

A STUDY ON SERVICE QUALITY MODEL IN BANKING SECTOR WITH SPECIAL REFERENCE TO SERVQUAL MODEL

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ABSTRACT:

In this paper, an attempt is made to study the growth of banking sector services in India after reforms. Various models related to banking service performance are studied (such as (SERVQUAL). The main outcome of the study is that the cooperative banks and rural banks were not included in such performance service models. Since service quality has been proved to be a key driver to profit performance of the service firms so all types of banks need to adopt such service models and there should formulate more improved and better models of service quality which fit well in changing environment and economic system of world.

Keywords: Banking; service quality; SERVQUAL Cooperative Bank

I. INTRODUCTION:

Banking is vital sector of a country. In India, banking sector has been growing continuously from last 50 years. Major changes were introduced in banking sector after economic reforms of 90's with the recommendations of various committees such as Chakravarty Committee (1985), Vighul Committee (1987) and most notably Narsimham Committee (1990) under the chairmanship of an Ex RBI Governor of India. Which resulted in privatization, liberalization, and globalization of banking service industry, putting new challenges of survival and growth in a globalized competition. Such globalization expanded the service sphere of banks with adding new trends and products in banking service marketing. Apart from traditional functions of accepting deposits and advancing loans, banks perform many other service like payment banking. Now-a-day banking has transformed into a new era where technology driven banking is the new trend in the payment banking i.e. mobile banking, e-commerce, banking applications, wallet banking, all these Services are emerging in digital India. In view of these tendencies and trends of banking industry it is pertinent to differentiate the service dimensions of banking in India and that is why the parameters of service provided by banks have become important today.

II. OBJECTIVE OF REVIEW

1. To examine the growth of banking services in India after reforms.
2. To study the models of service quality in banking industry.

3. To find the gaps in earlier studies related to service quality among different banks in India.
4. To compare the performance of banks on the basis of service quality models.

III. REVIEW OF LITERATURE ON SERVICES:

Service is an intangible economic activity by nature (Bateson 1977; Berry 1980; Lovelock 1981; Rathmell 1966, 1974; Shostack 1977) and having a characteristic of perishability means can't be stored (Bessom & Jackson, 1975; Thomas 1978) and consumed at point of sale unlike goods. It includes banking, medical, finance legal etc. Over the last 20 years' service sector turned out to be dominate part of economic. Service sector of developing economic like India for the first time in last 50 years has remained the most vibrant sector with regard to its contribution to national income, trade flows, F.D.I. inflows, and employment. The service sector contributed almost 66% to economic growth in year 2015. (Economic survey 2015-16).

(Rajarangamani Gopalan, Manak C. Singh) said services growth rate is faster than gross domestic product (GDP) for the last 12 consecutive quarters and contributed at almost 70% to growth during this period. Still as macroeconomic data shows an incremental ratio along with diminishing total factor productivity in India's service sector - a warning. If measures are not taking for future, Indian Service sector will fail to global service market. Post reform period, ICOR of services has remained lower than overall ICOR (of GDP). Between 1993-2013 service sector had a share of 55% in GDP and 46-47% in Gross Capital Formation and net Capital Structure of Economy.

IV. SERVICE QUALITY IN BANKS

There are lot of studies available on various dimensions of service quality in banks in India Service. Quality is defined as the extent to which a service organization meets customer's expectation or needs (Lewis & Mitchell, 1990; Dotchin & Oakland 1994; Asubonteng et al., 1996; Winniewski & Donnelly, 1996) service quality has great impact on profitability of an organization (Greising 1994; Rust, Zahorik & Keiningham 1995). The most important dimension of service quality is "Responsiveness" followed by tangible, reliability, assurance and empathy respectively. The external customer should be provided service quality and inside customer (staff) be provided idea of quality (Tasneema Afrin, 2012).

