



## Analysing Service Quality in Commercial Banks in Lucknow City

### KEYWORDS

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**ABSTRACT** *In the modern customer focused competitive arena customer satisfaction and quality are to be a key factor reciprocally interrelated in a cyclical relation. The higher the service quality the more satisfied are the customers. 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. Customer satisfaction was measured by a nine item adapted from Walfried et al. (2000). This study attempts to measure and compare service quality and customer satisfaction among Commercial banks in Lucknow City. A survey has been used to collect primary data through questionnaires and the questionnaires were distributed randomly to customers of select commercial banks branches located in Lucknow City for analysis*

### Introduction

The banking institutions are a part of service industry. Efficient customer service is important not only to retain the existing customer but also to enlist new customer. Retaining old customer is always cheaper than acquiring new ones. Bank can generate revenue by deepening relationship with existing customers.

Technology driven product such as debit card, credit card, tele-banking, mobile phone banking, Internet Banking have given customers a greater access to communicate their needs instantly and transact their business promptly. E-banking can be strategic weapon against Commercial bank. There are many institutions offering service of E-banking, threatening the existence of Commercial bank. Keeping this in view, an attempt is made to conduct an empirical survey of rating of customer's service by Commercial banks like Punjab National Bank (HAL Branch), Vijya Bank(IET Branch), Allahabad Bank(Aliganj), Bank of Baroda (Vikas Nagar) and Corporation Bank (Bakshi Ka Talab) in Lucknow.

Lucknow popularly known as the seat of the Nawabi culture, it stands out as a city that takes pride in the endearing but subdued articulation of its essence and identity. At the same time, Lucknow is placed among the fastest growing cities of India and is rapidly emerging as a manufacturing, commercial and retailing hub.

### Literature Review

The definition of "service quality" is that it is the customers judgment of the over excellence of superiority of a service (Zeithaml, 1988). A similar definition holds that the 'sum total' of the customer's perception of the service is at the center of service quality research (Gummesson, 1992). Two people may rate an organization is having exceeded expectation with regard to empathy, but one may view this much more favorable than the other. This indicates a need to measure peoples overall impressions of scores (Oliver, 1997). Zeithaml, Parasuraman and Berry (1990) recommended assigning importance weight to each of the service quality dimension in analysis. The measure of importance that the author has used entails asking respondent to divide 100 points among their five dimensions- assigning more points to the dimensions they considered to be more important. Alternatively the overall rating of service could be statistically regressed onto individual dimensions, with the resulting regression coefficients servicing as the weight (Kaster, 1999).

### Methodology

The quality of service provided by the Commercial banks in Lucknow is examined and analyzed to the perception of customers since it is a measurement of service rating except the scaling technique is adopted to analyze the quality of service. For the purpose of present study, five Commercial banks (Punjab National Bank, Vijya Bank, Allahabad Bank, Bank of Baroda and Corporation Bank) in Lucknow are chosen as sample based on random sampling method. At the second stage, to collect the data 25 customers from each bank collected with total of 125 (5x25) and they were given pre design questionnaire to know their rating of various service rendered by the Commercial banks. With the help of readymade scale framed by RBI the extent of customer service has been measured.

### Objective of the Study

**Specifically, the objective of the study has been:**

- To analyze the factor determining customer service rating.
- To measure the level of customer satisfaction and
- To identify the underline pattern

### Measurement Procedures:

The research study has used 19 variables to measure the attitude of customers towards banking service. A five point scale ranging from 5 to 0 has been developed: excellent - 5, very good-4, good-3, average-2, and poor -0. Further, Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlett's test of sphericity were conducted. The principle components within orthogonal rotation procedure of VARIMAX for summarizing most of the original information with minimum factor and optimal coverage. The factor loading more than 0.5 and more than 1.0 was considered for subsequent analysis. It is important in these measures to guard against including items related to construct of customer satisfaction. The customer service in Banks are divided in to four broad groups i.e., infrastructural facilities, counter service, computerized service and deposit and loan service.

### Result and Discussion

The following discussion is based on the responses from the sample customers representing the five sample banks.

#### 1) Infrastructure facilities:

**The results of the customers overall rating are given in table 1.**

**Table 1 : Overall rating for infrastructural facilities**

S.No.	Variable	Percentage of respondents					Total scores	Weighted average	Rank
		Poor	Average	God	Very Good	Excellent			
1.	Appearance	8	19.20	39.20	20.80	20.00	424	3.40	IV
2.	General layout	0	6.40	45.60	32.00	16.00	467	3.74	I
3.	House keeping	0	12.80	30.40	36.80	20.00	455	3.64	II
4.	Adequacy of space	0	14.40	40.00	25.60	20.00	439	3.51	III

(Source: Primary date.)

The table 1 reveals that 39.20 per cent of the respondents rated the appearance of premises as 'good' and 20 per cent as 'excellent'.

Proper office layout, which ensures smooth flow of papers, is an important factor in rendering prompt service to customers. Table 1 reveals that the majority of customers are satisfied with waiting space and sitting arrangements: good (40%), very good (25.60%) and excellent (20%).

