



Measuring Service Quality in the U.A.E Banking Industry using Servqual

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ABSTRACT

Service quality is considered pivotal to the success of all service industries and provides numerous benefits to banking industry like better corporate image, enhancement in customer satisfaction, cross selling opportunities and to build close cooperative and partnering relationships with their customers. Quality of services should not be considered as selective or optional strategy because it has a significant impact on a bank's success and performance. The objective of this article is to investigate the relationship between service quality and customer satisfaction and the means through which service firms can enhance and manage the process of delivering quality standards to their customers. For this purpose the author mainly focuses on the three banks in U.A.E to measure their service quality using Servqual model. The results suggest that a detail cause and effect study should be carried out to find possible sources of errors and delays.

KEYWORDS : Service quality, banking sector, SERVQUAL, customers

Introduction

To achieve a strategic advantage over competitive forces in the global marketplace service sectors in recent years are undergoing a shift from a production-led philosophy to a customer centric approach. They are searching for strategies to improve their performance without sacrificing quality which will help to enhance the effectiveness of the industry. Service quality is considered pivotal to the success of all service industries and provides numerous benefits to banking industry like better corporate image, enhancement in customer satisfaction, cross selling opportunities, decreased customer's defection, increased chances of word to mouth recommendation and to build close cooperative and partnering relationships with their customers (Bauman et al. 2007, pp.103-104). According to Saravanan and Rao (2007), service quality remains critical in the service industries, as businesses strive to maintain a competitive advantage in the marketplace and achieving customer satisfaction. The financial services, particularly banks, compete in the marketplace with generally undifferentiated products; therefore service quality becomes a primary competitive weapon (Stafford, 1996). Typically customers do not differentiate the v=banking products offered by various banks as these are quickly matched by competitors in no time. Various strategies' have been tried and tested for customer retention and customer satisfaction and the key of it is to increase customer quality level. Quality of services should not be considered as selective or optional strategy because it has a significant impact on a bank's success and performance. Customers today are more aware of alternatives and their expectations of service have increased. Nowadays, service quality has been receiving a great deal of attention because of its obvious relationship with costs, financial performance, customer' satisfaction and retention.

Organizations can achieve business excellence through quality control in services. Service quality can, therefore, be used as a strategic tool to develop a distinctive advantage over competitors. Banks are striving for zero defection and retaining every customer that the company can profitably serve in order to achieve service excellence (Jan-nadi and Al-Saqqaf, 2000, p-951).

The inception of service quality and its assessment has stimulated a great deal of attention of several researches over the past two decades. After determining several tests to identify a medium which can keep a constant check on service quality, scholars like Parasuraman, Zeithaml and Len Berry subsequently developed Servqual in 1985. It has been the predominant method used for the evaluation of service quality in banking industry and it also helps to analyze the gaps between customer expectations and perceptions of the service organization. This Servqual method provides a questionnaire approach which helps to determine how well the service level is delivered and how it matches customer expectations.

Parasuraman et al identified ten key determinants of perceived ser-

vice quality through focus group studies - reliability; responsiveness; competence; access; courtesy; communication; credibility; security; understanding the customer; and tangibles. After two stages of scale purification they finally distilled ten attributes into five overall dimensions of service quality which are as follows: 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 (including competence, courtesy, credibility and security) - Knowledge and courtesy of employees and their ability to inspire trust and confidence.
- Empathy (including access, communication, understanding the customer) - Caring and individualized attention that the firm provides to its customers (Vamsi, 2014, pp.1-2).

The objective of the article is to comparatively measure and examine the service quality of the three banks in U.A.E (Emirates NBD, RAK-BANK, National Bank of Abu Dhabi (NBAD)). It also highlights the important service quality gaps based on the outcomes of the expectations and perceptions of customers.

Review of Literature

Service quality has become a topic of debate and interest in the research literature because of the difficulties in both defining it and measuring it with no overall consensus emerging on either (Dehghan, 2006, p-11). In order to understand the significance of service quality we need to identify three main characteristics of services: Invisible, consistent and diverse. Because services are non physical and it is hard to determine, record, calculate or to test the service prior to the sale in order to protect the quality on its delivery (Zeithaml et al., 1988). Also it is assumed that due to heterogeneity services varies from person to person and so simultaneously performance varies at different levels.