There are studies on the problems faced by service industry described as under:"

Valarie *et al.* (1985) studied on problems faced by service industry due to unique service characteristic-notably intangibility, inseparability of production and consumption heterogeneity and perishability - very different from market goods marketing ZPB made some recommendations for service marketing.

(Leonard *et al.* 1994) Delivering high quality service can put a firm on winning edge but many companies struggle to improve services, and by mis-perceptions wasting money on ill-conceived services which actually not demanded by customers. This article provide guidelines to help managers form a competitive service improvement strategy. Through ten lessons concluded from a research study of service quality. "Excellent quality service reduces non-price burdens for its customers and increases benefits to a company".

Few researchers provided solution for improvement of service quality for instance:

Uguret *al.* (2001) Banks can enhance their organizational performance by applying manufacturing firms equity and process improvement philosophies and related tools such as root cause analysis (RCA), benchmarking (BM), process reengineering (PR) and continuous improvement (CI). They offered a practical framework, which is helpful in addressing present challenges. The framework offered can help bankers to deal with problems relating to their back stage and front stage systematically.

Lewis W. Fry, Charles M. Futrell. A. Parasuraman(1986) said in achieving service quality objective, the importance of service delivery sales force is major. Their role should be clearly defined to avoid job anxiety and job dissatisfaction, which will lead to poor delivery of service quality. "Role Conflict (inconsistent or incompatible job demands) and role ambiguity (lack & information necessary to perform job adequately) may lead to job anxiety (tensions and pressures) and may reduce job satisfaction

V. DIFFERENT MODELS OF SERVICE QUALITY IN BANKS

There are different models of measuring service quality of banks a brief review regarding this is as under:

On service quality evaluation there has been no general agreement to measure the quality of service but one of the most popular work done in this regard is SERVQUAL model (Parasurman et al., 1985; 1988). Which depicts service quality is difference between customers service expectations and perceptions.

Service quality is measured to find out service gap so that managers can perform various steps for improvement, (Parasurman et al., 1985; Lewis & Mitchell 1990).

Importance and role of P-Z-B in service quality research has been unexceptional, over the last decade, they have been studying service quality in USA and searching the answers to questions such as , what is service quality, how can it best be measured , what is the nature of customers expectations for service and what are the sources of the expectations , what are the principles causes of service quality deficiencies and what can organizations do to improve service quality.

Gap model (parasurman et al., 1985) is service quality model based on gap analysis to measure differences between expectations and performance along the quality dimensions. He has described the following Gaps as under:

Gap-I: Differences between consumer's expectations and management perceptions of consumer expectations.

Gap-II: Differences between management and perception of consumers' expectations and service quality specifications.

Gap-III: Differences between service quality specifications and the service quality delivered.

Gap-IV: Differences between service delivery and what is communication about the service to consumers.

Gap- V: difference between consumers expectation's and perceived service. This gap depends on size and directions of above four gaps.

The above Gap model was further refined and named as SERVQUAL Model to measure customers perception of service quality (Parasurman et al., 1988). Original ten dimensions of service quality were reduced to five dimensions namely: reliability, responsiveness, tangibles, assurance, and empathy. Further in 1991, SERVQUAL

was revised and word should was replaced by would and total no. of items reduced to twenty one but five dimensions remained same in 1994. This instrument not only widely cited in marketing literature but also used in industries (Brown et. al., 1993).

SERVQUAL was designed to measure service quality across retail banks, a long distance telephone company, a security broker, an appliance repair and maintenance firm, credit card Company etc.

VI. AN OVERVIEW OF SERVQUAL MODEL APPLICATIONS

It is widely applied in health care (Babakus& Mangold, 1992; Headly& Miller, 1993; Lytle & Mokwa, 1992). Large retail chains, such as Kmart, Wallmart (Teas, 1993). Banking (Cronin & Taylor, 1992).

