
A Study on Perception of Customers and Bankers towards Service Quality in Public Sector Banks in Odisha

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Abstract

Banks are facing increased competition due to globalization, technological advancement and consumer awareness about their rights. This phenomenon has put the banks to rethink and revise the service quality, especially in the growth and development of service sector. Service quality is an important factor that affects organizational performance and success. Ultimate survival of the bank in a competitive world depends on high quality service it offers to its customers. This also increases customer satisfaction and loyalty and customer satisfaction can affect customer's future intentions to remain with the bank. Service quality was also found to be the basic factor that affects customers' satisfaction and customers are the most important stakeholders in any industry. Service Quality is a buzz word to the banks to sustain in the competitive environment. Numerous studies were conducted world-wide to identify the determinants of service quality and customer satisfaction by using different instruments like SERVQUAL and modified SERVQUAL. Few studies were conducted in India to understand the gap between the customers' and bankers' perception towards service quality offered by Banks. The main purpose of the study was to examine the customers' and managers' perception towards service quality of Banks. Here SERVQUAL has been used with little modification because to fit to the modern banking industry for which it is being used. Hence, the parameters used in this study for customer survey are tangibility, assurance, reliability, responsiveness, empathy along with e-Banking.

Keywords: Customer, banker, perception, PSU banks, SERVQUAL, and e-banking

1. Introduction :

Now with the overgrowing rise of economy in India, the banking system should not only be hassle free but it should also be competitive to meet the new challenges posed by the technology and other environmental (both external and internal) factors. The competition from global banks and technological innovation has compelled the banks to rethink their policies and strategies. Companies have shifted their focus from product to customer. Better the banks understand their customers; the more successful they will be in meeting their needs (Khanna and Kaushal, 2013). The key to building a competitive advantage is the ability of a bank to deliver high quality services that meet the needs and expectations of customers (Ennew and Waite, 2007). Banks that excel in quality service can have a distinct marketing edge since improved levels of service quality are related to higher revenues and higher customer retention (Abdullah, 2010). Service quality is defined as the perception of customers toward the service element of a product (Goeldner and Ritchie, 2006). Edvardson (1998) defined quality as satisfying needs and meeting expectations of customers, employees and owners. Therefore, knowing the various expectations and needs of these three groups and understanding they are shaped and change is important. He agreed that Service quality is often

extremely dependent on the relationships between customers and employees. Employees are interested in performing the kind of service activities that they individually give worth and agree with. In result, a sense of job satisfaction will be appeared by doing the activities and behaviors that they personally worth and take responsibility for. Several studies have provided a positive connection between job satisfaction and the perception of employees about service (Chiang, 2011). The majority of researches on service quality have been conducted in the developed countries in the context of consumers. Few studies have been undertaken in the developing countries like India; where most of them have been done on the customer perception of service quality. Hence, there exists a dearth of researches on managers' perception toward service quality. Therefore, this study aims at fulfilling the gap that exists in the current researches on bankers' perception of consumer expected services.

2. Banking in Odisha:

The economic development of particular region coincides with the development of banking network in that area. The role of well developed financial infrastructure in stimulating and sustaining economic growth is well

recognized in earlier studies. There were only 14 bank branches in Odisha in 1949, serving 9.91 lakh populations per branch on an average; whereas 1.19 lakh at the National level. The concentration of bank offices were in larger towns rather than smaller towns and rural areas further highlighted the lopsided and haphazard spread of banking facilities in Odisha. Till the formation of State Bank of India in 1955, hardly any steps were taken by the banks to expand the branch network in Odisha. But now according to Odisha Economic Survey Report (2014-15) the average population serviced by a bank branch in the State is about 12,000, which is better than that in many other states in India. About 80 percent of all bank branches are located in rural and semi-urban areas. One positive outlook of the sub-sector is that the growth rate of total bank deposits in the state is rising. Odisha is catching up with the nation in terms of per capita bank deposits in commercial banks. Co-operative banks mainly focus on the Agriculture sector in rural areas. The vast network of financial institutions helps the economy to augment its savings and channel them towards efficient utilization by the corporate world. There has been a phenomenal growth and spread of banking services throughout the country, particularly in rural areas after nationalisation. Commercial banks have been directed to open new rural and semi-urban branches and have shouldered the responsibility for mobilizing public savings. At constant prices (2004-05), the banking and insurance sector expects to contribute 11.33 percent of GSDP of the Service Sector and a real growth rate of 12.13 percent in 2013-14 in Odisha over the previous year. The sector recorded a robust annual average growth rate of 16.51 percent in last 10 years between 2004-05 and 2013-14 in real terms. During 11 five year plan (2007-12) and first two years of 12 plan (2012-14) its annual average growth rates remain extremely impressive with 17.77 percent and 12.57 percent respectively in the state. If one defines "bank-density" as the ratio of population of the state to the total number of bank branches or the average population serviced by a bank branch, it is roughly equal to a population of 11,190; whereas commercial bank density is about 12,284. Odisha has improved its commercial bank density from 16,000 in 2001-02 to 12,284 by the end of March, 2014 and fares better than several other states of India including Rajasthan, West Bengal, Madhya Pradesh, Uttar Pradesh and Bihar (Odisha Economic Survey Report 2014-15).

