Service quality gap analysis in private sector bank - a customer perspective

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SERVICE QUALITY GAP ANALYSIS IN PRIVATE SECTOR BANKS- A CUSTOMERS PERSPECTIVE

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ABSTRACT

The present study evaluates the customer perceptions of service quality in selected private sector banks. Data was collected from 200 customers of Private Sector Banks using structured questionnaire. Gap analysis and Multi regression were used fro analysis of data. The result shows that the dimension of service quality such as Empathy and Accessibility has more gap, as the customer expectations are high to their perceived service. The result also indicates that Empathy-Reliability-Assurance positively influences the service quality. The study implies that bank should reduce the service gap to deliver superior quality of service to retain existing customers as well as to attract new customers.
Key words: service quality, Tangibles, Reliability, Responsiveness, Assurance

INTRODUCTION

Banking services worldwide can broadly classified into investment banking and commercial banking is primarily concerned with helping corporate bodies raise funds at the best possible rates from various markets. Commercial banking is concerned with channeling savings to productive uses. Banking in an intermediary function but one that is very essential for sustained economic growth. In India, since the nationalization of banks in 1969, banking has been primarily in the Central Government's domain. As part of the Government's liberalization policy which began in 1991, New Private Sector Banks (NPSBs) were allowed to be set up. Today, India has nine NPSBs that provide commercial banking services. In a relatively short period, the NPSBs have managed to achieve about 2% of the market share in terms of business, a disproportionate of 2% share of the total income and almost 17% of the total net profit earned by the banking system as a whole. This success can be attributed in large measure to the superior Quality of Services that these banks have been able to provide.

Service quality is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining it and measuring it with no overall consensus emerging on either (Wisniewski, 2001). Nowadays, with the increased competition, service quality has become a popular area of academic investigation and has been recognized as a key factor in keeping competitive advantage and sustaining satisfying relationships with customers (Zeithmal et al...2000). Service quality can be defined as the difference between customer's expectations for service performance prior to the service encounter and their perceptions of the service received.(Asubonteng et al.,1996). Service quality can thus be defined as the difference between customer expectations of service and e perceived service. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Parasuraman *et al.*, 1985; Lewis and Mitchell, 1990).

OBJECTIVES
  ➢ To Evaluate the Quality of Service in Selected Bank in Nagapattinam District
  ➢ To identify the gap between customer expectation and perception
  ➢ To identify the areas that needs to improved by banks to deliver superior quality of service.

METHODOLOGY

The data was collected for the study 200 from customers of selected Private Sector Banks in Nagapattinam district in Tamilnadu, based on convenience and administered a modified SERVQUAL questionnaire containing two sections: customers' expectations and customers' perception each consisting of 26 questions of 6 dimensions. The study follows the SERVQUAL as a framework and one dimension (accessibility) was added to previous dimensions to fit into the study (Al-Fazwan, 2005). The respondents were asked to rate their expectations and perceptions of service offered by the respective banks. A seven point Likert scale was used.

SERVICE QUALITY

Service quality can be defined as the difference between customer's expectations for service performance prior to the service encounter and their perceptions of the service received.(Asubonteng et al.,1996). Quality service has a positive effect on the bottom-line performance of a firm and thereby on the competitive advantages that could be gained from an improvement in the quality of service offering, so that the perceived service exceed the service level desired by customers (Caruana, 2002;

Chumpitaz.2004).Gefan (2002) defined service quality as the subjective comparison that customers make between the quality of the service that they want to receive and what they actually get. Nowadays, with the increased competition, service quality has become a popular area of academic investigation and has been recognized as a key factor in keeping competitive advantage and sustaining satisfying relationships with customers (Zeithmal et al...2000).

DIMENSIONS OF SERVICE QUALITY

The SERVQUAL scale is the principal instrument widely utilized to assess service quality for a variety of services. Parasuraman et al., (1988) have conceptualized a five dimensional model of service quality such as: reliability, responsiveness, empathy, assurance and tangibility. Their measurement instrument is known as SERVQUAL, which has become almost the standard way of measuring service quality. Further, each item of SERVQUAL has been used twice: to measure expectations and perceptions of service quality. The central idea in this model is that service quality is a function of difference scores or gap between expectations and perceptions. The five dimensions of SERVQUAL Includes:

Tangibles: Physical facilities, equipment and appearance of personnel.
Reliability: Ability to perform the promised service dependably and accurately.
Responsiveness: Willingness to help customers and provide prompt service.
Assurance: Knowledge and courtesy of employees and their ability to inspire trust and confidence.
Empathy: Caring and individualized attention that the firm provides to its customers.

