



A Study of Service Quality of Rural Banks in Kolhapur District, Maharashtra.

KEYWORDS

Service quality, Rural banking, SERVPERF, service experience

Dr. Deepa Ingavale

Assistant Professor, MBA- Course, Department of Commerce & Management Shivaji University, Kolhapur. Maharashtra. 416004

ABSTRACT *Catalyzed by the growth of the domestic economy, the banking sector in India has truly come of age. But with the current slowdown, the Indian economy and the banking sector have been looking for new avenues of growth. With affordable and relevant technology driving penetration as well as providing an improved service experience, rural banking could bring in financial inclusion and help banks grow their business radically. The survival of any organization in a highly competitive global environment depends on its ability to provide the best service quality to its existing customers and its prospect customers. So, in rural banking industry the condition altogether depends upon the service quality and the related customer satisfaction. Considering the increased competition from private sector banks, the study is done to assess the service quality of the rural banks in Kolhapur District of Maharashtra state.*

Introduction –

Bank plays an important role in the economic development of a nation. Majority of the India's population lives in rural areas. To achieve the overall development of the nation it is necessary to develop the lives and economic conditions of the rural people. So the banks in rural areas facilitate the development in rural areas. Mainly nationalized and cooperative banks are operating in rural areas of India to provide the banking services.

Cut throat competition and highly stressed profits have introduced the new marketing practices in the Indian banking sector and has also brought the customer satisfaction to the center of the focus. It has become important for the banks to retain their existing customer base as well as to enlarge the same. As the numbers of banks are increasing; customers' expectations of service quality is growing. It has become imperative to measure the service quality of the bank so that the service providers can assess their level of service quality and identify the quality gaps for improvements. Service Quality is seen to be one of the main determinants of customer satisfaction. (Brahmbhatt and Panelia 2008)

Service quality has been identified as a critical success factor for organizations to build their competitive advantage and increase their competitiveness. Pioneering work by Parasuraman et al. (1985) led to a list of ten determinants (reliability; responsiveness; competence; access; courtesy; communication; credibility; security; understanding the customer; and tangibles) of service quality as a result of their focus group studies with service providers and customers which subsequently resulted in the development of instrument with these ten attributes distilled into five overall dimensions of service quality. The five dimensions are (Parasuraman et al., 1988, 1991):

1. Reliability, which refers to the ability to perform the promised services dependably and accurately;
2. Assurance, which relates to the knowledge and courtesy of employees and their ability to convey trust and confidence;
3. Tangibles, which pertain to the physical facilities, equipment, personnel and communication materials;

4. Empathy, which refers to the provision of caring and individualized attention to customers;
5. Responsiveness, which refers to the willingness of service providers to help customers and provide prompt service.

According to gap model developed by Parasuraman, Zeithaml and Berry service quality can be measured as the gap between expected service and perceived service.

Cronin and Taylor suggested the SERVPERF model to measure service quality. According to this model service quality is an antecedent to satisfaction which in turn determines purchase intentions.

Review of Literature –

Earlier contributions to this topic are very vast and distinct with each author justifying why there is a need to evaluate service quality using the mentioned criteria. Many researchers, scholars & authors have already studied on this aspect of various organizations. Service Quality in today's competitive world depicts the organization capacity to satisfy its customer expectations. However, in the context of the proposed work, the studies focusing on various aspects of service quality and other issues are taken into concern.

Brahmbhatt and Panelia (2008) had quoted in their research article on 'An Assessment of Service Quality in Banks' that the public sector bank and private sector banks have more service quality gap than Foreign Banks. They also concluded that all three sector banks perform well in Tangibility factors, because in all five dimensions tangibility has less gap score and the people are more reliable on public sector banks because the public sector banks have less service quality gap. The public sector is performing well compare to private sector in only one dimension and it is assurance. So finally they concluded that Foreign Banks is better than public sector banks and private sector banks.

Dhar and Khushwah (2009) concluded in their research article on 'Service Quality Expectations and Perception of Public and Private Sector Banks in India: A Comparative Study' that the stiff competition in the global business are-

na where businesses have to survive and grow on the basis of volumes, instead of margins, service quality will constitute an essential plank of service marketing. Further they found that public sector banks will have to focus on the reduction of the gap in customer expectations and perceptions about their service quality if they are to compete in the global marketplace. Public sector banks should continually assess and re-assess how customers perceive their services to know whether these banks meet or exceed or fall short of the expectations of their customers. Such a customer services quality audit will help the banks to pay attention to potential failure points and service recovery procedure, which could be made integral to employees' training.

