A Measurement of Customer Service Quality of Banks in Dhaka City of Bangladesh

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ABSTRACT

This study attempts to identify the factors related to service quality of the banks in Dhaka City of Bangladesh. It identifies the relationship between age, educational background, profession, and length of involvement, types of services obtained by the clients and the service quality factors. An extensive survey of bank clients has been performed with a structured questionnaire to identify the factors. A segmentation of the respondents was made based on the nature of services provided by the banks such as, deposit, lending and other financial services. The sample clients were selected from the branches located in 4 clusters of banks including Motijheel, Gulshan, Dhanmondi, and Uttara of Dhaka City. 404 bank clients were interviewed from Nationalized, Private and Foreign commercial banks. Among the banks, 4 are government, 6 are private and 1 is in foreign sector. In selecting sample, it was assumed that the bank clients of Dhaka City are more sensitive compared to other cities of Bangladesh, as their education level is higher. The sample clients were selected randomly at the banks while interviewing. Both descriptive and inferential statistics were used in the analysis. Factor analysis was done to identify the service quality factors of the banks. Correlations between the factors and age, educational background, profession, length of involvement, and types of service obtained were identified to know the relationships. In order to explore the relationship with the overall service quality, multiple regression analysis was performed. Results show that the most important service quality factor of Banks is personal attention to the clients followed by error-free records, safety in transaction, and tangible physical facilities of the bank. It is also found that there is a significant difference between the expected and perceived service quality of public and private banks. A significant correlation between the performance of promises in time and professions of the clients are observed. Perceived service quality factors have significant relationship with the overall service quality of the banks located in Dhaka City which indicates that the factors identified have strong influence on the overall service quality.

INTRODUCTION

Quality in service is very important especially for the growth and development of service sector business enterprises (Powell, 1995). It works as an antecedent of customer satisfaction (Ruyter and Bloemer, 1995). In past, quality was measured only for the tangible products because of less dominance of service sector in the economy. Due to the increasing importance of service sector in the economy, the measurement of service quality became important. ISO standards is one of the measurement tools of service quality, where quality is defined as the totality of features and characteristics of a product, process or service. Crosby (1979), a renowned researcher in service quality, defined quality as the 'conformance to requirements'. The guru of quality movement Juran (1988, 1992) defined quality as 'fitness for use' while, Deming (1986) viewed quality as a process promising to result in products or services.

In late eighties, Parasuraman (1985) and Zeithaml (1990) explained quality as a gap between what customers feel should be offered and what is provided. Even though, there is no single definition on quality, they all have a single focus on how users look at it (Pijl, 1994; Parasuraman, 1985; Teas, 1994; Zeithaml, 1988; Khader, 1997). In 1996, Ramaswamy identified three different sets of measures for service quality that a company should be concerned with (Ramaswamy, 1996):

- Service performance measures that are primarily internally focused and evaluate the current performance of the service and ensure that it is continuing to reliability meet the design specification;
- Customer measures, on the other hand, which are both internally and externally focused aimed at assessing the impact of the service performance on customers;
- Financial measures, which are indicators of the financial health of the organization.

The above theories and suggestions by other researchers such as, Liljander (1995), Cadottee, Woodruff and Jenkins (1983, 1987), Bolfing and Woodruff (1988), Prakash and Lounsbury (1984), and Swan (1988) suggest many possible comparison standards including predicted service, ideal service, excellent service, desired service, deserved service, needs and values, cultural norms, promises, adequate service, best brand norm, brand norm, product type norm, favorite brand model, comparative expectations, equity and fairness. However, SERVQUAL only incorporates a rough aggregated mixture of a selection of these.

Among the contemporary instruments for measuring service quality, SERVQUAL has got attention by the researchers in various fields including insurance, bank, education, information technology (IT) etc. as it deals with users views regarding services (Persuraman *et. al.,* 1985, 1991, 1994; Watson, 1998). Although, a separate formality dimension in bank and restaurant service was identified by the research SERVQUAL is useful to measure the service quality of the bank (Witkowski, et. al., 2001). Parasuraman and Zeithaml's SERVQUAL includes five dimensions of service that is relevant for measuring the service quality of Banks by its clients. The dimensions are reliability (ability to perform the promised service, dependably and accurately), tangibility (physical facilities, equipment and appearance of personnel), responsiveness (willingness to help

customers and provide prompt service), assurance (knowledge and courtesy of employees and their ability to inspire trust and confidence) and empathy (caring individualized attention the service provider gives its customers).

This project deals with the measurement of service quality of banks both in private and public sector located in Dhaka City. Study shows that banking sector of Bangladesh is at the growing stage. Since early 1990s, after the open market policy of the Bangladesh government, this sector has been growing rapidly. Presently, there are 49 public and private banks operating in Dhaka City. Of which, 4 banks are in public sector, 30 banks are in private sector, 5 specialized banks, and 10 foreign banks. Although, this sector is growing rapidly, it is generally viewed that customers are hardly getting desired and improved services from the banks. They often complain about the quality of the services provided by the banks. They believe that the good behavior of the employees of the bank is the key aspect of customer service (National Commission Report, 1985). It is viewed by the customers that the services provided by the private banks are better compared to public banks (Mentzer, et. al., 1993). Hence, it is essential to identify the factors responsible for the quality of the services. The findings of this study would be useful to the policymakers of the banks to improve their service quality to the clients.

