Measuring Service Quality in Retail Banking

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ABSTRACT *The banking industry is the backbone of any monetized economy. Retail banking facilitates mobilizing deposit form individuals and providing loan facilities to them in the form of home loans, auto loans, credit cards, etc, & it is becoming popular nowadays. More over competition also becoming high as the new entrants also coming in, all these circumstances compelled a bank to raise its service quality to survive in highly competitive market. Banks which are having standard service quality norms are effectively surviving, on the other hand banks with low level service quality has been thrashed out during the depression period.*

By using non-probability convenience sampling a survey of 180 customers of Banks in Ahmedabad was carried out using a structured questionnaire. Analysis was carried out using descriptive statistic & Annova. This paper is intent to measure the service quality of retail banking services.

INTRODUCTION

Banks today are important not just from the point of view of economic growth, but also financial stability.Retail banking means mobilizing deposit from individuals and providing loan facilities to them in the form of home loans, auto loans, credit cards, etc, & it is becoming popular nowadays. With financial sector reforms gathering momentum, the banking system is facing increasing competition from non-banks and the capital market. More and more companies are tapping the capital market directly for finance. This is one of the main reasons for the banks to focus vigorously on the much ignored retail deposits.

LITERATURE REVIEW

Customer service is a key requirement for gaining competitive differentiation strategy. Customers have become more willing to change and shift their loyalties and choices between companies. (Bolton & Drew, 1992) As a result, quality policy has emerged as a fundamental tool for an organization to differentiate itself over its competitors. The huge (and still growing) importance of service sector in the world leads to increased need for quality improvements in banking sector. (Cronin & Taylor, 1992).

Service quality is related to profitability in a framework that supposes service quality has several consequence and benefits. Some of these benefits are intangible, such as customer satisfaction and retention, which help to increase the market share and profits, while some are tangible, such as decreased waste and costs as well as increased prices charged. However, all of these benefits should align between service quality and profitability. (Duncan, E. and Elliott, G. 2002)

METHODOLOGY
OBJECTIVES

To study the perception of the consumers with respect to the demographic variable towards the banking service quality.

To carry out a comparative analysis of profitability in top two private sector & public sectors banks.

SAMPLING FRAME
- Sample size : 180 respondents
- Sampling Unit: Bank Customer
- Collection method: Primary & secondary
- Primary data: Questionnaire
- Secondary: website, books.

- Sampling technique: Convenience sampling
- Statistical tools: Mean, Anova.

ANALYSIS & INTERPRETATION
DESCRIPTIVE ANALYSIS

Sr. No.	Statements	Mean	Standard deviation
1)	There is a need of a good quality service in retail banking.	3.68	0.87735
2)	Good quality of the service brings the competitive advantages to the bank over the competitors.	3.68	0.96857
3)	Your bank provide dynamic services according to changing needs of the customers	3.57	1.05684
4)	Your bank assists you whenever you are in trouble.	3.74	1.05874
5)	Your bank provides you good services at reasonable cost.	3.16	0.9587
6)	As compared to other banks, Services offered by your bank is better.	3.76	0.95842
7)	You will continue with your current bank in future.	3.47	1.594392
8)	Your bank is the best service provider in this region.	3.6	0.98694
9)	Your bank is providing innovative and customized services to you.	3.53	1.068872
10)	Bank should focus on reducing the time taken to complete a transaction of retail banking.	4.06	0.94491
11)	Banks should focus more on various competitive services that are provided to customers.	3.72	0.95874
12)	You will change your bank if it does not provide good and competitive services.	3.64	0.80125
13)	You consume the service of more than one bank.	3.77	0.98574
14)	Bank should develop Customer Relationship Management in order to provide good and required services of the customers.	3.83	1.25689

Table 1

INTERPRETATION

Parameter 10 is having mean (4.06) which stipulates that majority of the consumers say that bank should focus in reducing the time taken in particular transaction. Parameter 14 is having mean (3.83) which stipulates that majority of the consumers are agree that banks should develop the customer relationship management software so that bank can keep huge record of the consumers and takes care of the consumers. Parameter 13 is having mean (3.77) which specifies that majority of the consumers are consuming the services from more than one bank. Parameter 6 is having mean (3.76) which means that majority of the respondent says that their bank is providing better services than competitors. Parameter 4 is having mean (3.74) which instructs that majority of the customers are assisted by their banks when they are in trouble like non clearance of cheque. Parameter 11 is having mean (3.72) which shows that banks should focus on various competitive services that are provided to their consumers because this competitive services attract the consumers and helps them in reducing cost and time. Parameter 1 is having mean (3.68) which shows that there is a higher need of a good quality of services in retail banking. Parameter 2 is having mean (3.68) which shows that good quality banking services bring the competitive advantages over the competitors. Parameter 12 is having mean (3.64) which stipulates that majority of the consumers want a good quality service from the banks.. Parameter 8 is having mean (3.6) which inferences that majority of the consumers are of an opinion that they get best service from their bank in their region as bank take very good care of their problem. Parameter 3 is having mean (3.57) which stipulates that majority of the banks are providing dynamic services to the customers as per the change in their need. Parameter 9 is having mean (3.53) which shows that consumers opine that their bank is providing innovative and exclusive services like internet and mobile banking service to their consumers. Parameter 7 is having mean (3.47) which infer that consumers would like to continue to consume the services of the same banks in future due to good service quality. Parameter 5 is having mean (3.16) which stipulates that many of the banks are providing services at reasonable cost but there are some private banks charges higher cost to their consumers.

ANNOVA

HO: There is no significant difference in the consumers' perception towards the banking service among the people from the different income group.

H1: There is significant difference in the consumers' perception towards the banking service among the people from the different income group.

Dependent Variable	Independent Variable	Significant Value
Consumers Perception	Income	0.327

Table 2 (0.05 level of significance)
H0 accepted.

So, there is no significant association between the consumers of different income group and consumers' perception towards banking service.

HO: There is no significant difference in the consumers' perception towards the banking service among the people from the different occupation

H1: There is significant difference in the consumers' perception towards the banking service among the people from the different occupation

Table 3 (0.05 level of significance)

Dependent Variable	Independent Variable	Significant Value
Consumers Perception	Occupation	0.923

H0 Accepted

So, there is no significant association between the occupation and consumers' perception towards banking service.

FINDINGS

There is no significant association in the consumers' perception towards the banking service among the people from the different occupation & different income group.

Service quality plays an important role in this competitive environment as far as banking industry is concern.

Banks focuses more on service quality, is in a position to gain higher profit.

Customers are volatile. If they don't get the services up to the mark from the bank they tend to change it.

Nowadays, customers have became highly aware about the service quality aspect and they are responsive to it.

Services of private sector banks are of a good quality than the public sector banks because private sector banks provide more customized and innovative services with a great flexibility.

Business people and senior citizens more prefer the public sector bank whereas the servicemen, housewives and student prefer private sector banks.

CONCLUSION & RECOMMENDATION

Findings of the study show that demographic factors do not have any impact on the consumer's perception towards the services offered by the bank. Moreover, there is also a direct relationship between service quality & profitability. Better the quality of the services, higher will be the profit. As it has stated in the findings that service quality is an important aspect that directly leads to satisfaction amongst the customers & hence banking institutions should focus on the various aspect like implementation of new technology at branch as well as at ATM, well trained staff, minimizing the waiting time & ensuring good experience in the service encounter stage. Apart from it, banks should also provide more personalized for which bank should incorporate Customer Relationship Management technology in their daily business activity. Banks can also practice various loyalty & grievances handling programme.

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