Jain, Gupta and Jain in their research article interpreted that Reliability and responsiveness are the most relevant factors for the service quality perception. They found that among the four bank under the study HDFC bank has the highest quality perception in terms of the various dimensions. It is followed by ICICI, Kotak and Indusind bank.

Nagabhushanam Manasa found in the research article 'A Study of Customer Service Quality of Banks in India' that customer service quality rating has been very high in case of private banks and low in case of public sector banks. It is also found that the responsive gap is highest followed by reliability gap, empathy gap, assurance gap, and tangibility gap respectively.

Saghier and Nathan (2013) quoted in their research paper that Customer Satisfaction in the Egyptian banking services is significantly affected by Reliability, Empathy, Assurance and Responsiveness, while the effect of the dimension of Tangibility does not have any significant impact on customer satisfaction. It also indicates that customers' perception is highest in the reliability area.

Santhiyavalli (2011) in her research paper on Customers' perception of service quality of State bank of India - A Factor Analysis concluded that recognition of service quality now acts as a competitive weapon. Analysis of gap score reveals that in State Bank of India 'Empathy' has maximum average score among other four dimensions. The factor analysis clearly indicates that among five dimensions 'Reliability', 'Responsiveness', 'Empathy' and 'Tangibility' are the major factors responsible for customer satisfaction which stood at 90 percent regarding the services provided by State Bank of India. Thus based on the percent level of customer satisfaction, the State Bank of India has scope to improve the quality of the service rendered to its customers to ensure their loyalty.

Shanka (2012) in his research paper interpreted that among the five dimensions, the banks were found to be superior in providing appealing service environment. The banks are good in tangibility, reliability and assurance dimensions. The mean score values are lowest for responsiveness and empathy indicating inferior performance of these banks in those dimensions of service quality. These are the area where banks need to work in order to improve customer perception of service quality. The results of this study shows all service quality dimensions are positively correlated with customer satisfaction indicating quality banking service as a prerequisite for establishing and having a satisfied customers.

The above overview of literature is indicative rather than exhaustive. However, the review points out certain trends

and gaps in research. It makes clear that a study of service quality of rural banks has not been done earlier. Also the above review shows that the research conducted in the area of service quality of a bank mainly focuses on the measurement of the gap between expected service and the perceived service. The present research focuses on the SRVPREF model which considers service quality is directly influenced by perception about the services.

Statement of Research Problem –

As per 2011 census, 68.27 % population of Kolhapur districts lives in rural areas of villages. Mainly the co-operative banks and nationalized banks are providing the financial services in the rural parts of the Kolhapur. In Kolhapur city Private Banks are functioning along with co-operative banks and nationalized banks. These private banks are looking the rural areas as the opportunities for their expansion. Due to the increasing competition in banking industry and the high demand of the customers, service quality study is the fundamental factor to measure customer's satisfaction. So there is a need to study the service quality of the existing banks located in these rural areas and also the relation between the service quality and the customer satisfaction.

Objectives -

The objective of the study is as follows:

1. To assess the essential dimensions of service quality i.e. Reliability, assurance, tangibles, empathy and responsiveness of the banks operating in rural area.
2. To study the rural customer's perception about the service quality offered by the banks.
3. To understand which service quality dimension of the bank is performing well.
4. To identify which dimension of service quality needs improvement so that the quality of service of banks is enhanced

Hypothesis:

Following alternative hypothesis were formulated to test the application of service quality for banks in rural areas.

1. H_1 : There is a correlation between reliability and customer satisfaction
2. H_2 : There is a correlation between assurance and customer satisfaction.
3. H_3 : There is a correlation between tangibles and customer satisfaction.
4. H_4 : There is a correlation between empathy and customer satisfaction.
5. H_5 : There is a correlation between responsiveness and customer satisfaction.

Research Methodology –

For measuring the service quality of the banks, researcher has focused on descriptive research design where survey study considered as a research technique. Both primary data and secondary data have been used for the research paper.

Primary data is collected from the respondents of the study area with help of the well structured questionnaire. Secondary data is collected from the various published articles from journals, books, and internet websites.

Sample Design –The present study has been conducted in the Kolhapur District. Rural parts of the 3 talukas viz. Ajara, Kagal, Hatkanagale were selected to collect the data. The

data was collected from the 125 respondents by simple random sampling method in the study area.

Analysis and Interpretation

The analysis of the data has been done with the use of SPSS software. For analysis mean is used. Hypotheses are tested by using Kendall's Tau β Correlation.

