Research Paper Commerce

Service Quality of Public Sector Banks

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ABSTRACT

In this era of intense competition, one of the key challenges that Public Sector Banks face is how to manage quality service which is a prerequisite for customer satisfaction. As a result of improved information communication technology, customers have become well informed, discerning and value sensitive. They also have a wide range of choices between Private and Foreign Banks. Understanding the Customer's needs Public Sector Banks have to improve their service quality in order to survive in the competitive era. Thus an attempt has been made in this study to identify the Service Quality of Public Sector Banks in Kanchipuram District. The result of the study discloses that customers give due importance for Tangibility dimension of service quality followed by Reliability, Assurance, Empathy and Responsiveness.

KEYWORDS | Service Quality, Public Sector Banks, Tangibility

INTRODUCTION

Satisfaction is the sum total of customer's expressions of service quality and depends upon customer's own perceptions and expectations. Service Satisfaction of the customers is an invaluable asset for Banking Institutions providing unmatched competitive edge. It helps in building long term relationship as well as brand equity. The best approach to customer retention is to deliver high level of customer satisfaction that result in strong customer loyalty. Customer satisfaction is a very important construct in today's market. An organization cannot survive in the long run if its customers are not satisfied. Customer is a very important person in the market. Infact, he is the king of the market. Therefore, it is the utmost duty of banks to safeguard his interests and meet his expectations with the products/services offered. When a customer expects a certain level of service and he actually perceives more than what he expected then he will be satisfied and if he perceives less than his expectation then he will be dissatisfied. Customer satisfaction construct is more important for the survival and growth of a service industry like banks as offerings are intangible. The growth of these institutions depends upon their ability to create or attract new customers and retention of satisfied customers leading to their survival in the long run. In order to be successful, Public Sectors are competing with private and foreign banks to satisfy their customers and thus to attract and retain loyal customers which ultimately helps Public Sector Banks to earn higher profits in future. Service quality satisfaction is the outcome of resources and activities expanded to offer services against the expectations of the users from the same. Unsatisfactory customer service will lead to increase in the rate of switching by customers.

SERVICE QUALITY

"Quality is especially difficult to define, describe, and measure in services. While quality and quality control measures have long existed for tangible goods, few such measures have traditionally existed for services. In essence, quality is determined by imprecise individual factors, perceptions, expectations and experience of customers and providers. In one of the early attempts to unravel the mystery associated with service quality, a team of researchers- Parasuraman, Zeithaml and Berry-did a comprehensive probe. Their study probed into quality issues using focus group of customers in four services: retail banking, credit cards, security brokerage besides product repairs and maintenance. The most revealing and most unique insight emerging out this research was the criteria used by customers to evaluate service quality.

Reliability	The ability to perform the promised service dependably and accurately.
Tangibility	The appearance of physical facilities, equipment, personnel and communication materials.
Responsiveness	The willingness to help customers and provide prompt service.
Assurance	The knowledge and courtesy of employees and their ability to convey trust and confidence.
Empathy	The caring, individualized attention provided to the customers.

REVIEW OF LITERATURE

Cronin and Taylor (1992) observe that service quality is one of the service dimension factors to customer satisfaction. The higher level of perceived service quality results in increased customer satisfaction (Jain and Gupta, 2004). Increase in service quality of the banks can satisfy and develop attitudinal loyalty which ultimately retains valued customers (Nadiri,et al, 2009). Megha Trivedi and Nirmit Agrawal (2009) observes that quality of service is an indicator of customer satisfaction. Jayaraman Munusamy, Shankar Chelliah and Hor Wai Mun (2010) in their study founds that Assurance, Tangibles, Empathy and responsiveness have positive relationship with customer satisfaction. Vijay M. Kumbh R (2011) in his study observes that assurance and responsiveness are the important factors in customer satisfaction. Jaspal Singh and Gagandeep Kaur (2011) in their study founds that responsiveness, tangibles, service innovation, reliability and accessibility, assurance, pricing and other facilities, problem solving capability and convenient working hours are the main determinants of customer satisfaction. Susana Amankwah William Ohene-Adu (2011) in their study founds that tangibles, empathy and ssurance were found to be of much significance to customer's satisfaction. Sulieman Ibraheem Shelash Al-Hawary, Rashid M. Alhamali and Saad Abdullah Alghanim (2011) in their study found that bank assurance is associated with customer satisfaction. Mahtab Alam Ankita and M. Soni (2012) in their study founds that satisfaction of an Internet banking users depends upon Reliability, Responsiveness, Security, Ease of use and Tangibility.

