



CUSTOMER FOCUSED PERFORMANCE OF BANKING PRODUCTS AND SERVICES: A STUDY ON SELECTED BANKS IN TEZPUR TOWN OF ASSAM

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ABSTRACT

Customer focused performance measures performance in terms of customer retention, customer satisfaction, etc. In a competitive environment where businesses compete for customers, customer satisfaction is placed as a key element of business strategy. Customer Satisfaction level is assessed for the product and services offered by the selected banks. Thus it is to be examined how customer satisfaction is affected by various dimensions such as reliability, responsiveness, assurance, empathy and tangibility. This paper measured service quality provided by the selected banks using SERVQUAL Model. By taking 110 bank customers of five selected commercial banks of Tezpur town it was found that overall perceived service quality is low as expectations exceed perceptions; negative gap score implying that customers demand more than what is being offered to them. Due to such prevailing gap, it is clear that customers are not satisfied.

KEYWORDS : Customer focus, service quality, SERVQUAL.

INTRODUCTION

Customer is someone who buys products and services from a business. Customer focus indicates to place customer at the center of every decision. The term customer focus includes maintaining an effective customer relation by the business entities. Customer focused performance is a business term that measures performance in terms of customer retention, customer satisfaction, etc. Thus it is an organization approach to evaluate its performance in terms of customer performance and satisfaction. Customer focused performance is the key to the profitability of retail banking, which is having a long term financial impact on the business of the banks (Soteriou et al.,1997) . In a competitive environment where businesses compete for customers, customer satisfaction is placed as a key element of business strategy. Today's competitive world business organization wishing to restore customer confidence need to focus on innovative products and services that meet their customers' needs (Agarwal and Kumar ,2016).According to Woldie A., et al.,(2008), it is one thing to innovate, but entirely another for the innovation to be accepted by customer.

According to Grant & Moseley (2007), the performance analysis must answer the basic question of customers' requirements (needs, involvement, and satisfaction), mission and vision of organization, gap, short and long term goals, defining quality product or services by the customers.

However, firm performance is a multidimensional construct that consists of four elements (Alam et. al. 2011, cited in Niyathird, N.C.,2009). **Customer-focused performance**, including customer satisfaction, and product or service performance; **financial and market performance**, including revenue, profits, market position, cash-to-cash cycle time, and earnings per share; **human resource performance**, including employee satisfaction; and **organizational effectiveness**, including time to market, level of innovation, and production and supply chain flexibility.

Thus, customer focused performance included two aspects namely **customer satisfaction** and **product and service performance**. However, customer satisfaction can be measured in terms of services offered by the service organization. The quality of service is a key factor of customer satisfaction. The term satisfaction means meeting the expectation of the customer regarding services and products. In judging service quality, customer expectation serves as a foundation for evaluating service quality. It is assumed that quality is high when performance exceeds expectation and quality is low when performance does not meet expectation. The most used model for measuring service quality is the SERVQUAL model was

developed by Parasuraman et al.(1988) by using five dimensions that evaluate service quality of the organization. The dimension **Reliability** is the ability to provide accurate and dependable service, the dimension **Assurance** means ability of employees to inspire trust and confidence, **Tangibles** is the physical surrounding and appearance of employees, **Empathy** means individualized attention provided to customers and **Responsiveness** means willingness to help customers by providing prompt service.

The second element, the **product and service performance** is basically performance-based measure that reflect customer attitudes. Cronin and Taylor (1992) in their empirical work converted the framework of Parasuraman, Zeithaml and Berry (1985, 1988) with respect to conceptualization and measurement of service quality, and propounded a performance-based measure of service quality called 'SERVPERF'. SERVPERF is a performance-only measure of service quality and excludes consumer expectations. This model explained more of the variance in an overall measure of service quality. Basically SERVPERF has significant similarities with Service Quality (SERVQUAL) as one of the tools to evaluate the quality of service. SERVQUAL focuses on the differences between expectation (expected service) and perception (actual service); whereas, SERVPERF emphasizes on performance approach (Andreani and Diana, 2014).

