



## Literature Review on Customer Perception on Service Quality in Banking Sector

### KEYWORDS

Customer Perception, Service quality, SERVQUAL Model, Technology.

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**ABSTRACT** *The purpose of this study is to review the literature survey on customer perception on service quality in banking sector. The role of service quality plays an important role in banking sector and it provides new entrants about the current diffusion of technology and the unprecedented competition in the industry. Service quality measure is based on modified version of SERVQUAL as proposed by (Parasuraman et al., 1988) which involve five dimensions of service quality namely Reliability, Responsiveness, Empathy, Assurance and Tangibles. The customers expect a high level of service quality factors, which influences the performance of bank.*

### Introduction

Banking sector is the backbone of any financial system of the economy. Commercial banks play an important role in the development of developing economies by mobilization of resources and their better allocation. The service quality has gained importance in last decade due to its unique characteristics of services involving intangibility, inseparability, variability and perishability. The researchers have been coming up with different structure in various dimensions of service quality. Technical – functional quality and image model by (Gronoors 1984), Gap model (Customer expectation and perception of expectation and perceived service by (Parasuraman et al 1985).

### Service Quality

Nowadays service quality has become one of the important determinants in measuring the success of industries. Marketers agree that service quality has truly presented a significant influence on customers to distinguish competing organizations and contribute effectively to customer satisfaction (Parasuraman, Zeithaml, and Berry, 1985; Mersha, 1992; Avkiran, 1994; Marshal and Murdoch, 2001). Service quality can be defined as the difference between customer expectation for service performance prior to the service encounter and their perceptions of the service received (Asubonteng et al., 1996). Service quality is the delivery of excellent or superior service relative to customer expectations (Zeithaml and Bitner 1996). Service quality is recognized as a multidimensional construct. Service quality revolve around the idea that it is the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed (Lewis and Booms 1983).

### The SERVQUAL Approach

Among general the most popular model used for evaluation of service quality is SERVQUAL, a well-known scale developed by (Parasuraman et al., 1985, 1988). The attributes of (Parasuraman et al., 1985) were tangibles, reliability, responsiveness, competency, courtesy, assurance, credibility, security, access and understanding. Parasuraman et al., 1988 later reduced these ten dimensions into five by using a factor analysis. Based on (Parasuraman et al 1988) conceptualization of service quality, the original SERVQUAL instrument included 22 items. The data on the 22 attributes were grouped into five dimensions.

**1. Tangible:** Well maintained waiting cues, clear and easy bank statement and convenient location, faster operation with modern technology.

**2. Reliability:** Provide services when promised.

**3. Responsiveness:** Employees attention in solving problems, employees full service, promptly errors correction.

**4. Assurance:** Safe feeling for transaction, competitive loan rates, Interest Rate on saving and time deposit, helpful employees.

**5. Empathy:** Employees search for solution.

### Review of Literature

Most research in the area of service quality has been based upon the model developed by (Parasuraman et al 1985, 1988), which incorporates a comparison of customer expectations and perceptions of service performance. It is relevant to refer briefly in the related areas of the subject to find out and to fill up the research gaps. Literature on Service Quality dimensions like Tangible, Reliable, Responsiveness, Assurance and Empathy and few studies which are undertaken on the customer perception in banking sector.

1. Aashish Shashikant Jani (2012) identify relative important factors affecting the areas of strength and weaknesses of public and private sector banks in terms of different technologies offered to customers and future growth of e-channels in retail banking. Parameters like money transactions, efficiency, financial services, reliability and motivation were used to find the above. The empirical data from 100 respondents of customers of bank were selected using a survey questionnaire and hypothesis were framed and tools like Mean, Standard Deviation, Coefficient of Variation, Correlation Analysis and Z test were used. The result reveals that use of technology inferred a positive perception of customers of public sector and private sector banks.

2. Dharmalingam et al., (2012) examined to identify and evaluate the gap existing between expected and perceived services and the areas that need to be improved to deliver superior quality of service in selected new private sector banks. Service quality dimensions like tangible, reliability, responsiveness, assurance, empathy, access, security and price and product variety were considered for customer service quality expectations and perception. 8 hypotheses were taken for the study and a sample of 780 respondents were selected and paired t-test measurement results indicates that customer's highest expectations are in the security and accessibility dimensions and customer's lowest expectations in responsiveness dimensions, largest service gap exists in reliability and price and product variety and smallest service gap exists in empathy and tangible dimensions.