OBJECTIVES OF THE RESEARCH
This study attempts to identify the factors responsible for service quality of the banks located in Dhaka City. It identifies the relationship between the overall quality of the bank and the factors. The overall quality of the bank is defined as the total quality of the bank, which includes service quality, comparative position of the bank in the market, growth rate, liquidity position etc. It deals with the differences of service quality of private and public banks in Bangladesh. This study will also explore the relationship between age, educational background, profession, and length of involvement, types of services obtained by the clients and the service quality factors.

HYPOTHESES OF THE RESEARCH
Two hypotheses were postulated in this research such as, (i) the quality of services provided by the banks located in Dhaka city are not at the desired level of the customers; (ii) the service quality of private banks is better compared to the public banks under study.

RESEARCH DESIGN AND METHODS
This section includes identification of data source, sample design, sample selection, questionnaire design, data collection, and analysis of data. The details are as follows.

Data Source
To test the hypothesis that the quality of services provided by the banks located in Dhaka city are not up to the desired level of the customers, data were collected from the nationalized, private and foreign banks operating in the Dhaka city. It is found from the Annual Report of Bangladesh Bank (BB) that government banks perform the most of the financial activities of the banking sector in Bangladesh. Except specialized banks, 46 banks are operating in the country in which 4 are public, 31 private and 11 are foreign

banks. The lion's share (49.56%) of the aggregate bank activities (deposits and loans/advances) of Bangladesh is still hold by the government sector banks followed by private sector banks (42.29%) and foreign banks (8.15%) (Appendix 1). The banks that are selected for the present research holds the share of 73.38% of the aggregate bank business in Bangladesh (Table 3.1). The selected banks are Sonali, Janata, Agrani, Rupali, Islami, Pubali, IFIC, AB, National, Uttara, and Standard Chartered.

Take in Table 3.1

Sample Design
This study is mainly based on questionnaire survey of bank clients located in Dhaka City. A segmentation of the respondents was made based on the nature of services provided by the banks, e.g., deposit, lending and other financial services. The expert opinion shows that there are more than 1,00,000 clients getting services from different banks operating in Dhaka City. Sample clients were selected for survey by using formula suggested by Yamane (1967). In calculating sample size, the following assumptions were made.

i. Population size is >100,000 clients
ii. Level of precision is 5%
iii. Degree of variability (p) is assumed as 50%

Its noted that noted here that, a proportion of 50% shows a greater level of variability. It indicates the maximum variability in the population, which is used in determining a more conservative sample size, that is, the sample size may be larger than if the true variability of the population attribute were used. It was also thought that the bank clients selected for this study are heterogeneous in terms of their accounts/ transactions with the banks.

Sample Selection
The sample bank clients or customers were selected from the branches of the selected banks located in Dhaka City. A segmentation of the respondents was made based on the nature of services provided by the banks such as, deposit, lending and other financial services in order to classify the clients. The sample clients were selected from the branches located in 4 bank clusters including Motijheel, Gulshan, Dhanmondi, and Uttara of Dhaka City. This sample includes the clients of corporate and other branches of the selected bank clusters. About 565 clients were approached and 404 clients were showed up indicating a response rate of about 72%.

These sample clients were selected using the formula mentioned above. In selecting sample, it was assumed that the bank clients of Dhaka City are more sensitive in getting service compared to other cities of Bangladesh, as they are more with higher education. This was also proved by the research (Ruyter and Bloemer, 1997). The clients were selected randomly at the spot/bank while interviewing. The number of respondents from the selected banks was determined based on the volume of financial activities performed by the banks such as, deposits and advances/loans. The volumes of the bank activities (deposit plus loans and or advances) are used as basis for determining the number of samples from each selected bank. The distribution of the number of respondents of the selected banks is shown in Table 3.2.

Take in Table 3.2

Questionnaire Design and Data Collection
The questionnaire used by Parasuraman and Zeithaml (1985) is exactly used to assess the service quality of the bank, where 7 points scale was used ranging from 1 (strongly disagree) to 7 (strongly agree). Background information of the respondents is added with the questionnaire in order to identify the correlation with the service quality factors. The questionnaires were translated in to Bengali for the better understanding of the respondents and the interviewers. Data were collected with the help of MBA students of BRAC University. A short training was given to the interviewers before collecting data.

Measurement of Reliability
Reliability reflects the consistency of a set of scale items in measuring a particular concept. In this study, reliability measurement is important to check the internal consistency of all variables concerning service quality. Cronbach's Alpha (⟨) is computed using SPSS reliability program for the service quality variables. Cronbach's Alpha (⟨) value for 44 items (22 expected and 22 perceived service quality items) in the questionnaire is calculated as 0.95. Nunnally (1978) has suggested that Cronbach's Alpha coefficient of approximately 0.70 is sufficient for reliability. The test result satisfies this requirement.