3. The Concept Of Service Quality:

The importance of service quality, as key strategic value, is increasingly being recognized by organizations in both the manufacturing and service sectors. Different researchers have defined service quality in different ways. According to Gronroos (1984), service quality is the outcome of an evaluation process, where the customers compare their expectations with the service they have received. While Bitner et al. (1994) defined service quality as 'the consumer's overall impression of the relative inferiority/superiority of the organisation and its services'. Other researchers such as Cronin & Taylor (1994) view

service quality as a form of attitude representing a long-run overall evaluation; while Parasuraman et al. (1985) defined service quality as 'a function of the differences between expectation and performance along the quality dimensions'.

Adlaigan & Buttle (2002) reported that Gronroos (2003) has been consistent about the assumed dimensionality of service quality, which is based on customers' perception of service encounter and consider three dimensions:

- ♦ Functional quality of the service process is concerned with how the services are provided to the customers.
- ♦ Technical quality is concerned with outcome of the exchange process i.e. what is received by customers.
- ♦ The image of the service provider is concerned with general perception of customers about supplier.

Parasuraman, Zeithaml and Berry (1985) considered that a customer's judgment towards service quality is based on the gap between the expected quality of services and perceived service. There was however little understanding of the differences between the concept of quality in the manufacturing industry and the concept of quality in the service industry. Service industry has several important characteristics that differentiate it from manufacturing in terms of quality. These characteristics include; intangibility, heterogeneity, inseparability and Perishability.

4. Review of Literature:

Success of a bank depends directly on the bank's ability to capture and retain clients, as well as on intensity of relationships with clients. Bank employees are the key instrument to enhance value of products and services perceived by customers (Croxford et al. 2005). So, it is extremely important to determine factors affecting bank value perceived by customers, and to examine the gaps in perceptions of customers and employees. Employee-centric service organizations are more likely to achieve superior performance, because ultimately the production and delivery of service quality is dependent on the employee's attitudes and skills (Vella et al. 2009). A lot of managers have a complete confidence that company's performance depends on effective work of its front office (Coveney et al. 2003). Employees play a crucial role in creating value through increasing efficiency (El-Bannany, 2008). The researchers from McKinsey & Company conducted a survey among the customers of European banks (Beaujean et al. 2006). Over 85% of satisfied customers increased their investments or started using more of bank's offered products. Conducting another research in the field, they found that loyal bank customers typically generate, over the life of their relationship with an institution. Loyal customers not only buy more products than their counterparts but also tolerate higher banking charges (Beaujean et al. 2005). Johnson (1996) conducted an employee opinion survey in the banking sector on front line employee (FLE) performance in delivering service quality. At the same time, a customer

survey was conducted to measure customer satisfaction with the service. The research results showed a low level of correlation between employee and customer perceptions of service quality indicating that employees and customers did not share the same views on service quality issues. In the same vein, Yavas (2006) carried out an employee-customer survey to measure quality perceptions of both employees and customers in a banking services context. The items were the same for employees and customers. The research findings showed that these two groups did not use the same attributes to evaluate service quality.

Researchers in this field either apply the SERVQUAL measurement as such (Ladhari 2009; Cronin and Taylor, 1992) or modify it slightly (Jabnoun and Al-Tamimi, 2003). This preference for the SERVQUAL attributes can mainly be explained by the scale's reliability but also because it was first tested in the banking sector. SERVQUAL has been criticized by different authors for diverse reasons, such as the operationalization of prospect, the reliability and validity of the instrument's difference score formulation and the scale's dimensionality across disparate industrial settings (Sureshchandar, Rajendran and Kamalanabhan, 2001). For instance, Llosa et al. (1998) showed that the two dimensions of tangibles and empathy are well understood by customers; whereas reliability, assurance and responsiveness are quite confusing for them. Many researchers have used the dimensions of SERVQUAL as the foundation of their research, and therefore SERVQUAL has unquestionably

