Research Paper

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How Satisfied are our Bank Customers? An Analysis of Performance of Banks in an IPA Framework

Management

KEYWORDS : Importance-Performance Analysis (IPA), Banks, Public Sector, Private Sector, Customers

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ABSTRACT

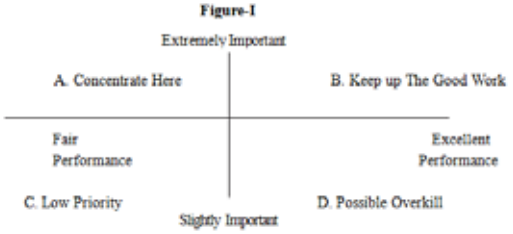
Importance-Performance Analysis (IPA) is a much uncomplicated but exceptionally useful technique that facilitate the management of an organization to assess and categorize the key strengths and weaknesses of success features of any industry operating in the service sector. In this paper the authors have made an attempt to compare and contrast the performances of both the private and public sector banks (PSB) in providing desired services to its customer by improving the service quality which is essential for retaining satisfied customers. The authors have identified through a series of focus group interviews a list of 11 attributes that are considered most important by the respondents. Responses were gathered from 166 usable questionnaires. The importance-performance grid shows that the performances of Banks in both the sectors differ to a considerable extent as revealed by the IPA grid. The results of the study reveal that there is enough scope to enhance the quality of services provided to the customers by initiating appropriate internal marketing strategies.

Introduction

Matrilla and James (1977) established the concept of IPA as a handy tool for making different service management professionals aware of their strengths and weaknesses for matching the performance of the organization with customer expectations. The IPA representation as developed by Matrilla and James (1977) is separated into four quadrants, with importance on the vertical axis and performance on the horizontal axis. The foremost advantage of an IPA model is that the service related attributes can effortlessly be plotted on the four quadrants to identify the performance of the business as perceived by its customers. The four-quadrant IPA diagram is shown in Fig. 1. The quadrant B is labeled as "Keep up the Good Work," with high importance scores assigned by the customers that match the level of performance rendered by the service organizations. In order to enjoy competitive advantage it is good for service organizations to match the expectations of its customers.

Quadrant A is designated as "Concentrate Here," with higher importance scores but low scores on the performance rating by the customers, demonstrating that the service organization is performing disappointingly. The organization should take immediate steps to monitor the performance of the organization by adopting proper marketing and HRM strategies to cope up with the demands of the customers. The quadrant C is labeled "Low Priority," since the customers do not want extraordinary service as the attributes are not that much important to them. The quadrant D is labeled "Possible Overkill," with low importance scores followed by high performance which are not desired by customers. In view of this, the management should apportion more resources to manage attributes that fall in the quadrant A and B (Matrilla & James, 1977; Shieh & Wu, 2009; Wong et al., 2011) for optimum utilization of the scarce resources of the organization by adopting a rational approach.

Figure-I



Source: Martilla, J. and James J. C. (1977)

In fact, IPA can help appraise the quality of services rendered by organizations and offer direction to the management to originate proactive strategies, to allocate resources for improving the overall service quality to enjoy competitive advantage The application of IPA format in the banking sector is considered to be very relevant considering the fact that a sea change has taken place in the Indian banking sector in the post reform period.

Review of Literature

The banking organizations are trying to become more customers oriented. The exact definition of customer oriented service quality is difficult due to diverse range of services offered by different firms. The concept of service quality has been operationalized by different researchers in a varied way incorporating a diverse constructs to capture the domain of the construct (Wisniewski, 2001). Service quality, in simple terms, may be conceptualized as the degree to which a particular service meets the customers' needs by delivering the desired level of performance (Lewis and Mitchell, 1990; Wisniewski and Donnelly, 1996).A plethora of research findings in the field of service marketing depend on the path breaking article published by Parasuraman et al., 1988 and Zeithaml et al., 1990). who have extracted five dimensions of service quality namely Tangibility, Reliability, Responsiveness, Assurance and Empathy They developed the SERVQUAL model based on service gap model. Numerous adaptations of the original SERVQUAL model have been investigated by researchers in different areas of the services sector.

As pointed by Linda & To (2010) IPA is a uncomplicated and constructive method for simultaneously considering the strengths and weaknesses of a business when appraising and adopting a strategy. Certain researchers have used IPA to study customer satisfaction to identify improvement opportunities and to guide strategic planning efforts (Wu and Shieh, 2009, 2010; Yavas and Shemwell, 2001). IPA has been used as a tool to evaluate service quality and marketing strategies in educational organizations (O'Neill and Palmer, 2004), in health care systems (Miranda., Chamorro, Murillo and Vega, 2010), and in government projects (Wong, Boon-Itt and Wong, 2011).

Methodology:

The data for the survey have been gathered from a convenience sample of 230 respondents who have multiple accounts in both public and private sector banks. The survey covered the districts of Darjeeling, Jalpaiguri and the capital of Sikkim, Gangtok. Out of the 230 responses, 207 responses were found to be acceptable. The study was conducted using a very simple methodology by

conducting a focus group interview with a small sample of 15 respondents who were asked to give their views regarding services deemed important by them. The respondents were asked to provide their views on importance and performance with regard to the attributes mentioned by the respondents on a 5 point semantic differential scale. A close scrutiny of the responses revealed that majority of the customers considered certain attributes to be important criteria for selecting a bank in the private as well as public sector which are as follows: Customer Orientation, Responsiveness, Reliability, Assurance, Empathy, Tangibility, Product Assortment, Technology, Service Delivery Process, Account Opening Facility and Loan Facility. An IPA framework was adopted to identify the strengths and weaknesses of various banks and their level of performance on the different as mentioned above.