Data Analysis
After collecting data, a comprehensive screening process was done. Incomplete and biased data were sorted out and deleted from the data bank. Both descriptive and inferential statistics were used in the analysis. Descriptive statistics was used to depict the specific situation of specific financial position of the banks and other aspects relating to service quality. To test the hypotheses that the quality of services provided by the banks located in Dhaka city are not at the desired level of the customers, Factor Analysis was performed. Principal Components Analysis (PCA) method of extracting the factors from the data set was used in the analysis as it seeks a linear combination of variables such that the maximum variance is extracted from the variables[1]. To test the hypotheses that the service quality of private banks is better compared to the public banks, T-tests were performed. Correlations between service quality factors and age, education, profession, length of involvement and types of services obtained were identified to know the relationships. In order to explore the relationship of the service quality factors with the overall quality of the bank, multiple regression analysis was performed. The overall quality is defined as the total quality of the bank, which includes service quality, comparative position of the bank in market, growth rate, liquidity position etc.

RESPONDENTS PROFILES
This section discusses the age distribution, educational background, profession, length of involvement and type of services obtained by the clients. Analysis shows that 46% of the respondents are at the age between of 20 to 30 years. The next largest group of the respondents is at the age level of 30 to 40 years (35%). About 10% respondents are from the age group of 40 to 50 years followed by 7% respondents from the age group of 50 and above. However, only 1% respondents make up from less than 20 years age group. This

age distribution of the clients indicate that the majority of them are young and between the age of 20 to 40 years. Analysis also shows that more than half of the respondents are Master degree holders (56%). Bachelor degree holders are approximately 34% of the total respondents.

Among the 404 client respondents, jobholder represents 243, which accounts for 60% of the total sample. Other professionals such as, businessman, entrepreneurs, and traders represent the next largest segment (17%). Students are the third largest sample accounts for 11%. Retired persons and housewives are 3% and 9% respectively. About 29% of the respondents are having service experience with the bank between 2 to 3 years. However, 27% of them have more than 5 years experience with the bank. About 20% of the respondents have experience of 3 to 4 years. Customers having less than one-year experience with the bank represent 13% of the total respondents. About 62% of the respondents are maintaining savings account. Whereas, 32% of them are maintaining current accounts followed by fixed deposit account holders of 5%. This indicates that most of the respondent clients have more than 2 years of service experience with the bank.

THE RESULTS OF FACTOR ANALYSIS

Factor analysis has been conducted separately for both the data set concerned with expected and perceived service quality variables. The results are discussed below in two separate sections.
Expected Service Quality Factors

Factor analysis identified 4 service quality factors of the banks expected by the clients. The factors are (i) performing promised service in time, (ii) personal attention to the clients, (iii) tangible bank facilities, and (iv) courteous and knowledgeable bank employees and consistently. These factors account for about 57% of the variance (Table 5.1). The most important service quality factor expected by the clients is performing and promised and timely service by the bank employees with eigenvalue of 8.23. This indicates that bank clients expect that what the bank employee promise they would maintain and perform it in time. This is related to their faith on bank operations. The second important service quality factor expected by the bank clients is related to the personal attention (7.39), followed by tangible facilities in bank (6.25) and courteous and knowledgeable bank employees (5.65). The details of these factors are explained below:
Take in Table 5.1

Performing Promised Service in Time
Promised and timely service is the prime factor expected by the bank clients. The reason is related to the faith on bank as well as its operations. Customers determine their degree of faith on the bank operations based on the promise and timely service of the bank employees. This factor is formed with 7 expected service quality variables. The variables are (i) when banks promise to do something by a certain time, they do so (.73), (ii) banks provide their service at the time they promise to do so (.73), (iii) bank is dependable (.70), (iv) when clients have problem, banks show a sincere interest to solve it (.67), (v)

banks tell clients exactly when services will be performed (.56), (vi) employees give prompt service to their clients (.55), and (vii) banks insist on error-free records (.54) (Table 5.2). These variables indicate that customers are interested to get the service in time. They like to do safety transaction and are intended to see error free records.

Take in Table 5.2

Personal Attention to the Clients
The second important service quality factor expected by the clients is personal attention to the clients by the bank employees (Table 5.3). This factor is constituted by the 6 expected service quality variables. The variables are (i) banks have employees who give clients personal attention (.80), (ii) banks have the client's best interests at heart (.69), (iii) banks have operating hours convenient to all their clients (.65), (iv) banks give clients individual attentions (.59), (v) The employees of banks understand specific needs of their clients (.57), (vi) employees are never be too busy to respond to client's requests (.30).

Take in Table 5.3

Tangible Bank Facilities
Visible facilities in bank attract the clients and increase the dependability of the clients. Clients believe that good service depends on physical facilities of the bank (Table 5.4). Visible facility factor is constituted with the 4 expected service quality variables such as, bank's physical facilities are visually appealing (.82), banks have up to date equipment (hardware and software) (.71), bank's employees are well dressed and neat in appearance (.70), and the appearance of the physical facilities of banks in keeping with the kind of services   provided   (.70).