STATEMENT OF THE PROBLEM:

After liberalization, privatization and globalization, the Indian public sector banking is facing stiff competition from Indian

private sector and foreign banks. Private banks and Foreign banks have been offering numerous innovative services in order to attract customers from public sector banks. It is found public sector banks is losing market share to private and foreign banks. To survive in this competitive scenario all public sector banks are forced to introduce innovative services, schemes in order to retain existing customers and attract new customers. At this junction, it is imperative to identify the services offered by public sector banking in Indian banking industry and to identify the determinants of customer's satisfaction towards public sector service quality.

OBJECTIVE

To ascertain the Customer Perception of Public Sector Banks on their Service Quality.

METHODOLOGY

Data

The data required for the study is primary in nature. The primary data have been collected by making use of Questionnaire.

Area of Study

The present study is confined to Customers of Public Sector Banks in Kanchipuram District of Tamil Nadu.

Sample Design

By adopting convenient sampling method, 300 customers have been selected

Framework of Analysis

The collected data have been analyzed by making use of Factor Analysis.

ANALYSIS AND INTERPRETATION

To identify the prominent service that affects Customer Satisfaction Factor Analysis is employed. The following table illustrates the service quality that is considered important by the customer, which increases overall satisfaction of customer's. Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity has been used as Pre-analysis testing for the suitability of the entire sample for factor analysis. The result of KMO and Bartlett's Test is found greater than 0.70. Hence, the collected data is fit for employing factor analysis. Further, the large values of Bartlett's sphericity test (3947.20, df=406, *Sig*=0.000) and KMO statistics (0.908) indicated the appropriateness of factor analysis i.e., the sample was adequate. Table 1 shows the results of factor analysis carried out using the various dimensions on service quality.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.908
Bartlett's Test of Sphericity	Approx. Chi-Square	3947.208
	Df	406
	Sig.	.000

TABLE 1
DIMENSIONS OF SERVICE QUALITY

Service Quality	1	2	3	4	5	6	7
Tangibility							
Modern equipments used by the bank	0.585	0.192	0.452	0.085	0.235	0.045	0.307
Physical facilities at the bank	0.325	-0.052	0.233	0.512	0.317	-0.052	0.185
Employees neatness and appearance	0.131	0.173	0.124	0.163	0.140	0.167	0.752
Visually appealing materials(pamphlets)	0.121	0.202	0.598	-0.160	0.102	0.038	0.066
Operating hours of the bank	0.258	0.233	-0.137	0.538	0.168	0.213	0.226
Accessibility to branches	0.105	0.064	0.750	0.229	0.063	0.012	-0.041
Workshops conducted on bank features	0.389	0.263	0.004	0.392	0.081	0.257	0.406
Reliability							
Delivering on promises	0.700	0.254	0.394	0.074	0.193	0.052	0.181
Consistency of service provided by employees	0.277	0.062	0.039	0.315	0.525	0.129	0.141
Accuracy in performance	0.407	0.219	0.053	0.136	0.093	0.043	0.586
Rates on savings & loans	-0.040	0.169	0.569	-0.238	-0.107	0.212	0.328
Providing service on time	0.344	0.108	-0.059	0.690	0.033	0.253	0.065
Insist on error free records	0.138	0.328	0.651	0.136	0.076	0.072	0.039
Responsiveness							
Employees interest in solving problems	0.796	0.106	0.058	0.259	0.133	0.213	0.102
Employees knowledge to answer customer queries	0.016	0.134	0.043	0.267	0.641	0.012	0.361
Prompt service to customer	0.140	0.642	0.348	-0.115	-0.015	0.148	0.173
Handling compliant efficiently	0.430	-0.012	0.102	0.417	-0.021	0.425	0.136
New schemes conveyed to customers	0.010	0.580	0.359	0.283	0.173	0.191	0.188
Assurance							
Employees courtesy with customers	0.768	0.096	-0.016	0.206	0.171	0.299	0.068
Inspiring trust and confidence	0.185	0.058	0.171	-0.106	0.737	0.084	0.082
Ensure safety in transaction	0.121	0.655	0.114	-0.123	0.176	-0.099	0.228
Confidentiality of personal information	0.073	-0.156	0.204	0.382	0.196	0.603	0.234
Proper answer to customer queries	0.213	0.658	0.191	0.344	0.036	0.151	-0.001
Empathy							
Hospitality towards customers	0.590	0.092	0.222	0.233	0.298	0.309	0.066
Satisfaction of customer needs	0.205	0.323	-0.051	0.107	0.582	0.181	-0.126
Employees individual attention on customers	0.037	0.477	0.231	0.124	0.248	-0.066	0.439
Convenient operating hours for all customers	0.248	0.007	0.082	0.027	0.061	0.769	0.069
Friendly relationship with customers	0.083	0.554	0.162	0.486	0.168	-0.098	0.086
Awareness campaign by bankers	0.315	0.351	0.028	0.088	0.173	0.639	-0.017
Eigen Values	9.51	2.70	1.61	1.28	1.09	1.05	1.00
% of Variance Explained	12.65	10.17	9.13	8.82	7.65	7.58	6.87
Cumulative % of Variance	12.65	22.82	31.95	40.77	48.42	56.00	62.88

