a particular service organization building the relation with customers as opposed to 'transaction marketing' (Andaleeb & Conway., 2006).

CONCEPTUAL FRAMEWORK

The conceptual framework can be depicted by fig 2. The conceptual framework shows that the gaps on five SERVQUAL parameters as well as on overall service quality gap which denote the grey area and customer satisfaction. The model also compares the gap and significance between one public sector bank and one private bank in Wolaita Sodo, Ethiopia

Fig 2: Conceptual model of research
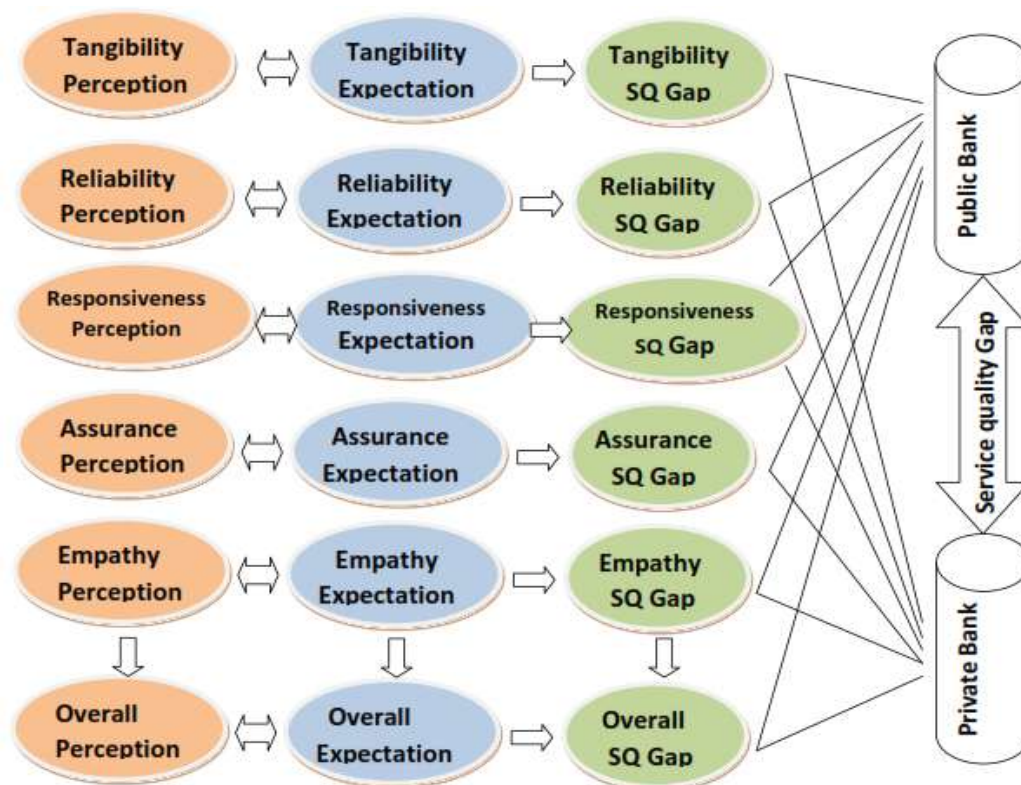
RESEARCH METHODOLOGY

With the objective of identifying the service quality of banks the population of the study is the bank customers and the sample frame is those customers who visited the identified banks in between 15 Dec to 28 Dec 2016 in Wolaita Sodo, Ethiopia. Descriptive research design was employed. Sample size was 200 customers of each bank and systematic sampling was used for contacting the customers . Descriptive and inferential statistics was used for analyzing the data.

DATA ANALYSIS AND INTERPRETATION

Table 1: Mean of Customer Perception, Expectation and overall Service Quality in a Public bank

Service Quality Dimension	Expectation Mean	Perception Mean	Service Quality (E - P)
Tangibility	6.67	5.83	0.84
Reliability	6.58	5.84	0.74
Responsiveness	6.45	5.45	1
Assurance	6.65	5.68	0.97
Empathy	6.37	5.44	0.93
Overall Dimension	6.54	5.65	0.89

Table 1 shows the perceived mean score for the five dimensions of service quality in a public bank. The highest perceived mean is scored by reliability (5.84) followed by tangibility (5.83), assurance (5.68), responsiveness (5.45), empathy (5.44) and overall service quality dimension (5.65) but the customers are not extremely satisfied with any of the dimension.