Table No. 1 - Profile of the respondents –

The profile of the respondents viz. age, gender, family income and occupation is given in the table no. 1 –

Demographic Characters	Parameters	% of respondents
Age	20-30	53.6
	31-40	24.0
	41-50	14.4
	51-60	5.6
	Above 61	2.4
	Total	100
Gender	Male	74.4
	Female	25.6
	Total	100
Family Income	No Response	34.4
	Upto 10000	26.4
	10,001-30,000	35.2
	30,001-50,000	4.0
	Total	100.0
Occupation	Self Employed	20.0
	Service	27.2
	Professional	1.6
	Student	29.6
	Farmer	14.4
	Others	7.2
	Total	100.0

53.6% respondents are in the age group of 20 to 30 years. Out of the total respondents 74.4% are male and 25.6% are female respondents. Family income of 35.2% respondents is in the range of Rs. 10,001-30,000. 26.4% respondents have family income below Rs. 10,000. 29.6% respondents are students. 27.2%, 20% and 14.4% respondents are doing service, self employed and farmers respectively.

Analysis of the data -

Data collected regarding the various service quality dimensions is analysed by using mean value.

Hypotheses are tested by using Kendall's Tau β Correlation.

Table No. 2 – Analysis of the data by using mean value

Sr. No.	Service Quality Dimensions	Mean
A.	Reliability	3.7
1	The bank performs the service right the first time and provides prompt information to customers.	3.7840
2	The bank provides convenient service charges and financial advice	3.5280
3	When you have a problem, the bank shows a sincere interest in solving it.	3.5280
B.	Assurance	3.86
4	Employees in the bank perform the services accurately.	3.6080
5	Employees in the bank have confidence and trust or have courteous towards customers.	3.7520
6	Bank employees make customers feel safe in the bank	4.0080
7	Employees of the bank understand specific need and provide information accordingly.	4.0720
C.	Tangibility	3.7

8	The bank has modern equipments.	3.7680
9	Physical features in the bank are visually appealing.	3.7680
10	Employees have professional appearance and clear communication.	3.6800
D.	Empathy	3.7
11	Customers feel the bank employees cared about them.	3.5120
12	Customers feel they receive individualised attention.	3.7280
13	The bank has working hours convenient to all its customers.	3.8960
E.	Responsiveness	3.356
14	Employees in the bank tell you exactly when the services will be performed.	3.5920
15	Employees always help to solve the problems of the customers.	3.1200
F.	Overall satisfaction about the bank services.	3.7360

Table 2 shows that mean score of the service quality dimensions – Reliability, Assurance, Tangibility, Empathy is ranging between 3.7 to 3.8 this shows that customers attitude towards the service quality with reference to these dimensions is positive. Mean score of the Responsiveness dimension is 3.356 which shows that customers are not sure about this service quality dimension. Customers are satisfied about the bank services.

Hypotheses Testing –

Kendall's Tau β Correlation is used to test the hypotheses. The values of Kendall's Tau β Correlation are given in table no. 3

Table No. 3 - Kendall's Tau β Correlation

Sr. No.	Service Quality Dimensions	Overall Satisfaction
A.	Reliability	
1	The bank performs the service right the first time and provides prompt information to customers.	0.244
2	The bank provides convenient service charges and financial advice	0.086
3	When you have a problem, the bank shows a sincere interest in solving it.	0.332
B.	Assurance	
4	Employees in the bank perform the services accurately.	0.194
5	Employees in the bank have confidence and trust or have courteous towards customers.	0.226
6	Bank employees make customers feel safe in the bank	0.172
7	Employees of the bank understand specific need and provide information accordingly.	1.00
C.	Tangibility	
8	The bank has modern equipments.	0.248
9	Physical features in the bank are visually appealing.	0.248
10	Employees have professional appearance and clear communication.	0.407
D.	Empathy	
11	Customers feel the bank employees cared about them.	0.309
12	Customers feel they receive individualised attention.	0.270
13	The bank has working hours convenient to all its customers.	0.257
E.	Responsiveness	
14	Employees in the bank tell you exactly when the services will be performed.	0.371
15	Employees always help to solve the problems of the customers.	0.193

Hypothesis 1 –

H₀1 – There is no correlation between reliability and customer satisfaction

H₁1 - There is a correlation between reliability and customer satisfaction

Correlation between reliability and customer satisfaction is measured on the basis of three statements. The calculated values of two statements i.e. prompt information provision to customers and convenient service charges with customer satisfaction is 0.244, 0.086 which is less than 0.300 hence there is less correlation. For the last statement regarding employee's interest in problem solving the value is 0.332 which is greater than 0.300 hence it shows the correlation. Since significant value is 0.003 which is less than 0.05 then reject null hypothesis. So there is a correlation between reliability and customer satisfaction.