- Seven factors are identified by locating Eigen values greater than unity. Service quality dimensions which have a component loading of 0.5 and above are said to be significant service quality factors that enhance customer's satisfaction. From the rotated component matrix Table 1 it can be seen that "Employees interest in solving problems", "Employees courtesy with customers", "Delivering on promises", "Hospitality towards customers" and "Modern equipments used by the bank" have a component loading of 0.5 and above. Hence, these five variables form first factor.
- In the second factor, "Proper answer to customer queries", "Ensure safety in transaction", "Prompt service to customer", "New schemes conveyed to customers" and "Friendly relationship with customers" are found to be significant.
- In the third factor, "Accessibility to branches", "Insist on error free records", "Visually appealing materials(pamphlets)" and "Rates on savings & loans" are found to be significant.
- In the fourth factor, "Providing service on time", "Operating hours of the bank" and "Physical facilities at the bank" are found to be significant.
- In the fifth factor, "Inspiring trust and confidence", "Employees knowledge to answer customer queries", "Satis-

faction of customer needs" and "Consistency of service provided by employees" are found to be significant.
- In the sixth factor, "Convenient operating hours for all customers", "Awareness campaign by bankers" and "Confidentiality of personal information" are found to be significant.
- In the seventh factor, "Employees neatness and appearance" and "Accuracy in performance" are found to be significant.
- Factor one contributes to a tune of 12.65 per cent towards customer satisfaction. The other factor contributes namely, 10.17, 9.13, 8.82, 7.65, 7.58 and 6.87 towards customer satisfaction in their order. The total cumulative percentage of contribution by these seven factors towards customer satisfaction is 62.88 per cent.

TABLE 2
DIMENSIONS OF SERVICE QUALITY

The following table, consolidated from factor analysis, portrays the vital factors of Service Quality that increases the customer's satisfaction. The customer's give due importance to Tangibility, dimension of service quality followed by Reliability, Assurance, Empathy and Responsiveness.

Service Quality	Component Loading
Tangibility	
Employees neatness and appearance	0.752
Accessibility to branches	0.750
Visually appealing materials(pamphlets)	0.598
Modern equipments used by the bank	0.585
Operating hours of the bank	0.538
Physical facilities at the bank	0.512
Reliability	
Delivering on promises	0.700
Providing service on time	0.690
Insist on error free records	0.651
Accuracy in performance	0.586
Rates on savings & loans	0.569
Consistency of service provided by employees	0.525
Responsiveness	
Employees interest in solving problems	0.796
Prompt service to customer	0.642
Employees knowledge to answer customer queries	0.641
New schemes conveyed to customers	0.580
Assurance	
Employees courtesy with customers	0.768
Inspiring trust and confidence	0.737
Proper answer to customer queries	0.658
Ensure safety in transaction	0.655
Confidentiality of personal information	0.603
Empathy	
Convenient operating hours for all customers	0.769
Awareness campaign by bankers	0.639
Hospitality towards customers	0.590
Satisfaction of customer needs	0.582
Friendly relationship with customers	0.554

SUGGESTIONS

- Bank branches may be located at an area, where customers may easily access the bank
- Enough Withdrawal Slips, Pay-in-slips should be kept in a proper location
- Banks may extend their operating hours (or) Seven-days banking may be introduced to make banking transactions more convenient
- Bank physical facilities like water facility, parking facility be improved
- Outstation Cheque and Demand Drafts are to be collected within the stipulated time
- Try to maintain error free customer records
- Deposit interest rate may be increased and interest rate on loans be reduced to a maximum extent
- Banks employees are to be trained to solve customers problems voluntarily
- Suitable training programmes are to be offered to keep bank employees updated so that they are in a position to answer queries raised by the customers
- Whenever bank introduces new schemes, they should be immediately communicated to their customers (i.e.) Proper steps are to be taken for propaganda about the new products or services introduced in the banks
- Employees are instructed to serve the customers with courtesy
- Banks to took necessary steps to increase Online transactions more secured

CONCLUSION

Banking sector plays a vital role in the economy. This research aimed to explore the service quality of public sector banks through various aspects. Service quality is a critical determinant of competitiveness for establishing and sustaining satisfying relationship with customers. The innovative new trends and technologies are implemented as per the needs of customers and frauds are reduced through cyber law. Thus, the present study concludes that there is a close link between the customer's perception on the service quality dimensions and the customer satisfaction. The customers gave importance to Tangibility, dimension of service quality followed by Reliability, Assurance, Empathy and Responsiveness. Hence, Public sector banks have to introduce products and services that are customer centric; thereby Public Sector Banks may withstand for a longer period of time and increase their profitability.

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