3. Mohammad Hosein Moshref Javadi et al., (2012) in their study to evaluate the quality of private banks services provided to the customers and to measure the customer's satisfaction. SERVQUAL six dimensions scale to be measured are tangible, reliability, responsiveness, assurance, empathy and accessibility the ability to access private banks easily and conveniently. A pilot survey was conducted for the questionnaire and reliability and validity test satisfies and the final questionnaire was distributed to the 390 convenience respondent. Six hypotheses were framed for the above and tools like mean and t test were analyzed and the result indicates that assurance, reliability seems to be most important dimensions and accessibility and tangibility are the most serious problem and private bank have to improve actions in mentioned dimensions.
4. Md. Abdul Mueeed (2012) in his study to evaluate the service quality in retail banking in the developing countries in general and Bangladesh. Service quality dimensions like reliability, competence, tangible and empathy with 14 parameters were measured and demographic profile of the customers were taken for the study. The questionnaire has designed on the basis of the study as parasuraman et al (1985) and questionnaire has been personally distributed on a sample size of 250 chosen from private and public sector banks. Tools like percentage analysis, mean, standard deviation and z test were taken for the study and the results indicates that customer's perception has reached on highest in the prompt and accuracy in transactions followed by safety of customer's investments and keep confidentiality of account and transactions and lowest in the service of modern equipment and decor. Due to increasing completion the bank need to consider the weak areas in order to meet customer perception about service quality.
5. Anber Abraheem Shlash Mohammad and Shireen Yaseen Mohammad Alhamadani (2011) to examine the level of service quality as perceived by customers of commercial bank working in Jordan and its effect customer satisfaction. Service quality measure is based on SERVQUAL proposed by (parasuraman et al., 1988), which involve five dimensions namely reliability, responsiveness, empathy, assurance and tangibles. Customer satisfaction was measured by 9 item adapted from (Walfried et al., 2000). A pilot study was conducted and questionnaire was distributed to 30 willing respondents through convenient distribution. A structured questionnaire contains 30 items and distributed to 260 randomly selected customers of commercial banks. Statistical tools like factor analysis and multiple regression analysis was employed to test the impact of service quality on customer satisfaction and the result indicates that to improve the elements of service quality is an important antecedent of customer satisfaction.
6. Emari et al., (2011) assessed to determine the dimensions of service quality in the banking industry in Iran. The study empirically examined Gronor's model suggesting that service quality dimensions like modified SERVQUAL scale like tangible, assurance, responsiveness, reliability and empathy were used to measure functional quality, technical quality service items were developed by image, customer satisfaction and overall service quality. A standard questionnaire was used for collecting the data and 287 customers were selected through cluster sampling for the study. Tools like confirmatory factor analysis and chi-square test was utilized to verify the construct of validity and reliability test. The results reveals that the overall service quality is influenced more by a consumer's perception of technical quality than functional quality.
7. Kazi Omar Siddiq (2011) in his study to identify the interrelationships and critical factors between service quality, customer satisfaction and customer loyalty in retail banking sector and to identify the benefits of this relationships. Parasuraman et al (1985) service quality five dimensions were customer satisfaction, tangibles, reliability, responsiveness, assurance, empathy and customer loyalty. A set of questionnaire consists of four parts like general information, independent variable and dependent variable and customer loyalty were distributed to 100 sample retail bank customers was drawn from different banks in Bangladesh and eight hypotheses were framed for the above. Tools like mean and standard deviation were used for the study and the result shows that all the service quality attributes are positively related to customer satisfaction and customer loyalty in the retail banking. Empathy demonstrates the highest positive correlation with customer satisfaction and tangibility shows the least positive correlation with customer satisfaction.
8. Ashfaq Ahmad et al., (2010) reveals to examine the perception of service quality of products offered by Islamic and conventional banks in Pakistan. Service quality like reliability, tangibles, responsiveness, assurance and empathy were taken for the study. A sample of 720 respondents was selected for this study and structured questionnaire was developed by using stratified random sampling. Descriptive statistics are used to a demographic characteristic of the respondent t-test; mean and standard deviation were used to show that policy makers and bankers to make effective and quality oriented arrangements to have satisfied and delighted customers for long term benefits and service quality score offered by Islamic banks are greater as compared to conventional banks.
9. Daing Maruak Sadek et al., (2010) whether to identify the factors affecting the customer's perception on service quality of bank in Islam and to measure the mean scores of dimensions in service quality of bank and to determine the difference in means of service quality in bank. SERVQUAL comprises 33 items named CARTER with six dimensions compliance, assurance, reliability, tangible, empathy and responsiveness which customised for suitability of bank. Convenience sampling was used and questionnaire used was structured and close-ended question were distributed to any customers of account holder of the bank. Service quality of 5 gap model was derived as understanding, service standards, service performance, communications and service quality. Statistical tools like one-way ANOVA, t test and ranking method was used and the results indicated that compliance issues are very important for Islam bank customers, and the customers seemed more appreciate bank for its religious provision rather than its service quality offered.
10. Kittit Tananitikul and Nuttawuth Muenjohn (2010) intended to determine set of service quality and value dimensions that were vital importance to a government-owned bank (GOB) and its customer satisfaction. Seven service key attributes of 22 item scale namely tangible, reliability, responsiveness, assurance, empathy, price and differentiation are the statements measuring customer's expectations and perceptions of service quality. Tools like mean, standard deviation, t test and ranking method was used for the study and the result showed that customers are most satisfied service dimension for service as reliability and it was one of the major policies and strategies of bank. Tangible, responsiveness and empathy are three service dimensions have significant differences in their perspectives. Tangible and price service dimension are most important to them, they were currently least satisfied and bank need to improve the quality of its services in order to meet the customer satisfaction.
11. Puja Khatri and Yukti Ahuja (2010) conducted a research study to explore the dimensions of customer perceived service quality in the context and to study and understand the applicability of servqual model to private and public sector banks and identify the critical variables that customers seek from a quality of service delivery. Various service quality dimensions include Tangible, Reliability, Responsiveness, Assurance and Empathy was made for the study. 122 sample respondents were used in Judgement sampling. Tools like Mean, Standard deviation, student t-test have been used to find the credit fa-

cilities and insurance services in private sector banks need to concentrate. Public sector banks need to improve their service

quality by improving their physical facility, infrastructure and giving proper training to their employees.

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