Take in Table 5.4

Courteous and Knowledgeable Bank Employees
Bank customers expect that the bank employees who provide services to them must be knowledgeable in bank operation. They should be courteous with the clients in providing services (Table 5.5). Five expected service quality variables such as, employees are consistently courteous with clients (.74), employees have the knowledge to do their job well (.71), clients feel safe in their transactions with bank's employees (.70), the behavior of employees instill confidence in clients (.59), and employees always willing to help clients (.48) formed this service quality factor. This indicates that the quality of the service not only depends on the services provided by the bank employees but also depends   on   the   quality   of   the   people   who   provide   the   services.

Take in Table 5.5

Perceived Service Quality Factors
The results of factor analysis of 22 perceived service quality variable show that there are 3 important service quality factors perceived by the bank clients. The factors are (i) personal attention to the clients, (ii) error free records and safety in transaction, and (iii)

tangible bank facilities. The most important service quality factor perceived by the clients located in Dhaka City is personal attention to the clients with the highest eigenvalue of 12.79. It explains 58% of the variance of the data set. The second important perceived service quality factor is error-free records and safety in transaction (1.27) followed by tangible bank facilities (Table 5.6). These three factors account for 68% variance of the perceived service quality data.

Take in Table 5.6

Personal Attention to the Clients
The most important perceived service quality factor in the banking sector of Dhaka City is personal attention to the clients. This factor is constituted with 8 perceived service quality variables. The variables are: bank has employees who give clients personal attention (.84), bank has operating hours convenient to all their clients (.74), bank has the client's best interests at heart (.74), bank gives customers individual attentions (.73), the employees of bank understand the specific needs of their clients (.64), employees are never be too busy to respond to client's requests (.58), employees are always willing to help clients (.52), and employees are consistently courteous with clients (.51). Personal attention to the clients is explained by the convenient transaction hours, individual attention, understanding the specific needs of the individual customer, respond to the customers' request, willingness to help and consistency in courteous with clients (Table 5.7). It was observed that the banks are somewhat reluctant in providing personal attention to the clients rather it puts attention to the banking time and rules of the banks. This often causes frustration among the clients regarding the quality of services.

Take in Table 5.7

Error Free Records and Safety in Transaction
The second important service quality factor perceived by the clients is error-free records and safety in transaction (Table 5.8). Seven service quality variables formed this factor. The most important variable with very high correlation with the factor is bank insists on error-free records with factor loadings of 0.82. The second important variable constituted this factor is clients feelings about the safety in their transaction 0.72 followed by bank dependability 0.71, bank shows sincere interest when clients have problem 0.57, the behavior of employees instills confidence in clients 0.56, bank employees have the adequate knowledge to the their job well 0.55, timely services 0.55, and prompt service to the clients 0.55. This indicates that the banks should be dependable and ensure error-free records and safety in transactions, which provide client's confidence on the bank operations.

Take in Table 5.8

Tangible Bank Facilities
Tangible facilities at bank are expected by the clients that provide them the idea about the efficiency of the banks in handling customers. This is recognized by the clients of the bank located in Dhaka City of Bangladesh (Table 5.9). This factor consists of 6 perceived service quality variables such as, bank's physical facilities are visually appealing (.80),

bank has up to date equipment (hardware and software) (.78), the appearance of the physical facilities of banks is in keeping with the kind of services provided (.76), bank's employees are well dressed and neat in appearance (.71), when banks promise to do something by a certain time, it does so (.60), and banks tell clients exactly when services are to be performed (.48). Along with the services provided by the banks, physical facilities are important for the clients, which can satisfy the customers.

Take in Table 5.9

Factors Relationship with the Overall Quality
To identify the relationship between overall quality of the bank and the perceived service quality factors, Multiple Regression analysis has been conducted. The overall quality is defined as the total quality of the bank, which includes service quality, comparative position of the bank in market, growth rate, liquidity position etc. Results show that the relationship between the perceived service quality factors and the overall service quality is positively and significantly correlated (.84). These factors have more than 71% explanatory power of the dependent variable (Table 5.10). This indicates that service quality factors have very strong influence on the overall service quality. The change in service quality factors, will have change in overall service quality of the bank.

Take in Table 5.10

The results also show that the perceived service quality factors are individually and significantly related to the overall service quality of the bank. This indicates that the change in perceived service quality factors such as, personal attention to the clients (.49), error-free records and safety in transaction (.47) and tangible bank facilities (.50) will lead to the change in overall service quality of the bank (Table 5.11).

Take in Table 5.11

Analysis of variance (ANOVA) shows that the perceived service quality factors are significantly and positively related to the overall service quality of the bank (Table 5.12). This indicates that the perceived service quality factors are very much important for measuring the overall service quality of the banks located in Dhaka City.