Basically the concept of service quality originates from consumer behavior and confirmation/disconfirmation paradigm (Gronroos, 1992, p-25). The paradigm proposed that customers evaluate service quality by comparing the service provider's actual performance "perception" with what they think service performance would be 'expectations' in their service experience (ibid). The customer's perception of quality of service is based on the degree of agreement between expectations and experience (Kandampully, 1998).

Customer expectation and perception are the two key ingredients in service quality. Many practitioners define service quality as the difference between customer's expectations for the service encounter and the perceptions of the service received (Munusamy et al., 2010, p-399). Customer loyalty and satisfaction is proved to be the major

determinant for long term survival and financial performance of the company also customers are considered as final judges to judge the quality level of product and services offered. Parasuraman et al., 1985, define perceived quality as a form of attitude, related but not equal to satisfaction, and results from a consumption of expectations with perceptions of performance. Therefore, having a better understanding of consumers attitudes will help know how they perceive service quality in banking operations. In addition to this, Lewis et al. (1983) noted that service quality leads to reduced costs, increased profitability, and other beneficial elements. Taking into account that numerous banks offer vast undifferentiated products in a rival marketplace, banks are paying more attention to service quality in order to gain a competitive advantage. Banks that master service quality can gain a competitive edge in terms of higher revenue, customer loyalty and customer retention.

Need for the Study

The objective of this article is to investigate the relationship between service quality and customer satisfaction and the means through which service firms can enhance and manage the process of delivering quality standards to their customers. For this purpose the author mainly focuses on the three banks in U.A.E (Emirates NBD, RAKBANK, National Bank of Abu Dhabi) to measure their service quality using Servqual model. This is done to know its applicability i.e. measuring the service quality and customer satisfaction mainly through the mode of investigating the reliability and validity of the model. This article also aims to understand both the expectations and perceptions of customers. It measures the outcomes from their perspective in order to identify the gaps in delivering service quality in order to ensure customer satisfaction.

Basically it addresses the following research questions

Does service quality have any impact on the customer satisfaction and how service quality can be improved in the organization?

Methodology

The authors used SERVQUAL model for the analysis and a two section questionnaire was designed to meet the research objective. Section A of the Questionnaire was set to obtain personal information (Nationality, gender, age, occupation, level of education and income group) on respondents. Questions in section B consisted of 22 questions and the respondents were asked to measure the key dimensions of service quality which are as follows:

Tangibles (4 attributes) - The appearance of the bank's physical facilities, equipment, personnel and communication materials etc.

Reliability (5 attributes) - Opinion of the clients about their bank's employee's ability to perform the promised service dependably and accurately

Empathy (5 attributes) – To know the caring individual attention the bank provides its customers.

Responsiveness (4 attributes) - Clients were asked to give their opinion about how well the bank employees were willing to help and handle multiple customers and provide prompt service.

Assurance (4 attributes) - The knowledge and courtesy of the bank's employees and their ability to convey trust and confidence.

The questions were divided into two parts whereby the first part evaluated actual quality of service offered (according to perception and experience) and the second part into expected quality of service i.e. what customers expect all banks to provide. Based on the above the gap between perception and expectation of the customers (clients) has been analyzed.

People aged 18 and above, student, self employed or employed were required to fill in the survey. A total of 100 respondents were chosen divided equally in male and female. Minors were not included in the study considering that they do not use banking technologies or services. All responses were submitted via hand delivery. Few respondents asked for help in filling the questionnaire especially where weights were to be assigned.

Data Analysis

Fig.1 shows the Nationality Distribution



Fig.1 indicates that out of the 100 respondents who filled the questionnaires, the majority of the respondents were Indians being 82%

Fig.2 shows the Age Distribution

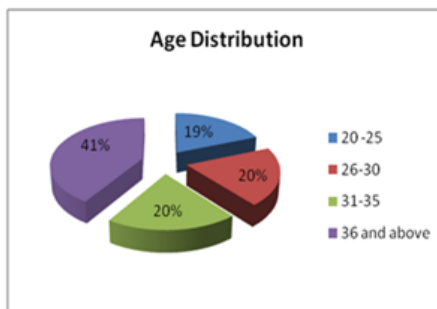


Fig.2 represents the customers of different age groups. The result demonstrates that out of 100 respondents, the highest percentage i.e. 41% of respondents lie between the age gap of 36 & above followed by the all other age gaps of respondents having a 20% share.