Table 2: Mean of Customer Perception, Expectation and overall Service Quality in a Private bank

Service Quality Dimension	Expectation Mean	Perception Mean	Service Quality (E - P)
Tangibility	6.73	5.98	0.75
Reliability	6.77	5.99	0.78
Responsiveness	6.62	5.73	0.89
Assurance	6.71	5.86	0.85
Empathy	6.63	5.79	0.84
Overall Dimension	6.69	5.87	0.82

Table 2 shows the perceived mean score for the five dimensions of service quality in a private bank. The highest perceived mean is scored by reliability (5.99) followed by tangibility (5.98), Assurance have perception means score (5.86), empathy (5.79), responsiveness (5.73) and overall service quality dimension (5.87) but the customers are not extremely satisfied with any of the dimension. Here we find that the perceived service quality of a private bank is more than a public bank.

Table 3: Independent sample t test for equality of means of expectation of service quality in a public and private bank

	t	df	Sig. (2-tailed)	Mean Difference
Expectation -Tangibility	-2.876	398	.085	-0.06
Expectation -Reliability	-3.834	398	.000	-0.19
Expectation -Responsiveness	-5.132	398	.001	-0.17
Expectation -Assurance	-2.932	398	.061	-0.06
Expectation -Empathy	-5.354	398	.000	-0.26
Overall Expectation	-5.961	398	.000	-0.15

Table 3 infer that reliability , responsiveness and empathy expectation are significantly different in public and private bank but tangibility and assurance expectation dimension is not significantly different in public and private bank .

Table 4: Independent sample t test for equality of means of perception of service quality in a public and private bank

Table 4 infer that all five service quality dimension perception viz., tangibility, assurance reliability ,

	t	df	Sig. (2-tailed)	Mean Difference
Perception- Tangibility	-2.938	398	.002	-0.15
Perception- Reliability	-2.837	398	.002	-0.15
Perception- Responsiveness	-5.692	398	.000	-0.28
Perception- Assurance	-3.100	398	.001	-0.18
Perception- Empathy	-7.565	398	.000	-0.35
Overall Perception	-5.132	398	.000	-0.22

responsiveness and empathy perception are significantly different in public and private bank and the perception of service quality is more favourable in a private bank than a public bank.

Table 5: Independent sample t test for equality of means of service quality (gap) between a public and private bank

	t	df	Sig. (2-tailed)	Mean Difference
Tangibility Service quality	1.813	398	.081	0.09
Reliability Service quality	-.957	398	.721	-0.04
Responsiveness Service quality	2.123	398	.048	0.11
Assurance Service quality	2.564	398	.041	0.12
Empathy Service quality	1.707	398	.081	0.09
Overall service quality	1.674	398	.154	0.07

Table 5 infer that in terms of tangibility service quality, reliability service quality, responsive service quality, assurance service quality, empathy service quality and overall service quality are significantly not different in public and private bank . In case of reliability service quality the public bank service quality gap is less than the private bank, it means that reliability service quality is more in public bank.

CONCLUSION AND RECOMMENDATIONS

Findings of the research show that the service quality customers of both the banks is on average front and satisfied category in both a public and private bank. The technical aspects and functional aspect of service quality are on satisfactory but not above average and excellent. No doubt, that private banks have significant higher service quality in relation to responsiveness and assurance dimension in comparison to public bank but still that requires a lot of improvement.

The research outcome recommends that both the banks should work out on all service quality dimensions. Tangibility dimension can be improved by having up to date equipment & new technology (on line banking), furnished sitting and waiting facilities, effective, conveniently and easily accessible arrangement of operating counters, professional & competent approach of bank manager and employees, developing a system of error free and fast retrieval of documents, professional training of employees, and having a attractive reception and with complaint book for customers feedback. Reliability can be enhanced by assuring the customers to feel safe that bank staffs are knowledgeable, trust on transaction as well as system of transaction of the bank, keeping the customers' records accurately, and ensuring safe transactions with bank's employees and by providing the services at the time bank promise. Assurance can be improved by respecting privacy of customers, treating customers with dignity & respect and making the payment procedure quick and simple. Responsiveness can be improved by responding to the requests of customers promptly, always having helpful approach of employees, addressing to the customers' query appropriately and training the employees that they are never too busy to respond to customers' requests. Empathy can be enhanced by putting customer's best interest at heart, understanding specific needs of customers and give them their personal attention, enhancing comfort to customers, and by giving smiling welcome by the lobby man, receptionist and staff. Both the banks should work hard towards these fronts as this can give banks a competitive advantage in increasing competitive environment.

FUTURE RESEARCH DIRECTIONS

This study has achieved a certain success in examining the service quality level in two biggest banks in public and private sector and highlighted the grey areas. The current research, however, presents some limitations that future studies could address, and also suggests several areas in which this research could be further extended. First, this study used the sample of customers in one public and one private bank in Wolaita Sodo (southern part). A study using a more representative sample including banks in other parts of Ethiopia would be useful to further verify and compare the findings across regions. Second, this study could be expanded to some other emerging countries in the region.

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