Take in Table 5.12

Correlations between the perceived service quality factors and age, educational background, profession, length of involvement, and types of banking services obtained by the clients are identified. Results show that there is a significant correlation between the factor performing promises in time and the profession of the clients (Table 5.13). This indicates that most of the clients of the banks are involved with job and they are unable to give time. Therefore, they put importance on the performance of the promise made by the bank employees. Other factors have no significant correlation with the background factors.

Take in Table 5.13

Differences in Service Quality Between Public and Private Banks
The differences between the expected service quality of public and private banks are identified by T-tests. The results show that, as a whole, there are significant differences between the service quality of public and private banks operations in Dhaka City. The difference is highly significant. Variable-wise differences were found in up-to-date equipment, physical facilities, appearance of bank employees, timely and prompt service, willingness to help the customers, consistently courteous to the clients, and operating hour of the banks (Table 5.14).

Take in Table 5.14

The similarities in the expected service quality of public and private banks are also found in few service quality variables. T-test results show that there are not significant differences between the service quality of public and private banks in case of performing promise in time, sincere interest in solving the problems, dependability, error-free records, properly respond to the customers request, convincing behavior, safety in transaction, knowledge of the employees, personal attention, and understanding specific needs and interests of the clients (Table 5.15).

Take in Table 5.15

Banking service in Dhaka City is challenging for all types of banks, as most of the people living in the city are educated and very busy for their work. Therefore, banks located in the city have developed a minimum level of standard, which is common irrespective of private and public banks. These banks are dependable and minimum level of security is there, banks respond to the customers' requests or needs, and they value their customers. However, significant differences were found in all 22 perceived service quality variables between the public and private banks located in Dhaka City.

CONCLUSIONS
It is mentioned earlier that service quality is the difference between the expected and perceived services. This study identified four service quality factors expected by the bank clients including performing promises in time, personal attention to the clients, tangible bank facilities, and courteous and knowledgeable bank employees. The analysis also identified three perceived service quality factors such as, personal attention to the clients, safe and error-free records, and tangible bank facilities. These findings do not exactly match with the findings of Parasuraman and Zeithaml's (1985) five dimensions of service quality. The reasons could be attributed by the contextual and the cultural differences.

Perceived service quality factors including personal attention to the clients and tangible physical facilities are similar to the expectations of the bank clients. However, bank clients expect that the bank employees will perform their promises in time, be courteous and knowledgeable in handling the banking operation, which are absent in the banks located in Dhaka City.

Among the expected service quality factors, performing promises by the employees is the most important factor. Promise or commitment of the employees are reflected when they show sincere interest to solve the problems of the clients. When the employees fail to serve according to the desire of the clients it is perceived that the service is poor. If the employees fail frequently to meet the commitment, clients become frustrated and they lose the trust on the services provided by the bank. This indicates that the promise of the employees should be performed timely and accurately without any failure.

The second expected service quality factor is personal attention to the clients. Every client expects that he or she will be treated well by the bank employees. It is often observed that the bank employees are somewhat reluctant in providing personal attention to the clients rather it puts attention to the banking time and the procedures of the transactions. When customers come to the bank, employees do not show seriousness to them. Bank employees' behavior is also not justified in all cases. Sometimes, they give more importance to those clients who are known to them. Very often they do favor to the clients based on their personal relations. The unknown clients do not get similar treatment. This indicates that the bank employees are not indifferent in extending their services to their clients. This often causes frustration among the frustrated clients regarding the service quality of the bank. Therefore, in processing transaction, bank employees should follow case-by-case method so that every client will get individual treatment. This factor is also concerned with the interest of the bank employees regarding their clients. If the employees think that clients are the first and they must be treated with care only then clients will feel that attention is given to them personally. In providing personal attention to the clients, employees should know the rules and procedures of recording the transactions, and managing the clients.

The third expected service quality factor is tangible physical facilities of the bank. Bank clients expect that their bank should have the best and modern physical facilities, which will help them to get quick service. Clients are also concerned with the working environment of the bank that encourage them to chose the bank and perform transaction with the bank in the long run. This factor determines the service quality of the bank. Modern clients are interested to see their bank well equipped and the employees are highly appealing. They also expect that the bank should have computerized online banking system so that they will be able to make transaction according to their needs.

The fourth service quality factor expected by the bank clients is courteous and knowledge of the bank employees. It is often observed that bank employees do not follow courtesy with the clients that lose the first impression to their clients. In addition to that, bank employees must have the knowledge of advising the clients and recording the transaction by using computer and other IT facilities.

Furthermore, bank clients perceived that safe and error-free record is an important service quality factor. Bank clients in Bangladesh often feel that their transaction should be error-free and safe. They expect that bank should ensure error-free records and safety of their fund. The reason is related to the forgery. The experience shows that the clients sometimes get into trouble with their account because of lack of experience of the

employees in recording the transaction. In addition to that there is a general tendency among the clients to see their balance everyday and when they get to know the balance from the bank they feel secured.