Fig.3 shows the Gender Distribution

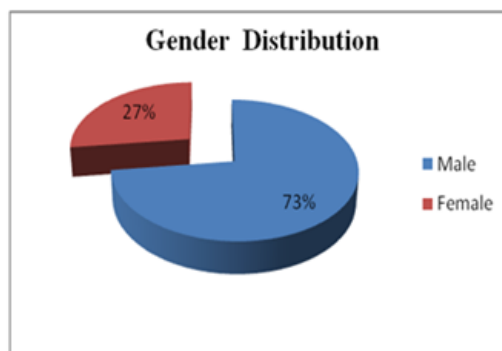
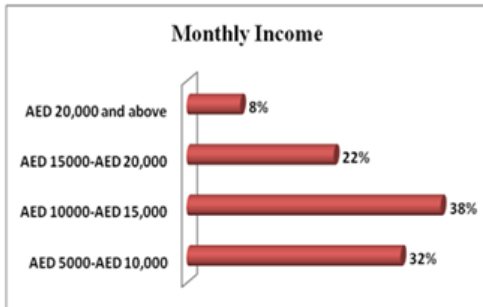


Fig.3 represents that out of 100 questionnaire filled, 73 questionnaires were filled by male respondents and the remaining 27 questionnaires were filled by female respondents.

Fig.4 shows the Income distribution



From Fig.4 it is clearly seen that out of 100 respondents, the highest percentage i.e. 38% respondents earn within the realm of above average income which lies between AED. 10,000- 15,000 per month, followed by 32% of respondents earning in between AED. 5,000 – AED. 10,000 per month.

Fig.5 shows the Educational Level

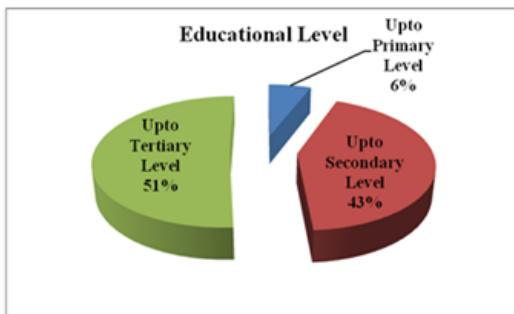


Fig 5 shows that the highest level of education attained by most respondents was tertiary education (51%), followed by secondary (43%) and primary education (6%).

Fig.6 shows the Bank distribution

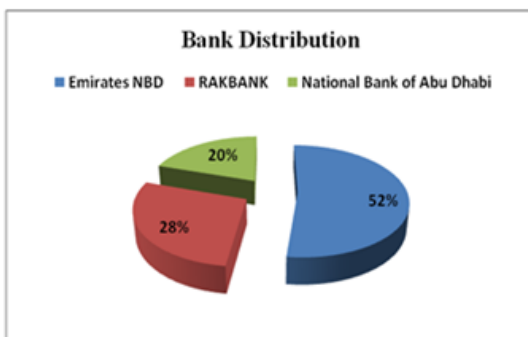


Fig.6 shows that 52 of the respondents are associated with Emirates NBD. This implies that Emirates NBD is the bank preferred by majority of the respondents over other banks. 28 respondents were associated with RAKBANK and 20 respondents were associated with National Bank of Abu Dhabi

Fig.7 shows the Bank satisfaction

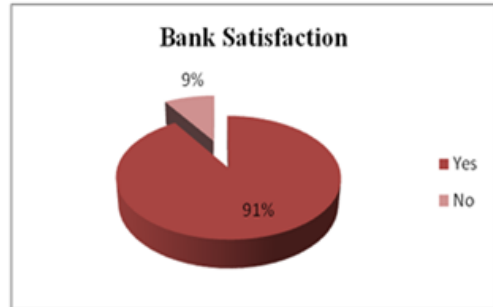


Fig.7 clearly indicates that most banks are successful in providing utmost customer satisfaction. The results demonstrate that 91% of the respondents were satisfied with their banks.