However, in this study, only one element is considered i.e. measuring customer satisfaction through SERVQUAL model.

Statement of the Problem

In a competitive environment it is become very difficult to satisfy customer by giving services which is a key element of business strategy. For establishing good business network customer liking is necessary for the banking sector. In this business environment where competition is fierce, it has become obligation for organization to supply quality products and services to their clients (Carping & Saria, 2014). For their growth and sustainability banks need to find out better service opportunities to the customer as customer service quality always affects customer satisfaction. To increase customer base, there is a constant need for investigating the expected and perceived quality of products and services. It will help to look into the causes of the problems that banks are facing. Thus it is to be examined how customer satisfaction is affected by various dimensions such as reliability, responsiveness, assurance, empathy and tangibility.

Review of Literature

1. Cai. S. (2009), in his paper "The Importance of Customer Focus

for Organizational Performance: A Study of Chinese Companies" empirically investigated the linkage among organizational customer orientation, customer relationship practices, and organizational outcomes. Research findings revealed that organizational customer orientation affects customer relationship practices, which influence product performance and customer satisfaction. The study also focused on manufacturing firms' customer focus practices.

2. **Lau M.M. et al. (2013)**, in their paper, "Measuring Service Quality in the Banking Industry: A Hong Kong based Study, Contemporary Management Research", they identified the interrelationships between service quality, customer satisfaction and customer loyalty. A sample of 119 bank customers was drawn and questionnaire was developed based on a SERVQUAL model. The results indicate that the five SERVQUAL dimensions have a positive influence on customer satisfaction. Tangibility, responsibility, reliability and assurance were more significant in contributing to customer satisfaction, while empathy was the least significant.
3. **Cirpin B.K. and Sarika K. , (2014)**, Measurement of Service Quality in Banking Industry: A Case Study from Turkey," This study suggests that SERVQUAL is a suitable instrument for measuring service quality in the retail banking sectors. In this study, Expected Quality and Perceived Quality was calculated and analyzed with respect to one another. These findings demonstrated that 76.5% of customers' expectations had been satisfied. While the Responsiveness factor emerged as the strongest factor (84.8%) in terms of satisfying customers' expectations, the Assurance factor became the weakest (64.9%).
4. **Sakwa and Oloko (2014)**, in their paper "Effect of Customer Service Practices on Performance of Banks: A Survey of Commercial Banks in Kitale Town, Kenya" measured the effect of customer service practices on performance of commercial banks by taking 202 bank employees from eight commercial banks. Using Pearson Correlation Coefficient and multiple Regression research findings revealed that waiting situation affects the performance of the banking sector. Service delivery channel is a key determinant in the performance of banking sector.
5. **Andreani,F. and Diana W.(2015)** in their research paper, "The Influence of Service Performance on Customer Satisfaction of Bank Central Asia in Surabaya" they found that service quality is a key factor for a service oriented industry to survive and develop. Here SERVPERF model was used to measure service performance and found that good services have strong influence on its customer's satisfaction. Among the five dimensions of SERVPERF model Responsiveness has the biggest influence on customer satisfaction.
6. **Bhatt, A.K. &Bhanwat D.S.(2016)**, in their study, "Measuring Customer Satisfaction Using SERVQUAL Model-An Empirical Study", they applied five dimensions in service quality (SERVQUAL) namely tangibility, reliability, responsiveness, empathy and assurance for measuring satisfaction of the customers. By taking 114 respondents result showed that services offered by retail units had positive impact and were significant in building customer satisfaction. It was also found that customers were highly satisfied with the services provided by the retail banking units.

Research Gap

It is evident from the literature that numerous studies have been conducted to measure customer expectation and perception of products and services provided by the organizations. Sakwa and Oloko(2014) assessed the effects of customer service on performance of commercial banks. However, study on performance of banking products and services in terms of customer focused are not found to be available. Again no local study is found to be available. Hence, it is highly desirable to undertake a

comprehensive study on products and services offered by banking industry and to understand the attitude of the customer towards such products and services.