LITERATURE REVIEWS

1. KoushikiChoudhury (2007) in his study suggests that customers distinguish four dimensions of service quality in the case of the retail banking industry in India, namely, attitude, competence, tangibles and convenience. Identifying the underlying dimensions of the service quality construct in the Indian retail banking industry is the first step in the definition and hence provision of quality service. The paper has drawn upon the findings of the service quality dimensions to contend the initiatives that bank managers can take to enhance their employees' skills and attitudes and instill a customer-service culture.

2. Sandip Gosh Hasra and BL Srivastava (2009) in their study indicated that the bank should pay attention to these dimension of service quality and pay more attention to dimension of assurance-empathy to increase loyalty to a company, willingness to pay, customer commitment and customer trust.

3. Sudesh (2007) revealed that poor service quality in public sector banks is mainly because of deficiency in tangibility, lack of responsiveness and empathy. Private sector banks, on the other hand, were found to be more reformed in this regards. Above all, the foreign banks were relatively close to the expectations of their customers with regard to various dimensions of service quality. Further, the study revealed that there existed service quality variation across demographic variables and suggested that management of banks should pay attention to potential failure points and should be responsive to customer problems.

4. Joshua A J and Moli.P.Koshi(2005) in their study on 'Expectation and perception of service quality in old and new generation banks', observed that the performance of the new generation banks across all the service quality dimensions are better than those of old generation banks.

5. Al-Fazwan (2005) in his study found that the bank should concentrate on accessibility dimension. He stated that the particular bank should take maximum efforts to raise the level of services to meet out the customer expectations.

TABLE 1: GAP ANALYSIS SCORE

STATEMENTS	EXPECTATION	PERCEPTION	SERVICE GAP(E-P)
TANGIBILITY			
Modern looking equipment	6.6	6.1	**0.5**
Physical facility	6.5	6.1	**0.4**
Employee are well dressed	6.6	5.9	**0.7**
Materials are visually appealing	6.7	6.1	**0.6**
		Average gap score	**0.55**
RELIABILITY			
Delivers service at promised time	6.7	5.7	**1**
Interest in solving problem	6.6	5.6	**1**
Perform service right first time	6.6	5.7	**0.9**
Follows the promised time	6.6	5.7	**0.9**
Maintain error free records	6.9	6.4	**0.5**
		Average gap score	**0.86**
RESPONSIVENESS			
Tell you about performance of service	6.7	5.9	**0.8**
Gives prompt service	6.4	5.6	**0.8**
Willingness to help	6.5	5.6	**0.9**
Not busy to respond queries	6.4	5.1	**1.3**
		Average gap score	**0.95**
ASSURANCE			
Instills confidence	6.8	5.9	**0.9**
Safe transactions	6.7	6.3	**0.4**
Employees are consistently courteous	6.4	5.3	**1.1**
Employee have enough knowledge	6.6	6.1	**0.5**
		Average gap score	**0.73**
EMPATHY			
Gives individual attention	6.4	4.8	**1.6**
Convenient operating hours	6.6	5.7	**0.9**
Gives personal attention	6.3	4.9	**1.4**
Best interest in heart	6.6	5.7	**0.9**
Understand customer's specific needs	6.6	5.2	**1.4**
		Average gap score	**1.24**
ACCESSIBILITY			
Convenient branch locations	6.7	5.7	**1**
Extended working hours	6.4	4.9	**1.5**
ATM network	6.8	5.7	**1.1**
Safe net banking and mobile banking	6.3	5.8	**0.5**
		Average gap score	**1.03**

TABLE 2: AVERAGE GAP SCORE OF PRIVATE SECTOR BANKS   (UNWEIGHTED)

No	DIMENSIONS	GAP SCORES
1.	Average score for Tangibles	0.55
2.	Average score for Reliability	0.86
3.	Average score for Responsiveness	0.95
4.	Average score for Assurance	0.73
5.	Average score for Empathy	1.24
6.	Average score for Accessibility	1.03
TOTAL		5.36
Average (total/6) Un-weighted score		**0.893**

INFERENCE

The table 2 represents the gap scores for private sector banks. The difference between the customer's expectation and perception of service is the gap score which is then averaged for each dimension.

The unweighted gap score was presented in the table 2 Average gap score for six dimensions as calculated in table 2 is averaged to compute the unweighted gap score.