Fig.8 shows the Average Un-weighted series

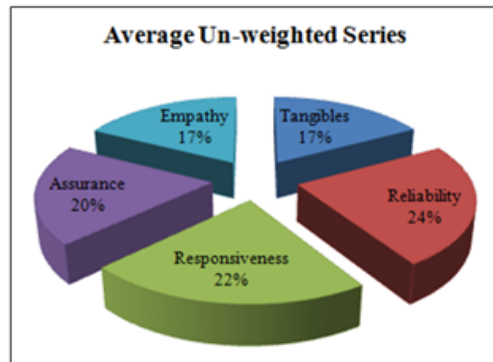


Fig.8 shows the average un-weighted scores of the five determinants of the SERVQUAL model. For each determinant, the 100 questionnaires were analysed and an average un-weighted score was obtained through the corresponding values respectively. It is evident that the customers assigned the (very high value of weightage) highest threshold of weight for attributes - *reliability and responsiveness*; scores leading to 24 and 22 respectively.

Fig.9 shows the average Tangible scores

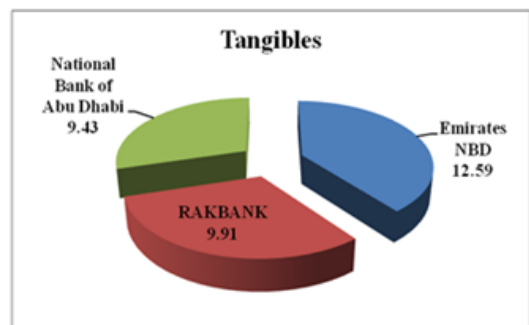


Fig 9 is obtained after analysing the three banks individually with respect to the tangibility element using the SERVQUAL model. The graph depicts that all banks are going strong with their tangibles; hence all banks obtaining high average scores.

Fig.10 shows the Average Reliability scores

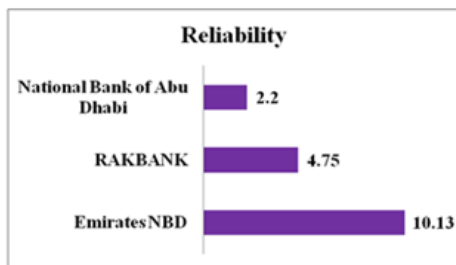


Fig.10 is obtained through analysing the three banks individually with respect to the reliability element using the SERVQUAL model. Customers are highly satisfied with Emirates NBD resulting in such high scores of 10.13 while RAKBANK and NBAD are also doing fairly well.

Fig.11 shows the Average Responsiveness scores

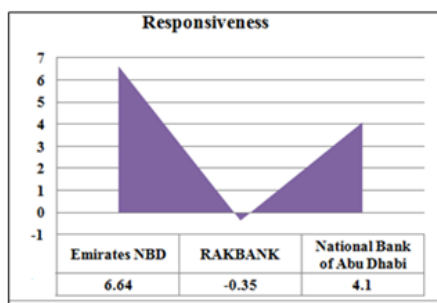


Fig.11 is obtained through analysing the three banks individually with respect to the responsiveness element of the SERVQUAL model. The graph indicates that Emirates NBD is highly responsive to its customers, hence the respondents are highly satisfied with the bank, customers of NBAD are also satisfied as it has got a score of 4.1 but on the other hand, we noticed that customers are dissatisfied with the way RAKBANK approaches or responds to their customers, which is why RAKBANK resulted with -0.35.