Overall ranking of the infrastructural facilities in the sample banks shows that the highest score (467) is secured by the component general layout. Housekeeping (455) comes next. Adequacy of waiting space (439) and appearance of frontage of bank premises (424) are third and fourth.

**2) Service at counter:**

Table 2 shows the total scores and the weighted average scores secured by the sample banks regarding overall rating of service at the counter.

**Table 2 : Overall rating of counter service**

S.No.	Variable	Percentage of respondents					Total scores	Weighted	Rank
		Poor	Average	God	Very Good	Excellent			
1.	Behaviour of the staff	0	16.00	41.60	27.20	15.20	427	3.4	I
2.	Punctuality and presence	0	20.00	46.40	25.60	8.0	392	3.1	V
3.	Efforts of the staff to minimize time	0	18.40	37.60	32.80	11.20	421	3.3	II
4.	Readiness	0	19.20	48.00	20.00	12.80	408	3.2	IV
5.	Efforts made by the staff	0	17.60	44.00	27.20	11.20	415	3.3	III
6.	Promptness in delivery	0	10.40	52.20	26.40	11.20	390	3.1	VI

(Source : Primary data)

According to 41.60 per cent of the respondents the courtesy shown by the bank staff is 'good' and only 16 per cent of them say 'average' (Table 2).

The presence of the staff 15 minutes before the commencement of business could be made operative by banks in metropolitan and urban centers. It is observed from table 2 that the majority (80%) of the customers have rated the punctuality of the staff on the counter 'good', 'very good' and 'excellent'. It is evident from table 2 that the respondents have rated the efforts of the staff to minimize waiting period of the customers as 'good' (37.60%), 'very good' (32.80%) and 'excellent' (11.20%). Table 2 reveals that the majority (81%) of the customers feel that the bank staff receive their complaints willingly and solve their problems. Responses to the redressal of the grievances of customers by the staff are given in table 2 which reveals that the respondents are of the

view that the efforts of the staff to solve customers problems are good (44%), very good (27.20%) and excellent (11.20%). The customers' responses to the promptness in delivery of statement of accounts show that 52.20 per cent of them rated it as 'good', 26.40 per cent as 'very good' and 11.20 per cent 'excellent'.

**3) Rating of computerized service**

Total and weighted average score of computerized service are given in table 3.

**Table 3 : Overall rating of computerized services**

S.No.	Variable	Percentage of respondents					Total scores	Weighted average	Rank
		Poor	Average	God	Very Good	Excellent			
1.	Speed of collection of cheques	0	6.40	84.0	8.00	1.60	381	3.0	III
2.	Quickness in intimating fate of cheques	0	8.80	87.20	3.20	0.80	370	2.9	IV
3.	Availability of any service at any counter on computer	0	11.20	54.40	16.80	17.60	423	3.4	I
4.	Delivery of printed pass book/ statement on computer	0	17.60	52.80	16.80	12.80	406	3.2	II

(Source : Primary data.)

From table 3, majority of the customer's opinions on speed of collection of cheques / drafts are 'good' (84%). Banks may ensure that dishonored instruments are returned, dispatched to the customers promptly without delay in any case within 24 hours. Table 3 also reveals that 87.20 per cent of the respondents have rated the quickness in intimating the fate of cheques as 'good'. In this speedy electronic age customers want to go away as quickly as possible to attend to other work. It is evident from the table 3 that 54.40 per cent of the respondents have rated computer service in the sample banks as 'good'.

It is evident from table 3 that 52.80 per cent of the customers rated delivery of printed pass book / statement on computers as 'good' whereas 17.60 per cent of them say 'average'. The overall rating of computer service indicates that the highest score (423) is secured by the component printed statement of computers (406) and speed of collection of cheques (381) have secured second and third ranks respectively.

**4) Customer rating of deposit and loan services**

The overall ratings of deposit and loan services in the sample banks are given in table 4.

**Table 4 : Overall rating on deposit and loan services**

S.No.	Variable	Percentage of respondents					Total scores	Weighted average	Rank
		Poor	Average	God	Very Good	Excellent			
1.	Guidance to customers on deposit schemes	3.70	14.50	34.50	29.10	18.20	187	3.4	II
2.	Services related to deposits	1.80	16.40	23.60	32.70	25.50	199	3.6	I
3.	Timely sanction of loan	7.1	14.30	30.00	28.60	20.00	233	3.3	II
4.	Timely disbursal of loan	11.40	20.00	28.60	22.90	17.10	212	3.0	IV

(Source : Primary data)

There is room for providing customer satisfaction by assisting customers in taking proper decisions on investment in various deposit schemes. The respondents' opinions about guidance to customers deposit show that the majority of the respondents (81%) have expressed their full satisfaction. It could be seen from table 4, 23.60 per cent of the respondents have rated services related to term deposit as good, 32.70 per cent very good and 25.50 per cent excellent. The majority i.e., 78.00 per cent of the respondents rated timely sanction of loan as good. Delay in disbursement of housing loans is justified to some extent as the sanction of housing loans or project loans involves scrupulous scrutiny of securities and proposals. But still, a majority of the respondents (69%) have rated timely disbursement of loans as 'good', 'very good' and 'excellent'.