There is a relationship between the perceived service quality factors and the overall quality of the bank. The overall quality of the bank is defined as the total quality of the bank, which includes service quality, comparative position of the bank in the market, growth rate of the bank etc. The relationship between the perceived service quality factors and the overall quality of the bank is found significantly correlated. This indicates that the perceived service quality factors are individually and significantly related to the overall quality of the bank. The change in perceived service quality factor such as, personal attention to the clients, error-free records and safety in transaction, and tangible bank facilities will lead to the change in overall service quality of the bank. The positive relations indicate that if there is a positive change in perceived service quality factors there will be a positive change in the overall quality of the bank. Hence, the perceived service quality factors are very much important for measuring the overall quality of the banks located in Dhaka City.

There are significant differences between the service quality of public and private banks. The policies of private banks are more customer oriented than the public banks. The differences are found in physical facilities, appearance of bank employees, services, willingness to help the clients, courteous to the clients, and working hour of the bank. The reason behind this difference is concerned with the marketing policy of the bank. Private banks are more market oriented compared to public banks. The reason can be attributed by the late inception of the private banks as compared to the public banks in the banking sector of Bangladesh. However, it is a temporary phenomenon and private sector banks are rapidly growing in the country.

To attract new customers and to retain old customers, public banks should formulate customer oriented marketing policies and improve the quality of services equivalent to private sector banks. Therefore, public sector banks should substantially improve its physical facilities, train and motivate the employees to assist the clients of the bank. Policy regarding working hours should also be competitive.

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TABLES

Table 3.1 Share of the Sample Banks in Aggregate Business (amount in million Taka)

Sl No.	Bank's Name	Total Deposit	Total Loans	Aggregate Business	Overall Share (%)
NCBs					
1	Sonali Bank	216590	156153	372743	49.56
2	Janata Bank	138893	99749	238642	
3	Agrani Bank	115472	88960	204432	
4	Rupali Bank	57169	41608	98777	
PCBs					

5	Islami Bank	55462	46281	101743	18.69
6	Pubali Bank	33730	26193	59923	
7	IFIC Bank	18720	19503	38223	
8	Arab BD Bank	25525	19477	45002	
9	National Bank	26276	21678	47954	
10	Uttara Bank	29154	22938	52092	
FCB					
11	Standard Chartered	51747	42925	94672	5.13
	Total Share of Aggregate Business				73.38

Source: Activities of Banks and Financial Institutions 2002-2003, Finance Department, Ministry of Finance, Government of Bangladesh.

Table 3.2 Sample Distributions (amount in million Taka)

Sl No.	Bank's Name	Total Deposit	Total Loans	Aggregate Business	%	Sample Distribution
1	Sonali Bank	216590	156153	372743	27.52	110
2	Janata Bank	138893	99749	238642	17.62	70
3	Agrani Bank	115472	88960	204432	15.10	60
4	Rupali Bank	57169	41608	98777	7.29	29
5	Islami Bank	55462	46281	101743	7.51	30
6	Pubali Bank	33730	26193	59923	4.42	18
7	IFIC Bank	18720	19503	38223	2.82	11
8	Arab BD Bank	25525	19477	45002	3.32	13
9	National Bank	26276	21678	47954	3.54	14
10	Uttara Bank	29154	22938	52092	3.85	15
11	Standard Chartered	51747	42925	94672	6.99	28
		Total		1354203	100.00	400

Source: Activities of Banks and Financial Institutions 2002-2003, Finance Department, Ministry of Finance, Government of Bangladesh

Table 5.1 Expected Service Quality Factors

Serial No.	Name of the Factors	Eigenvalue	Variance (%)
1	**Performing Promised Service in Time**	8.23	37.43

2	Personal Attention to the Clients	1.63	7.39
3	Tangible Facilities in Bank	1.37	6.25
4	Courteous and Knowledgeable Bank Employees	1.24	5.65
Cumulative Variance			56.70

Table 5.2 Promised and Timely Service

Variable No.	Variable Name	Factor Loadings
E5	When banks promise to do something by a certain time, they do so	0.733
E8	Banks will provide their service at the time they promise to do so	0.728
E7	Bank is dependable	0.702
E6	When clients have problem, banks show a sincere interest in solving it	0.670
E10	Banks will tell clients exactly when services will be performed	0.563
E11	Employees give prompt service to clients	0.548
E9	Banks insist on error-free records	0.537

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

Table 5.3 Personal Attention to the Clients

Variable No.	Variable Name	Factor Loadings
E20	Banks have employees who give clients personal attention	0.801
E21	Banks have the client's best interests at heart	0.693
E19	Banks have operating hours convenient to all their clients	0.652
E18	Banks give clients individual attentions	0.589
E22	The employees of banks understand specific needs of their clients	0.572
E13	Employees are never be too busy to respond to client's requests	0.298

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

Table 5.4 Tangible Bank Facilities

Variable No.	Variable Name	Factor Loadings
E2	Bank's physical facilities are visually appealing	0.820
E1	Banks have up to date equipment (hardware and software)	0.710
E3	Bank's employees are well dressed and neat in appearance	0.697
E4	The appearance of the physical facilities of Banks in keeping with the kind of services provided	0.697