Fig.12 shows the Average Assurance scores

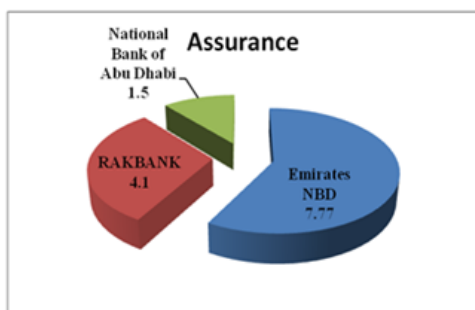


Fig.12 is obtained through analysing the three banks individually with respect to the Assurance element of the SERVQUAL model. Emirates NBD have a very high score of 7.7 meaning they instil confidence in their customers, hence having more satisfaction. RAKBANK is on an average score while NBAD needs to improve as it is comparatively low to the other banks.

Fig.13 shows the Average Empathy scores

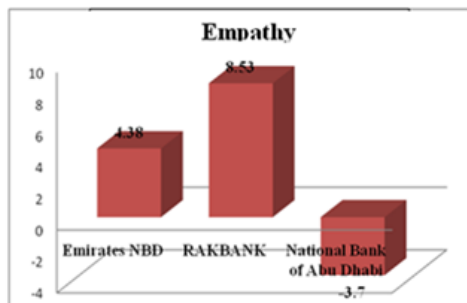


Fig.13 is obtained through analysing the three banks individually with respect to the Empathy element of the SERVQUAL model. RAKBANK has got the highest scores meaning they understand their customers very well and try to cater to their needs, while customers of NBAD are highly dissatisfied resulting in such a negative score of -3.7.

Average Scores:

Average scores for different dimensions are found as below:

- Tangibility: 17.15
- Responsiveness: 22.05
- Reliability: 23.75
- Assurance: 19.5
- Empathy: 17.45

Findings

The above data analysis indicates that customers give lot of weight to reliability, in which Emirates NBD are doing very well hence keeping their customers satisfied, but NBAD needs to improve a lot as they have been scored very low, while RAKBANK is faring on an average score so they too could use help in improving this dimension of their bank. Second important dimension is responsiveness where RAKBANK needs a lot of improvement on as customers are highly dissatisfied which resulted in negative scores, on the other hand Emirates NBD and NBAD are doing quite well in this dimension. Lastly, although empathy is least important to the customers there needs to be a standard that organizations have to follow and after the analysis, it was found that NBAD customers are very highly dissatisfied in this aspect.

Recommendations

Cause and Effect Study:

The analysis demonstrates that customers have given highest priority to reliability and responsiveness which means taking correct action in time and with accuracy. Looking at the data it is clear that improvement in both dimensions is highly required to enhance satisfaction levels for RAKBANK and NBAD. It is recommended to the management that they must analyze reasons for delays and error in responses and transactions. A detail cause and effect study should be carried out to find possible sources of errors and delays.

Recommendations

Building Reliability

Breaking a service promise made to a customer is the one of the most important reasons that banks fail to earn eth credibility of their customers. Research studies (Caruana, 2002) in the past have confirmed that service reliability is the "core" for customers in the Banking Industry. Banks should imbibe in the organisation culture a "do-it-right-first" attitude. This would translate into communicating with employees mission statements, customer expectations and setting reliability standards

Training and Motivation:

To make responses and transactions accurate it is recommended that the organizations should carry out training for the entire staff involved who are involved in the transaction process. A motivation program can be implemented to reward employees who perform better

in terms of speed of response and accuracy.

Conclusions

Overall this article calls attention to the bankers in identifying cost-effective ways of closing service quality gaps in order to be innovative and remain competitive. In addition there are still areas which could be improved. And also, they can prioritize which gaps to focus on. However, one need to admit that satisfying client's expectations is not an easy task. One of the ways to improve service quality would be to introduce an effective complaints handling system in terms speed of response, and identify the customer's specific needs. Frequent surveys are useful for getting a great deal of specific information to know about the customers' perceptions and expectations and analyze whether the objectives have been achieved or not or relaxing banks closure hours would also be means to enhance on service quality levels. Since rewards are more effective motivation program can be implemented to reward employees who perform better in terms of speed of response and accuracy. In a competitive world where banks are trying to outdo each other in the products offered and services provided it would be prudent for them to look into areas where there is any element of customer dissatisfaction that lingers and work on them which in turn will result in customer retention, enhancing market share and profits.

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