Objectives of the Study

1. To analyze the service quality gap between expectation and perception of banks' customers in Tezpur town.
2. To analyze the customer satisfaction level through various products and services provided by commercial banks in Tezpur town.

Research Design and Methodology

Types of Research

In order to achieve the objectives, descriptive and analytical research designed was followed

Area of Study

The study was carried out in Tezpur town of Assam.

Population

The targeted population for the study was customer from selected commercial bank of Tezpur town.

Sampling Technique

In this study non probability sampling procedure was used to identify the sample units.

Sample Size

Sample size of this study was 110 customers from 5 selected commercial banks operating in Tezpur town of Assam. As such, sample banks are-State Bank of India, UCO Bank, Central Bank of India, Allahabad bank, and Punjab National Bank.

Method of Data Collection

Primary data were collected through structured questionnaire based on SERVQUAL model. The SERVQUAL Model is applied to measure service quality of banking products and services through bank customers. In order to achieve objectives, questionnaire was developed using five point Likert Scale (1 for strongly disagree and 5 for strongly agree) on 22 attributes showing SERVQUAL dimensions correspond to expectation and perception of service that provided by the banks. The five dimensions are **Reliability, Assurance, Responsiveness, Empathy** and **Tangibles**. However secondary data were collected with the help of articles, books, research papers and documents and from internet related to the present study.

Data Analysis

Quantitative techniques have been used for analyzing data. Collected data through questionnaires is analyzed using statistical tools, scaling technique, etc. Further, descriptive statistic using percentages and mean was used to analyze quantitative data. Data were presented using frequency tables.

Limitations of the Study

The degree of correctness of primary data is restricted and limited by the respondents. The small sample size raises the issue of generalizability.

Analysis and Findings

The table shows average SERVQUAL Scores of 110 respondents of five commercial banks in Tezpur town using five point Likert Scale (1 for strongly disagree and 5 for strongly agree) on 22 attributes showing SERVQUAL dimensions correspond to expectation and perception of service quality. It is a gap analysis of customer expectations and perceptions of service provided by a service organization. The SERVQUAL Model was developed by Parasuraman, Zeithaml and Berry (1985) to identify the gaps of five dimensions. The five dimensions are **Reliability, Assurance, Responsiveness, Empathy** and **Tangibles**.

Table: Calculation of Mean Scores of Customer Expectations and Perceptions of commercial banks in Tezpur town

Dimensions	Attributes	Expectation Score in Percentage	Perception Score in Percentage	Gap Score in Percentage (Perception-Expectation)	Over all Gap Score
TANGIBLE	1.Up-to-date equipment	4.21	2	-2.21	-6.68
	2.Virtually appealing facility	5	2.90	-2.1	
	3.Well dressed employee	4.10	3.13	-0.97	
	4.Clean environment	4.03	2.63	-1.4	
RELIABILITY	5.Service at certain time	4.20	2.72	-1.48	-4.25
	6.Sincere interest in solving the problems	5	3.54	-1.46	
	7.Perfect service right the first time	4.38	3.2	-1.18	
	8.Provide service at promised time	5	3.32	-1.68	
	9. Accurate record keeping	4.29	4.36	0.07	
RESPONSIVENESS	10.Available information for the customer	4.38	4.45	0.07	-3.67
	11.Prompt services	5	4	-1	
	12.Willingness to help customer	4.32	2.78	-1.54	
	13.Response to customer's request	4.2	3	-1.2	
ASSURANCE	14.Good behavior of employees	4.43	2.19	-2.24	-4.89
	15.Safe and accurate transaction	4	4.25	.25	
	16.Politeness of employee	4.09	2	-2.09	
	17.Knowledge of employee	4.40	4.09	-0.31	
EMPATHY	18.Individual attention	3.54	2	-1.54	-6.87
	19.Covenient operating hours	4	4.09	0.09	
	20.Personal service to the customer	4.40	2.29	-2.11	
	21.Understanding specific needs of the customers	4.31	2.39	-1.92	
	22.Staff have best interest at heart while asking for service	4.39	3	-1.39	