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

Table 5.5 Courteous and Knowledgeable Bank Employees

Variable No.	Variable Name	Factor Loadings
E16	Employees are consistently courteous with clients	0.737
E17	Employees have the knowledge to do their job well	0.712
E15	Clients feel safe in their transactions with Bank's employees	0.702
E14	The behavior of employees instill confidence in clients	0.588
E12	Employees always willing to help clients	0.484

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

Table 5.6 Perceived Service Quality Factors

Serial No.	Name of the Factors	Eigenvalue	Variance (%)
1	Personal Attention to the Clients	12.79	58.13
2	Error Free Records and Safety in Transaction	1.27	5.75
3	Tangible Bank Facilities	0.97	4.23
Cumulative Variance			68.30

Table 5.7 Personal Attention to the Clients

Variable No.	Variable Name	Value
P20	Bank has employees who give clients personal attention	0.835
P19	Bank has operating hours convenient to all their clients	0.741
P21	Bank has the client's best interests at heart	0.735
P18	Bank gives customers individual attentions	0.730
P22	The employees of bank understand the specific needs of their clients	0.639
P13	Employees are never be too busy to respond to client's requests	0.581
P12	Employees are always willing to help clients	0.523
P16	Employees are consistently courteous with clients	0.512

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

Table 5.8 Error Free Records and Safety in Transaction

Variable No.	Variable Name	Value
P9	Bank insists on error-free records	0.823
P15	Clients feel safe in their transactions with Bank's employees	0.724

P7	Bank is dependable	0.713
P6	When clients have problem, bank shows a sincere interest in solving it	0.568
P14	The behavior of employees instills confidence in clients	0.559
P17	Employees have the knowledge to do their job well	0.554
P8	Bank provides it services at the time it promises to do so	0.553
P11	Employees give prompt service to clients	0.506

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

Table 5.9 Tangible Bank Facilities

Variable No.	Variable Name	Value
P2	Bank's physical facilities are visually appealing	0.799
P1	Bank has up to date equipment (hardware and software)	0.781
P4	The appearance of the physical facilities of Banks is in keeping with the kind of services provided	0.757
P3	Bank's employees are well dressed and neat in appearance	0.706
P5	When Banks promise to do something by a certain time, it does so	0.596
P10	Banks tells clients exactly when services are to be performed	0.483

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

Table 5.10 Model Summary

Model	R	**R Square**	Adjusted R Square	Std. Error of the Estimate
1	0.844[a]	0.712	0.710	0.66544

Table 5.11 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	4.811	.033		145.150	.000
	1. Personal attention to the clients	.600	.033		18.074	.000
	2. Error-free records and safety in transaction	.583	.033	.486	17.557	.000
	3. Visible bank facilities	.623	.033	.472	18.760	.000
				.504		

a.   Dependent Variable: OVERALL

Table 5.12 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	436.987	3	145.662	328.950	0.000[a]
	Residual	176.681	399	0.443		
	Total	613.667	402			

a.   Predictors: (Constant), Factor score 3, Factor score 2, Factor score 1.
b.   Dependent Variable: OVERALL

Table 5.13 Correlation Matrix

Factor	Age	Educational background	Profession	Length of involvement with the bank	Type of banking services obtained
Personal attention to the clients	-.018 (.716)	.015 (.770)	-.036 (.477)	-.045 (.371)	-.082 (.098)
Performing promises in time	.081 (.106)	-.036 (.467)	.162** (.001)	-.092 (.064)	-.074 (.138)
Tangible physical facilities in bank	-.003 (.960)	.051 (.308)	.006 (.906)	-.080 (.107)	-.055 (.269)

Table 5.14 Significant Differences Between the Service Quality of Public and Private Banks

Variable Name	Public	Private	Difference	Sig. (2 tailed)
Banks have up to date equipment (hardware and software)	6.17 (1.23)	6.58 (0.80)	-0.404	0.000*
Bank's physical facilities are visually appealing	5.60 (1.32)	6.02 (1.11)	-0.412	0.001*
Bank's employees are well dressed and neat in appearance	5.86 (1.30)	6.29 (1.00)	-0.427	0.000*
The appearance of the physical facilities of Banks are in keeping with the kind of services provided	5.60 (1.31)	5.97 (1.07)	-0.381	0.002*
Banks are provide their service at the time they promise to do so	6.14 (1.13)	6.40 (1.00)	-0.258	0.013*
Banks tell clients exactly when services will be performed	5.90 (1.13)	6.24 (1.08)	-0.344	0.004*
Employees give prompt service to clients	6.17 (1.19)	6.54 (1.00)	-0.372	0.000*
Employees are always willing to help clients	6.14 (1.30)	6.52 (1.00)	-0.375	0.000*
Employees are consistently	5.92	6.18	-0.263	0.018*

courteous with clients	(1.20)	(1.00)		
Banks give clients individual attentions	5.60 (1.35)	6.00 (1.10)	-0.357	0.006*
Banks have operating hours convenient to all their clients	5.75 (1.30)	6.07 (1.07)	-0.327	0.008*
Overall	3.83 (1.23)	5.25 (1.00)	-1.41	0.000*

*Significant at 5% level. Figures in parentheses show standard deviation.

