Indian Rural Customers Perception on Service Quality (Servqual) in Retail Banking

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ABSTRACT *A worrying absurdity in the Indian banking industry is the amount of reported customer dissatisfaction with banks, regardless of large-scale efforts of the banks, over many years, to try to progress their service to the customers. In response to escalating competition, increased customer needs and pressure of customer crowd at the bank, the private banks as well as nationalized banks have taken many steps to try to improve their service quality over the last few years. This study provides working professionals of the banks with an empirically derived outline to help them judge the likely impact of any service quality initiative. It also sorts out quality factors of the retail banking sectors in terms of their relative importance and their effect on satisfaction and dissatisfaction level of the customers. This research seeks to investigate the factors envisaging customer loyalty in retail banking in rural areas of India. The results exhibit some SERVQUAL dimensions in predicting Indian rural customers' satisfaction in retail banking.*

Introduction

Recent developments in the retail banking service include, increasing the number of "single window" operations to avoid the rush and harassment of queuing at different window for different purposes, improving attention and politeness of face-to-face encounters, trying to reduce time spent in queues through paperless transactions (presently available only selective branches of State Bank of India), improving the multifunctional operations of ATM machines, improving the ambience of the banking halls and extending the availability of internet and mobile telephone banking (including SMS alerts) etc. Nowadays service quality is acknowledged to be a significant ground in banking operations, and "SERVQUAL endow with know-how for measuring and managing service quality. Effectively, "SERVQUAL measures customers' expectations of what organizations should make available in the industry. The concept of 'SERVQUAL' was at first conceptualized by Parasuraman et al. (1985) and then more developed for the next few years by the same researchers. The key rationale of this study is not to appraise the concept of SERVQUAL, but to make use of SERVQUAL technique as a foundation to measure service qualities offered by the banking sectors (both nationalized and private banks) operating in Indian rural areas and to scrutinize their relationships with affective attitude and overall satisfaction of the customers. In measuring the five SERVQUAL dimensions, the study follows Brady et al.'s (2002) move toward not to compare a customer's expectation with perceived performance of the banking service provider, but in its place only to measure perceived performance.

Review of Literature

SERVQUAL "has been criticized by different authors for diverse reasons, such as the operationalization of prospect, the reliability and validity of the instrument's difference score formulation and the scale's dimensionality across disparate industrial settings" (Sureshchandar, Rajendran & Kamalanabhan, 2001, p. 111).Many researchers have used the dimensions of SERVQUAL as the foundation for their research, and therefore SERVQUAL "has unquestionably had a key impact on the business and academic communities" (Buttle, 1996, p. 24), and has been said to be "insightful and [to remain] a practical framework to use in service quality management" (Christopher, Payne & Ballantyne, 2002, p. 177). However, one particular area of criticism has been the scale's contrast of a customer's expectations and their perceptions, and Cronin and Taylor (1992) have suggested that it is not necessary

to include a customer's expectations, in disagreement that modeling perceived performance is adequate. Buttle (1996, p. 25) offered directions for future research. One of them was to further investigate the "relationships between SQ [service quality], customer satisfaction, behavioral intention, purchase behaviour, market share, word-of-mouth and customer retention". This is, with the exception of "purchase behaviour" and "market share", precisely the focus of this current study. Cronin and Taylor modified the Gap-based SERVQUAL scale into SERVPERF, a Performance-Only Index. Their study was later replicated (Brady et al., 2002) and both studies' findings suggest that in a number of industries such as fast food, pest control, dry cleaning, but also in banking. SERVQUAL has been criticized on theoretical and operational grounds, the lack of research in this field is also supported by Wright and Kearns who report that advancement in research exploring the link between SERVQUAL and "success" (for example, preservation or eagerness to advocate) is "almost non-existent" (1998, p. 12). Three measures of behavioral intentions were therefore included in this study as dependent variables; short- and long-term intentions to remain a customer of the bank, and a customer's stated willingness to recommend their bank to others.