TABLE 3: HIGHEST GAP SCORES OF PRIVATE SECTOR BANKS

NO	ATTRIBUTES	DIMENSIONS	GAP SCORES
1.	Banks will give customers individual attentions	EMPATHY	1.6
2.	Banks has Extended Working Hours to meet customer needs	ACCESSIBILITY	1.5
3.	Banks has employees to give customer's personal attention.	EMPATHY	1.4
4.	The employees of banks will understand the specific needs of their customers	EMPATHY	1.4
5.	Employees of banks will never be too busy to respond to customer's request	RESPONSIVENESS	1.3

INFERENCE

The table 3 represents the attributes having the highest gap scores observed from the table 1. There exist highest gap between customer expectations and perceptions of bank services in these attributes. This indicates that the customers are not satisfied with the service in these attributes. These includes: giving individual attentions (1.6) [empathy], extended working hours to meet customer needs (1.5) [accessibility], employees give customer personal attention (1.4) [empathy], employees understand the specific needs of the customers (1.4)[empathy],employees are never too busy to respond to customer's request(1.3) [responsiveness]. Hence it was observed that the more gaps are identified in empathy dimension.

TABLE 4: LOWEST GAP SCORES OF PRIVATE SECTOR BANKS

NO	*ATTRIBUTES*	*DIMENSIONS*	**GAP SCORES**
1.	Customers of banks feel safe with transaction	ASSURANCE	0.4
2.	Bank has modern looking equipment	TANGIBLES	0.5
3.	Material associated with service are visually appealing	TANGIBLES	0.6
4.	Employees in banks tell customers exactly when service will be performed	RESPONSIVENESS	0.8
5.	Employees in banks are always be willing to help customers	RESPONSIVENESS	0.9

INFERENCE

The table 4 represents the attributes having the lowest gap scores observed from the table 1. These includes: customers feel safe transaction with banks (0.4) [assurance], bank has modern looking equipment (0.5) [tangibles], material associated with service are visually appealing (0.6) [tangibles] employees tell customers exactly when service will be performed (0.8)[responsiveness], employees in banks are always be willing to help customers(0.9) [responsiveness].There exists little gap between customer expectation and perception in tangibles and reliability dimensions.

TABLE 5: MULTIREGRESSION [STEPWISE METHOD]

5A.Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.631(a)	.398	.395	.69269
2	.681(b)	.464	.458	.65527
3	.697(c)	.486	.479	.64292

a Predictors: (Constant), empathy
b Predictors: (Constant), empathy, reliability
c Predictors: (Constant), empathy, reliability, assurance

5B. Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.648	.359		4.596	.000
	empathy	.774	.068	.631	11.437	.000
2	(Constant)	.394	.424		.928	.355
	empathy	.594	.074	.484	8.055	.000
	reliability	.378	.077	.296	4.926	.000
3	(Constant)	-.442	.504		-.877	.381
	empathy	.416	.094	.339	4.416	.000
	reliability	.346	.076	.271	4.550	.000
	assurance	.329	.112	.219	2.939	.004

a Dependent Variable: service quality

INFERENCE

The Multi regression analysis (table 6) tells us that the overall model fits 48 %. The adjusted R square value .479 reflects the independent variables (empathy, reliability, and accessibility) predicts 39% variance in the dependent variable (service quality).

The R square value gives the proportion of variance in dependent variable accounted by the set of independent variables chosen for the model. Here the r square value depicts that independent variables (empathy, reliability, accessibility) account for 48.6% of variance in service quality.

The beta value in (coefficient table-4) gives a measure of contribution of each variable to the model. A larger value indicates that a unit change in this predictor variable has a large effect on criterion variable (service quality). The stepwise multi regression analysis shows that the empathy (.339), reliability (.271), assurance (.219) together influences the service quality to 82% whereas empathy alone by 63%. We can say that empathy is the major dimension influencing the quality of service.

FINDINGS

The gap analysis shows that empathy is having more gap between customer expectation and perception of service quality. The bank has to reduce this gap giving individual personal attention to understand the customer specific needs. Next to empathy more gap was observed in accessibility dimension. The customers of the banks expect to extend the working hours in Saturday for their convenience. And also some of the customers are dissatisfied with ATM maintenance. So the bank management should concentrate on proper maintenance of ATM. In responsiveness dimension, there is more gap in attribute responding customer queries in busy time. The employees willingly come forward to solve the customer problem. The Multi regression analysis shows that dimension (table 5B) **Empathy-Reliability-Assurance** positively influences the banking service quality.

CONCLUSION

Banks have to understand the changing needs of customers, their aspirations and expectations to create value. Banks should also have a strong customer relationship management system that would indicate the worth of the customer and be able to understand his needs while interacting with him, so as to cross sell their products. To manage growth and continuity in business, human resources play an important role. The new generation private sector banks and foreign banks enjoy a lead in this regard when compared to PSBs and old generation private sector banks. Skill sets of employees need up gradation so as

to make them more comfortable with the latest technology that will increase their comfort level while educating customers to use the same in their day to day dealings. [M.V.Nair, The Hindu-Survey of Indian Industry 2010, pp.60-61].Banks may follow a feedback system to know the customer expectations for improving the level of customer satisfaction to maximum level. Remarks on service reliability should be continuously obtained from customers. This will enhance their service quality to a large extent.

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