had a key impact on the business and academic communities (Buttle, 1996). It has been said to be insightful and to remain a practical framework to use in service quality management (Christopher, Payne & Ballantyne, 2002, Khurana 2010). A survey was conducted in HCO Hissar district in India, with a sample of 250 respondents who had at least one savings account in a private sector bank by using the SERVQUAL (Parasuraman et al., 1985, 1988, 1991) to understand the quality of services offered by the banks. Descriptive statistics (mean and paired t-test) was used to evaluate the level of service quality of Indian private sector banks from the customers' perspective. The study found the service quality gap by comparing customers' expectations and actual perceptions and analysed customers' satisfaction towards the various service provided by private sector banks. The results of the study also indicated that the overall service quality provided by the private banks was below customers' expectations.

5. Objectives and Methodology:

This study is based on a customer survey conducted in different public sector banks operating in Odisha. The main objective of the study is to assess the quality of services provided by the Public sector banks in urban, semi-urban and rural areas of Odisha; and further to study the gap that exists between the customers' and bankers' perception towards quality of services offered by Banks. Primary as well as secondary data were collected for the study. The theoretical foundation of the study is based on various secondary sources such as books, research publications, articles, magazines, and published paper on service quality. A cross sectional field has been designed for conducting the study. The mostly primary data are collected through structured Questionnaires. Two questionnaires have been framed for the purpose, one for the customers and the other for the bankers. The respondents were required to record their perceptions and expectations of the service of the respective public sector Banks Odisha. The study includes the customers of 5 leading public sector banks operating in Odisha, namely; Bank of India (BOI), State Bank of India (SBI), United Commercial Bank (UCO), Punjab National Bank (PNB), and United Bank of India (UBI). In the course of collection of data, bank branches in urban area, semi-urban area and rural were visited. Initially the questionnaires were distributed among the respondents selected at random in few pre-identified branches of above public sector banks in selected areas. With lot of persuasion and follow up only 386 (302

customers and 84 managers) completely filled-in the questionnaires were received and considered for the present study. Here SERVQUAL instrument was also used with little modification to fit to the features of modern banking industry. The parameters used in this study for customer survey are tangibility, assurance, reliability, responsiveness, empathy along with the Banking. The questions used for collection of data are close-ended measured with a 7-point Likert scale from very poor to very good (1=very poor, 2=poor, 3=slightly poor, 4=average, 5=slightly good, 6=good, 7=very good).

7. Data Analysis and Interpretation:

The data collected from the field were analyzed by using various descriptive statistics and presenting the data based on various demographic profiles. Table 1 presented below shows the distribution of respondents across selected banks.

Table-1: Bank-wise Respondent Profile

It is observed from the Table 1 that out of the total respondents, 302 are customers and 84 are managers indicating that the larger portion of respondents consists of customers. Out of the total customers, 62 customers have their account in BOI, 72 customers have their account in SBI, 42 customers have their account in PNB, and 74 customers have their account in UBI. The results indicate that the majority of customers have their

accounts in either SBI or UBI as they have a better branch network in Odisha. Out of the total managers, 23 managers (27.38%) are from BOI, 19 managers (22.62%) are from SBI, 14 managers (16.67%) are from UCO, 10 managers (11.9%) are from PNB and 18 managers (21.43%) are from UBI. The results show that majority of managers are from BOI and SBI.

Table - 2: Gender-wise Respondent Profile

Sources: Field data

Table 2 shows the distribution of customers and management by gender. Out of 386, there were 297 males (76.94%) and 89 females (23.06%). Out of the total customers, 234 are male (77.48%) and 68 are female (22.52%). The representation of the females (22.52%) is smaller in the sample as less number of women in Odisha

are working and having bank accounts. So far, the financial matters are male dominated. In management perspective out of 84, 63 are male (75%) and 21 are female (25%). It indicates that the major portion of customers and managers by gender consist of male.