methodology adopted

This study aims at classifying the quality factors into satisfiers and dissatisfiers together with their comparative importance. Its purpose is to identify, through empirical research in the banks having branches in rural areas of India , the importance and effect of the determinants of service quality so that managers might be better prepared to come to a decision how to deal out limited resources available at rural branches of the bank to improve service quality. One regional rural bank sponsored by Central Bank of India established under the Provision of Section 3(2) of RRB Act 1976 [21 of 1976] agreed to be involved and to endow with direct access to its personal account customers from several branches located in northern region of West Bengal. Studies were undertaken to assess the effect of the factors and a second to assess their relative importance. An open format approach was used to identify effect. This allowed customers to give free response rather than limiting them to fixed criteria which would have controlled the range of responses. A convenience sample of 200 bank customers between the ages of 18 and 70 years, of both sexes, were interviewed over a period of three weeks, in the banking halls. The classification scheme was explained to the customers and they were asked to rate, from 0 to 4, the relative importance

of the 18 factors in terms of the service provided by their high street bank. Each factor was accompanied by a brief explanation and the categories were also described.

Analysis and discussion

SERVQUAL has been empirically tested to identify the acceptance of pure banking service setting in the rural areas. The Gap score is a reliable indication of each of the five dimensions of service quality. Using SERVQUAL, service providers can obtain an indication of the level of quality of their service provision, and highlight areas requiring improvement.

Table 1 - Calculation of SERVQUAL Scores

Dimension	Statement	Expectation Score	Perception Score	Gap Score	Rank
Tangibles	The rural branch of the bank has modern equipment.	6.5	6.3	0.2	22
	The physical facilities the rural branch of the bank is visually appealing.	6.3	5.6	0.7	13
	Bank employees of the rural branch are neat in their appearance.	5.9	5.6	0.3	20
	Materials associated with the service (pamphlets or sign boards) are visually appealing in rural branches of the bank.	6.5	6.2	0.3	20
Reliability	Provides services as promised	6.9	6.2	0.7	13
	Bank employees show sincere interest in solving the problems of the customers.	6.5	5.5	1.0	1
	Performs service right the first time.	7.0	6.2	0.8	7
	Provides service at the time they promise to do so.	7.0	6.1	0.9	3
	Maintains error free records.	5.9	5.0	0.9	3
Responsiveness	Employees of bank inform the customers exactly when services will be performed.	6.3	5.4	0.9	3
	Employees give prompt service to the customers.	6.8	5.8	1.0	1
	Employees of the bank are always willing to help village customers (especially illiterate or semi-literate)	6.3	5.6	0.8	13
	Employees are always ready to respond to customers' requests.	6.3	5.5	0.8	7
Assurance	The behaviour of employees in rural branches of the banks instil confidence in customers	6.3	5.5	0.8	7
	Customers of the rural banks feel safe in banking transactions	6.2	5.4	0.8	7
	Employees of rural banks are consistently courteous with customers.	5.9	5.3	0.6	17
	Employees of the banks have the knowledge to answer customers' questions.	6.3	5.7	0.6	17

Empathy	Rural banks pay individual attention to their customers.	6.3	5.6	0.7	13
	Rural banks have operating hours convenient to all their customers.	6.2	5.4	0.8	7
	Rural banks have employees who give customers personal service.	6.3	5.5	0.8	7
	Rural banks have their customers' best interest at heart.	6.5	6.1	0.4	19
	The employees of rural banks understand the specific needs of their customers.	6.3	5.4	0.9	3
Unweighted Average SERVQUAL score:					

Listed below are the five sets of features pertaining to banks and the services they offer.

Table 2 - SERVQUAL Importance Weights

Features	Points
1. The appearance of the banks physical facilities, equipment, personnel and communication materials.	18
2. The bank's ability to perform the promised service dependably and accurately	17
3. The banks willingness to help customers and provide prompt service.	21
4. The knowledge and courtesy of the bank's employees and their ability to convey trust and confidence.	26
5. The caring individual attention the bank provides its customers.	18
Total:	**100**

Table 3 - Calculation of Weighted SERVQUAL Scores

SERVQUAL Dimension	Score from Table 1	Weighting from Table 2	Weighted Score
Tangibility	1.5	18	27
Reliability	4.3	17	73.1
Responsiveness	3.5	21	73.5
Assurance	2.8	26	72.8
Empathy	3.6	18	64.8

The above scores derive that in the rural area to improve the services of the banks the responsiveness of the bank employees to the customers of the village areas needs maximum importance since in the customer profile do not include highly educated group of people. On the other hand rural customers are not highly concerned about tangible aspects of retail banking in comparison to reliability, assurance and empathy.

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