Source: Primary Data

The table shows the responses of the questionnaire administered to 110 customers of five selected commercial banks. With reference to **objective 1** and in terms of service quality dimensions the following observations are made

1. Consumer perception on **Tangibility**, all four attributes related to tangibility dimension, the highest mean score of 3.13 is well dressed employees followed by virtually appealing layout of the banks with a mean score of 2.90, then comes the clean environment with a mean score of 2.63 and lastly comes the up-to-date equipments with a least mean score 2. The overall service quality of the customers experienced less than what they considered in the dimension of tangibility.
2. Customer perception on **Reliability** dimension for the banks, out of five attributes tested, the highest with a mean score of 4.36 is accurate record keeping followed by sincere interest in solving problem with a mean score of 3.54, then comes the service provide at promised time with a mean score of 3.32, then comes perfect service right at first time with a score of 3.2 and lastly comes the service at certain time with a least mean score 2.72. The overall service quality of the customers experienced less than what they considered in the dimension of reliability.
3. Customer perception on **Responsiveness**, out of four attributes tested, the highest with a mean score of 4.45 is information for the customer followed by prompt services with a mean score of 4, then comes the response to customer request with a mean score of 3, and lastly comes the willingness to help customer with a least mean score 2.78. The overall service quality of the customers experienced less than what they considered in the dimension of responsiveness.
4. Customer perception on **Assurance** dimension for the bank, out of four attributes tested, the highest with a mean score of 4.25 is safe and accurate transaction followed by knowledge of employee with a mean score of 4.09. The good behavior and politeness of employee gets least mean score of 2.19 and 2 respectively. The overall service quality of the customers experienced less than what they considered in the dimension of assurance.
5. Customer perception on **Empathy** dimension for the banks, out

of five attributes tested, the highest with a mean score of 4.09 is convenient operating hours followed by best interest at heart for service to the customer with a mean score of 3, then comes the understanding needs of customer with a mean score of 2.39, then comes personal service to the customer with a score of 2.29 and lastly comes the service at certain time with a least mean score 2. The overall service quality of the customers experienced less than what they considered in the dimension of empathy.

With reference to **objective 2** and in terms of service quality dimensions the following observations are made.

The statements rated highest for the actual service perceived by the bank customers were accurate record keeping, available information for the customer, and safe and accurate transaction. From the table it was also found that the gap scores (expectation and perception) for tangibility, reliability, responsiveness, assurance and empathy shows the negative score. This negative gap score implies that customers are not satisfied.

Observation

However it is found that overall perceived service quality is low as expectations exceed perceptions; negative gap score implying that customers demand more than what is being offered to them. Due to such prevailing gap, it is clear that customers are not satisfied.

SUGGESTIONS

Bank should focus on improving service quality by investing in better customer-friendly equipments to enhance safe and fast transactions. Bank should provide personnel training to the staff for accurate record keeping, safe and accurate transaction, operating latest technology etc. Bank should also develop strategies that would enhance customer's perceptions capturing. The customer satisfaction strategy helps organization to compare their performance against customer standards, compare customer standards against internal process and identify opportunities for improvement. Good behavior of employee, politeness of employee, personal service to the customer, understanding specific needs of the customers, are some area where bank should give importance.

CONCLUSION

Satisfying customer is one of the main objectives of every business because businesses know that retaining a satisfied customer is more profitable than any other strategies. In today's competitive environment, delivery of high service quality has long been treated as basic business strategy. Knowing how consumer perceive service quality and being able to measure service quality can benefit management of service organizations. It can help management to monitor and maintain improved service quality. Using the SERVQUAL model to assess service quality enables management to better understand the various dimensions and how they affect service quality and customer satisfaction. This will help them to identify strengths and weaknesses of the business and thereby make necessary improvements.

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