Overall rating of deposit and loan services in the sample banks shows the highest weighted scores are secured by services related to term deposits (3.6) and guidance to customers on deposit scheme (3.4).

#### Factor analysis

The factor analysis results reduced the 19 original variables to three factors. In order to understand the sampling adequacy and significance of the data collected for factor analysis the Kaiser-Meyer-Olkin measure and Bartlett's Test of Sphericity are conducted.

**Table 5: KMO and Bartlett's Test**

S. No.	Particulars	Results
1.	Kaiser-Meyer-Olkin Measure of sampling adequacy	0.833
2.	--	1147.106
	Df	171
	Significant	0.000

The Kaiser-Meyer-Olkin measure of sampling adequacy is 0.833 which means that factor analysis is gainful for these data.

**Bartlett's test of sphericity is highly significant (P < .001) indicates that the factor analysis is appropriate for the data collected, the Rotate Component Matrix is carried out and the results are given in table 6.**

S. No.	Variable	Components		
		1	2	3
1.	Appearance of bank premises	.757	.198	.162
2.	General layout	.743	.052	.166
3.	Housekeeping	.751	.184	.145
4.	Adequacy of space	.614	.454	.126
5.	Behaviour of the staff with customers	.683	.363	.052
6.	Punctuality of the staff	.715	.186	.111
7.	Quick service of the staff at the counter	.423	.621	.150
8.	Patience of the staff	.659	.424	.155
9.	Redressal grievances	.524	.479	.044
10.	Promptness in delivery of passbook/statement	.545	.451	.222
11.	Speed of collection of cheques	.173	.023	.728
12.	Quickness in intimating fate of cheques	-.108	.303	.671
13.	Guidance on deposit schemes	.231	-.089	.838
14.	Deposit services	.321	-.126	.755
15.	Timely sanction of loan	.327	.572	-.235
16.	Timely disbursal of loan	.331	.593	-.218
17.	Any service at any counter	.216	.716	.075
18.	Computer printed statements	.112	.770	.139
19.	Efficiency of remittance service	-.162	.640	-.005
	Eigen Value	6.686	2.679	1.646
	Variance explained	24.579	19.770	13.602

The factor analysis of the nineteen perception variables has developed a three-factor solution (Table 6). The three

factors account for an acceptance amount of variance (58%) and display logic in the combinations of the variables that accounts for (25%) more of the variance in the data as a whole and their latent root (eigen value) in 6.686. The second factor accounts for (20%) the residual variance after the first factor is extracted and their latent root is 2.676. The third factor accounts for (14%) less variance than the second one and their latent root is 1.646. To analyze the logic of the combinations, only take the variable with the highest loadings that is to select only the take the variable with the highest loadings that is to select only the loading 0.5 or higher from rotated factor solutions. The factor one is comprises of appearance of bank premises, general layout, housekeeping, adequacy of space, behaviour of the staff with customers, punctuality of the staff, patience of the staff, redressal of grievances and promptness in delivery of pass book / statement. Factor two is consists of loan, any service at any counter, computer printed statements and efficiency of remittance service. Factor three is contains of speed of collection of cheques, quickness in intimating fate of cheques, guidance on deposit schemes and deposit services.

Factor one is "infrastructure" factor, two is "Efficiency". It is labeled as "Service delivery" factor. Overall, customers believe the infrastructural facilities are acceptable first (eigen value = 6.686). For the efficiency in service variable eigen value are higher than 'service delivery' variable (eigen value for efficiency = 2.679 and service deliver value = 1.646). Efficiency factor is the second preference of the customers and there definitely is room for improvement in customers' perceived value for service delivery factor.

#### Conclusion

This paper measures the customer service rating of Commercial banks in Lucknow. The economic reforms have for far-reaching consequences on the banking management in general and the commercial banks in particular. Commercial Banks are placed in a highly competitive environment and their survival and sustainability depends on customer satisfaction. There are nineteen variables used in this study and they are divided into four broad groups:

1. Infrastructure facilities
2. Service at the counter
3. Computerized services
4. Deposit and loan services.

In the first group, the highest score is secured by the variable 'general layout' followed by 'housekeeping' behaviour of the staff is ranked first under the second group of service at the counter. Availability of any service at any counters the group of computerized service and deposit and loan services respectively. Using factor analysis it was found that the nineteen perceptions variables have developed a three-factor solution i.e., Infrastructure, Efficiency and Service delivery. The customers of Commercial Banks of Lucknow opined that their first preference to infrastructure facilities of the bank followed by efficiency factor and service delivery as per the result of rotated component matrix. It may be inferred that customer service in Commercial Banks of Lucknow has to be of high quality.