Findings:

The IPA framework concerning the public sector banks (PSB) reveals that they should concentrate on the following attributes: Customer Orientation, Responsiveness, Empathy, Tangibility, Product Assortment and Loan Facility. The PSBs should really do a lot to improve their performance with regard to loan facility being extended to the customers and prospects as it happens to be the weakest attribute followed by customer orientation. They should keep up the good work on the following attributes: Reliability, Assurance, and Technology. The most noticeable improvement seems to have happened on the technology front but the PSBs need to maintain the tempo in order to compete with the private sector and foreign banks. For quite some times now PSBs have really made it lot easier for the public to open account with them especially the leading ones but they ought to lessen the overkill lest it makes them compromise with prudent banking norms as has been the bane with quite a few private and foreign banks not only in India but even in the developed countries.

The IPA framework concerning the private sector banks reveals that the private sector banks ought to improve substantially on the following attributes: Reliability, Assurance, Empathy and Loan Facility. They need to bear in mind that a lot needs to be done to boost their image in terms of reliability and assurance where the PSBs are way ahead. On the other hand they have registered excellent performance as far as Responsiveness and Technology are concerned. They have to keep up the good work with regard to Customer Orientation, Tangibility, and Product Assortment. But private sector banks might have gone too far on attributes like Service Delivery Process and Account Opening Facility which they need to tone down substantially as because it is leading to wastages of resources and unlike PSBs there is no chance of government coming in to salvage the situation should the situation turn for the worse.

Table-I

	Variables	Performance-Public Sector	Importance
1	Customer Orientation	3.38	4.58
2	Responsiveness	3.62	4.46
3	Reliability	4.22	4.43
4	Assurance	3.92	4.18
5	Empathy	3.59	4.26
6	Tangibility	3.25	4.44
7	Product Assortment	3.3	4.45
8	Technology	3.68	4.36
9	Process	3.57	4.45
10	Account Opening	3.22	4.5
11	Loan Facility	3.14	4.33
12	Mean	3.54	4.40

Figure-II

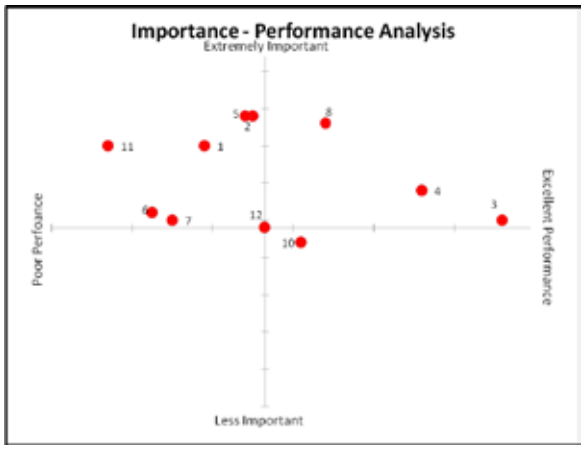
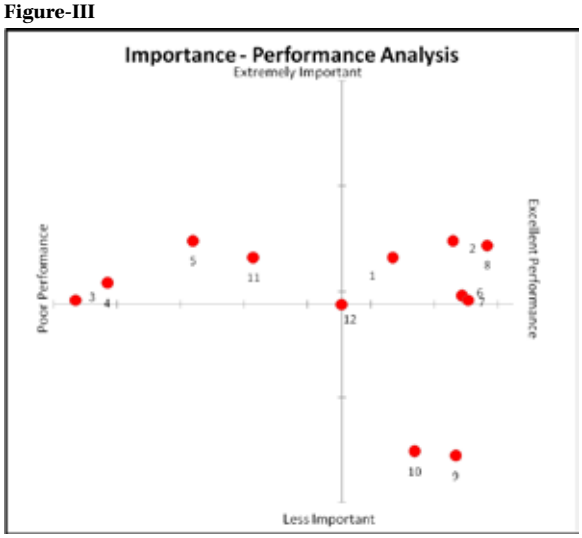


Table-II

	Variables	Performance-Private Sector	Importance
1	Customer Orientation	4.02	4.58
2	Responsiveness	4.21	4.62
3	Reliability	3.02	4.48
4	Assurance	3.12	4.52
5	Empathy	3.39	4.62
6	Tangibility	4.24	4.49
7	Product Assortment	4.26	4.48
8	Technology	4.32	4.61
9	Process	4.22	4.11
10	Account Opening	4.09	4.12
11	Loan Facility	3.58	4.58
12	Mean	3.86	4.47

Figure-III



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Conclusions and Managerial Implications

The study was conducted with the aim of trying to unearth the key attributes that determine customer satisfaction level of PSBs as compared to the private sector banks. Although the private sector banks happen to be relatively new entrants in the Indian banking arena, they have notched up commendable success on many fronts. It is revealed that that the PSBs should concentrate on the following attributes: Customer Orientation, Responsiveness, Empathy, Tangibility, Product Assortment and Loan Facility. They should keep up the good work on the following attributes: Reliability, Assurance, and Technology but steer clear of possible overkill in extending account opening facility to avoid compromising with prudent banking norms On the other hand private sector banks ought to improve substantially on the following attributes: Reliability, Assurance, Empathy and Loan Facility not to belittle their excellent performance as far as Responsiveness and Technology are concerned. They need to continue with the good work as far as Customer Orientation, Tangibility and Product Assortment are concerned but lessen their aggression with regard to attributes like Service Delivery Process and Account Opening Facility to avoid wastages of resources.

Limitations

The study could have been more representative leading to generalizations if it would have included more respondents covering a wider area including more towns and cities. Moreover, it could have also shed light on demographic influence on level of customer satisfaction. A future study could be undertaken taking the above into consideration.

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