Table 5.15 Not Significant Differences Between the Service Quality of Public and Private Banks

Variable Name	Public	Private	Difference	Sig. (2 tailed)
When banks promise to do something by a certain time, they do so	6.15 (1.20)	6.35 (1.00)	-0.199	0.077
When clients have problem, banks show a sincere interest in solving it	6.24 (1.06)	6.36 (1.00)	-0.120	0.267
Bank is dependable	6.20 (1.07)	6.33 (1.00)	-0.128	0.227
Banks insist on error-free records	6.37 (1.05)	6.47 (1.00)	-0.093	0.343
Employees are never too busy to respond to client's requests	5.80 (1.30)	5.80 (1.45)	0.018	0.905
The behavior of employees instill confidence in clients	6.11 (1.13)	6.30 (1.00)	-0.154	0.146
Clients feel safe in their transactions with bank's employees	6.20 (1.04)	6.34 (1.00)	-0.148	0.126
Employees have the knowledge to do their job well	6.11 (1.17)	6.31 (1.00)	-0.201	0.080
Banks have employees who give clients personal attention	5.70 (1.53)	5.95 (1.13)	-0.246	0.073
Banks have the client's best interests at heart	5.93 (1.40)	6.09 (1.03)	-0.157	0.205
The employees of banks understand specific needs of their clients	6.15 (1.25)	6.25 (1.00)	-0.110	0.311

*Significant at 5% level. Figures in parentheses show standard deviation.

APPENDIX

Appendix 1 Total Deposit and Loans/ Advances of Banks in Bangladesh As of December 2002

Total Deposit and Loans/ Advances of Banks in Bangladesh

As of December 2002

Sl No.	Bank's Name	Total Deposit	Total Loans	Aggregate Business	%
NCBs				*In Million Taka*	
1	Sonali Bank	216590	156153	372743	20.20
2	Janata Bank	138893	99749	238642	12.93
3	Agrani Bank	115472	88960	204432	11.08
4	Rupali Bank	57169	41608	98777	5.35
PCBs					
5	Pubali Bank	33730	26193	59923	3.25
6	BRAC Bank	1363	1030	2393	0.13
7	Bangladesh Commerce	2967	1700	4667	0.25
8	Shahjalal Bank	3333	2000	5333	0.29
9	Trust Bank	2976	2912	5888	0.32
10	Jamuna Bank	4752	1514	6266	0.34
11	Standard Bank	4102	3496	7598	0.41
12	Mutual Trust Bank	5158	3437	8595	0.47
13	First Security	5511	4103	9614	0.52
14	Premier Bank	5374	4281	9655	0.52
15	Al Arafah Bank	7163	5289	12452	0.67
16	Bank Asia	7008	5449	12457	0.67
17	One Bank	7608	5125	12733	0.69
18	EXIM Bank	9957	7955	17912	0.97
19	BASIC Bank	10021	7957	17978	0.97
20	Social Inv Bank	15141	7504	22645	1.23
21	Mercantile Bank	15150	8896	24046	1.30
22	Eastern Bank	13662	10891	24553	1.33
23	Dutch Bangla Bank	15975	9392	25367	1.37
24	Oriental Bank	15836	11704	27540	1.49
25	Dhaka Bank	16854	10761	27615	1.50
26	UCBL	16417	11826	28243	1.53
27	NCCBL	16062	13148	29210	1.58
28	Prime Bank	16902	12687	29589	1.60
29	Southeast Bank	16598	13027	29625	1.61
30	City Bank	19683	13885	33568	1.82
31	IFIC Bank	18720	19503	38223	2.07
32	Arab Bangladesh Bank	25525	19477	45002	2.44
33	National Bank	26276	21678	47954	2.60

34	Uttara Bank	29154	22938	52092	2.82
35	Islami Bank	55462	46281	101743	5.51
FCBs					
36	National Bank of Pakistan	447	312	759	0.04
37	Habib Bank	927	587	1514	0.08
38	Shamil Bank	1078	969	2047	0.11
39	State Bank of India	1108	996	2104	0.11
40	Woori Bank	2842	2144	4986	0.27
41	Citi Bank N.A	5850	4473	10323	0.56
42	Credit Agricole	6259	4086	10345	0.56
43	AMEX	9683	2143	11826	0.64
44	HSBC	6319	5546	11865	0.64
45	ANZ Grindlays	20660	13302	33962	1.84
46	Standard Chartered	31087	29623	60710	3.29
		Grand Total		1845514	

NCB: Nationalized Commercial Bank

PCB: Private Commercial Bank

FCB: Foreign Commercial Bank

Source: Activities of Banks and Financial Institutions 2002-2003, Finance Department, Ministry
        of Finance, Government of Bangladesh