Hypothesis 2 –

H₀2 – There is no correlation between assurance and customer satisfaction

H₁2 - There is a correlation between assurance and customer satisfaction

Correlation between assurance and customer satisfaction is measured on the basis of four statements. The calculated values of three statements i.e. accurate service performance, bank employees are courteous towards customers, customers feel safe in bank is 0.194, 0.226, 0.172 which is less than 0.300 hence there is less correlation. For the last statement regarding employees of the bank understand specific need and provide information, the value is 1.00 which is greater than 0.300 hence there is a correlation. Since significant value is 0.013 which is less than 0.05 then reject null hypothesis. So there is a correlation between assurance and customer satisfaction.

Hypothesis 3 –

H₀3 – There is no correlation between tangibility and customer satisfaction

H₁3 - There is a correlation between tangibility and customer satisfaction

Correlation between tangibility and customer satisfaction is measured on the basis of four statements. The calculated value of two statements regarding modern equipments and physical features of the bank is 0.248 which is less than 0.300 hence there is less correlation. For the last statement regarding professional appearance and clear communication, the value is 0.407 which is greater than 0.300 hence there is a correlation. Since significant value is 0.002 which is less than 0.05 then reject null hypothesis. So there is a correlation between tangibility and customer satisfaction.

Hypothesis 4 –

H₀4 – There is no correlation between empathy and customer satisfaction

H₁4 - There is a correlation between empathy and customer satisfaction

Correlation between empathy and customer satisfaction is measured on the basis of three statements. The calculated value of two statements regarding individualized attention and convenient working hours is 0.270 and 0.257 which is less than 0.300 hence there is weak correlation. For the statement regarding care taken by bank employees, the value is 0.307 which is greater than 0.300 hence there is a correlation. Since significant value is 0.002 which is less than 0.05 then reject null hypothesis. So there is a correlation between empathy and customer satisfaction.

Hypothesis 5 –

H₀5 – There is no correlation between responsiveness and customer satisfaction

H₁5 - There is a correlation between responsiveness and customer satisfaction

Correlation between responsiveness and customer satisfaction is measured on the basis of three statements. The calculated value of the statement regarding helping nature of employees is 0.193 which is less than 0.300 hence there is less correlation. For the statement regarding timing of the service performance, the value is 0.371 which is greater than 0.300 hence there is a correlation. Since significant value is 0.003 which is less than 0.05 then reject null hypothesis. So there is a correlation between responsiveness and customer satisfaction.

Conclusion –

Depending upon the findings, it is concluded that the rural banks are always trying to deliver on their promises to the customers on the basis of interest in solving customer problems. Employees of the bank understand specific need and provide information to the customers. Also it is seen that bank employees have professional appearance and clear communication. The rural banks provide physical facilities that are available in the banks but there should be some improvement in physical facilities to make it more attractive.

From the above hypotheses testing, it is concluded that there is a correlation between the dimensions of service quality i.e. Reliability, Assurance, Tangibles, Empathy, responsiveness and Customer Satisfaction. So the rural banks should monitor all service quality dimensions continuously as customer satisfaction depends on these dimensions.

REFERENCE

1. Brahmhatt Mamata, Panelia Dharmendra (2008) An Assessment of Service Quality in Banks, Global Management Review, vol. 2 (4), pp. 37-41. | 2. Dhar R. K., Kushwah S. V., (2009) Service Quality Expectations and Perceptions of Public and Private Sector Banks in India: A Comparative Study, Indore Management Journal, Vol. 1 (3), pp. 34-49. | 3. Jain V., Gupta S., Jain S., (2012) Customer Perception on Service Quality in Banking Sector: With Special reference to Indian Private Banks in Moradabad Region, IJRFM, Vol. 2 (2). | 4. Nagabhusanman Manasa, A Study of Customer Service Quality of Banks in India, online accessed from www.iibf.org.in on 12/6/2014. | 5. Saghier N.E., Nathan D. (2013). Service Quality Dimensions and Customers' Satisfaction of Banks in Egypt, Retrieved from www.wbiworldconpro.com on 15/07/2014. | 6. Santhiyavalli G. (2011), Customer's perception of service quality of State bank of India - A Factor Analysis, online accessed from www.ijmbs.com on 12/06/2014. | 7. Shanka M.S. (2012) Bank Service Quality, Customer Satisfaction and Loyalty in Ethiopian Banking Sector, Journal of Business Administration and Management Sciences Research, Vol. 1 (1), pp. 1-9. | 8. Parasuraman, A., Zeithaml, V., and Berry, L.L. (1988), SERVQUAL: a multiple-item scale for measuring consumer perception of service quality, Journal of Retailing, 64, 12-40, available at: <http://areas.kenanflagler.unc.edu/Marketing/>