Patrick, Karl &Johan , (1996) SERVQUAL is a popular with mangers as it is easy to apply and flexible with a clear and uninvolved theory. Results are not only objective truth but also help in identifying the direction for improvement of firms through good strategies of service quality. Moreover, SERVQUAL examines both qualitative and quantitative aspects. For new business firms aiming to provide better service quality, a qualitative approach is better and more useful. Quantitative measures is needed to measure service improvement.

(Cronin and Taylor, 1992) developed service quality models SERVPERF model it consider only performance for measuring quality of service. It address two general points. First, SERVPERF Model does not conclude that it is unnecessary to measure customer expectations in service quality research and second they do not suggest that purchase intentions are not affected by quality of service. However, results do finds that the influence of customer satisfaction is more on purchase intentions than the service quality. Further C & T recommends restricting the domain of service quality to long-term attitudes and consumer satisfaction to transaction specific judgments.

Other models ,includes technical and functional quality (Gronroos 1984). Ideal value model of service quality (Mattsson, 1992) Evaluated performance and normed quality model (Teas 1993). IT alignment model (Berkleya&Gupta , 1994). Attribute and overall affect Model (Dabholkar, 1996). Model of perceived service quality and satisfaction (Spreng&Mackoy,1996) PCP attribute Model (Philips & Hazlett, 1997). Retail service quality and PerceivedValue model (Sweeney et. al., 1997). Therefore, in total there are around 19 different service quality models available.

(Nitin Seth &S.G. DeshMukh, Prem Vrat) They presented a very useful critical review of 19 service models of service quality, their suitability in and need for modifications in current service sector scenario. Quality model from 1984 to 2003 shows that there has been change in the process of services delivery from conventional to IT Based services. Further factors such as type of service, setting, situation, time, need etc. are factors affecting service quality outcome and measurements, "the review of 19 service quality models focus on only one link (i.e. either marketer to consumer or front line staff to supporting staff) on other hand " there is a positive correlation between internal service quality with business performance and the service quality delivered to customers (Caruna&Fitt 1997; Reynoso and Moores 1995).

Technical and functional quality model (Gronroos 1984) Author says that management has to match the expected services with perceived service so that consumer satisfaction is achieved. Three components of service quality include technical quality, functional quality, and image technical quality means interaction quality, of consumer with service firm and on that basis, he evaluates quality of service. Functional quality is actual technical outcome of service received. Image is important and result of technical and functional quality along with tradition, ideology, word of mouth, pricing etc.

Attribute service quality model (Haywood-Farmer 1988) This model states that a service quality can be made "high" if customers preferences and expectations are met continuously by attributes to service include physical facilities and processes staff behavior and professional attitude (judgment) Balanced contraction need to be done to deliver high quality service. Too much concentration on any one of these elements to the exclusion of other may result in disaster.

Synthesized model of service quality (Brogowicz et.al. 1990) Author says that a service gap may also result in case of potential customers who has not yet experienced the service but learned through word of mouth, advertising or from actual customers. This model considers three factors viz.-external influence company image and traditional marketing activities influence service quality expectations.

The behavioral consequences of service quality were discussed by these authors (Valarie A Zeithant, Leonard L. Berry & A. Parasuraman) through a conceptual model showing impact of service quality on customer's behaviors in terms whether they remain with or defect from a company. Empirical study undertaken to provide strong evidence for behavioral and finance (profits) consequences of service quality. Higher service quality lowers customer's defection, (using the PIMS), data findings from seminal studies, show that companies offering high service quality achieve more than normal market growth and share (Buzzell and Gale 1987) profits due to service quality is a function of increased market share and premium pricing (Philips, Chang & Buzzell 1983; Reichheld & Sasser 1990) emphasized on such accounting system that record the expected cash flows from a loyal customer and their time value.

Communication and control process in the delivery of service quality examined (Valarie A Zeithant, Leonard L. Berry & A. Parasuraman) How consistently good service quality can be delivered and difficulties relating to such delivery can be managed should be a marketing priority of service industry. Consumer's service quality perceptions affected by four gaps (on the service provider's side) can impede delivery of services.