Table - 3: Area-wise Respondent Profile

Area	Customers		Managers		Total	
	f	%	f	%	f	%
Urban	66	21.85	25	29.76	91	23.58
Semi-Urban	130	43.05	39	46.43	169	43.78
Rural	106	35.10	20	23.81	126	32.64
Total	302	100	84	100	386	100

Sources: Field data

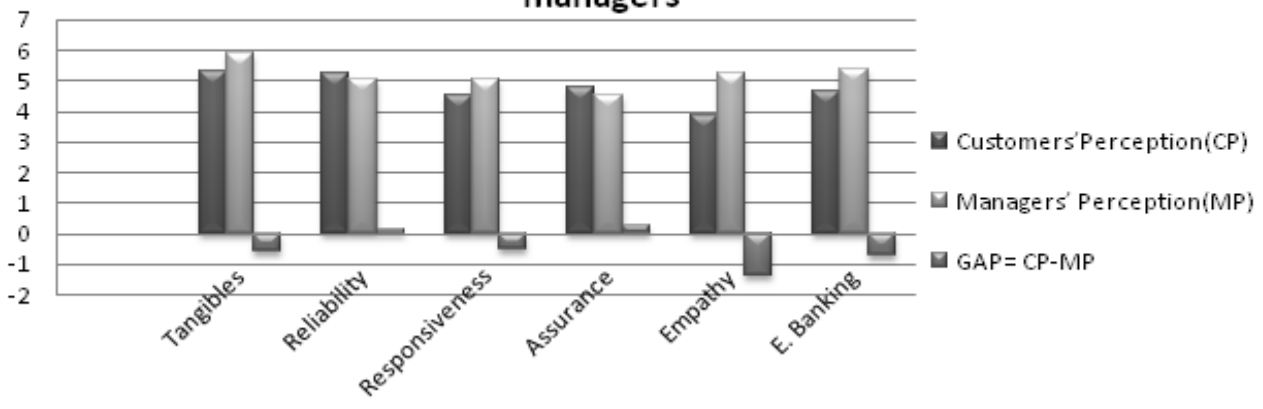
Table 3 shows the distribution of respondents by area. Out of the total customers, 66 belong to urban areas (21.85%), 130 belong to semi-urban areas (43.05%) and rest 106 belong to rural areas (35.10%). Out of the total managers,

25 managers (29.76%) are from urban branches, 39 managers (46.43%) are from semi-urban branches, 20 managers (23.18%) are from rural branches. Thus major portion of respondent in terms of managers are from semi-urban branches.

Table- 4: Comparison of mean perception of consumers with managers

Sources: Field data

Fig : 1 Comparison of mean perception of consumers with managers



Sources: Field data

Table 4 depicts the mean score of perception of customers and managers with regard to six service quality dimensions of banks. In tangibility dimension of service quality mean of customers' perception is 5.32 whereas mean of managers' perception is 5.89; which show the difference between the perceptions of both the respondents. It is also observed from Table 4 that in reliability dimension the mean of customers' perception is 5.21; whereas the mean score for the managers' perception is 5.07. In responsiveness dimension, the mean score of customers' perception is 4.53 on the contrary managers' perception is 5.02. In assurance dimension of service quality; the mean of customers' perception is 4.8, whereas managers' perception is 4.53 but in empathy dimension mean of customers' perception is 3.89 but managers' perception is 5.25. Similarly with regard to e-banking dimension of service quality; mean customers' perception is 4.68 but managers' perception is 5.4. Results specify that customers' perception mean scores in all dimensions of service quality except reliability and assurance dimensions are low in comparison to mean scores of managers' perception. In service quality dimensions like tangibles, responsiveness, empathy, e-banking, etc.; the gap between customers' perception and managers' perception are, -0.57, -0.49, -1.36 and -0.72 respectively; which means customers' perception towards the service quality offered by public sectors banks of Odisha does not match with perception of managers'. Results indicate that managers have a strong perception regarding the provisions of above service quality dimensions but customers disagree to them. From Table 4. it is observed that in reliability and assurance dimensions of service quality the gaps between customers' perception and managers' perception are 0.14 and 0.27 respectively; which shows that mean of customers' perception is higher than managers' perception. This indicates that customers have agreed to the fact that banks are providing service quality in a better way but according to managers in these dimensions of service quality banks are lagging behind in providing service up to the expectations of their customers.

8. Conclusion:

Results indicate that there is a significant difference between the perception of customers and managers. Managers have a constant perception about the service quality but the opinion of customers shows a discrepancy according to the nature of services. Analysis of views of the managers on the dimensions like tangibility, assurance, reliability, responsiveness, and empathy along with the e-banking of service quality of their respective banks are providing them in a better way. Opinion of customers revealed that banks are providing service quality but not as managers said. Most of the customers are dissatisfied about the service quality of their banks but at the same time managers have given greater scores than customers which mean there exist a service quality gap between the perception of customers and managers. Customers' responses give a clear picture of service quality in all sub-scales which need higher attention of the bank managers to achieve the competitive edge in a competitive environment. Generally speaking, evaluating service quality brings better understanding of various dimensions that affect all service quality process which results in both the better allocation of resources and services.

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