VII. RECENT SERVICE QUALITY RESEARCH IN INDIAN BANKING:

(Suresh Chander et al., 2002) studied relationship between service quality and customer satisfaction in Indian Banking Sector. Both were found though independent but closely related. Both varies in core services, human element, and systematization of service delivery, social responsibility, & tangibles.

(Gani A, Mushtaq Bhatt 2003) study is done to compare commercial banks service quality using SERVQUAL Model. Results showed that in assurance and empathy Indian Banks are to foreign banks CITI Bank and standard chartered bank good performers is tangibility and reliability.

(Navdeep Aggarwal and Mohit Gupta 2003) conducted internal structured interviews with branch managers and academicians led to formulation of a banking service quality model. The findings of this study revealed that service time, personal infer interactions are major factors along with ambience for service quality.

(Arora S 2005) Factors were analyzed which influence customer satisfaction in public sector, private sector, and foreign banks in northern India. It revealed that significant difference exists in level of customer satisfaction with regard to each group of banks in respect of routine operations and interactive factors. In mechanization and automation dimensions, foreign banks were found to be leaders.

(Debashis; Mishra, 2005).Customer satisfaction was measured for branch services provided by Nationalized banks in Northern India. The factors came out to influence customer satisfaction were computerization, accuracy in transactions, attitude, and availability of staff.

(Mushtaq Bhat, 2005)in his Service Quality study he found quality parameters in banks and effect of demographic variables SERVQUAL Model was used. SBI, PNB J&K Bank, CITI Bank and standard chartered banks were included. Foreign books found better than Indian Banks. SBI was poor in terms of reliability and responsiveness & further banks in Delhi were better in service quality comparative.

(Alka Sharma, Versha Mehta 2005) studied on service quality of four leading books & compared results. Joshua AJ, V Moli, P. Koshi (2005) evaluated and compared service quality provided by Old and New Banks.

(Mohammad etal., 2005) tried to develop a comprehensive model related to automated service quality issues.

(Sharma& Sharma, 2006) focused study on Urban Customers delight for banking services. It was found that customers were having no issues with regard to loan facilities, bank environment, routine work procedures, interest rates etc. but were dissatisfied due to loan formalities and communication style.

Again, during years 2009-2010 some more prominent researchers contributed to the field of banking service quality issues. (Mohammad Siddique Khan 2009) found parameters for interestbanking service quality.(Padhy P.K.; BN Swar,2009) investigated technology role in banking and effect on customers service quality perceptions in public, private and foreign banks in Orissa.

(Sachin Mittal & Rajnish Jain, 2010) they studied customer Satisfaction levels among young customers. The focus was IT based banking services, findings; indicated need for improving IT based services to increase customer satisfaction.

(KumbharViyar, 2011) examined the relationship of customer satisfaction with demographics in interest banking. There is significant difference in service provided by public and private banks and perceived by customers.

(ManasaNagabhushanam).It is a very useful research work in understanding service quality levels is different banks of India. It is a detailed study which discusses customers perceptions of quality of bank service on one hand and banker's perception of customer service quality on other hand and concluded .Public sector banks are superior on trust factor & should maintain it and improve on other aspects. Customer relationship management is important strategic factor. Banks should focus on customer retention and loyalty. Foreign banks known for good infrastructure should focus on other dimension of service quality. Empathetic and respectfully response on part of staff will induce customer satisfaction. Efficient and knowledgeable employees, proper media resource

and maintaining good communication channels worth to increase customer service satisfaction And finally more breaches establishment in remote areas would help banks to increase business & service quality satisfaction.

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Sandip KlioshHazra, Dr. Kailash Srivastava (2010) used SERVQUAL to find out which dimension are significant for customers satisfaction in private banks and result was assurance and reliability to era their loyalty Akikio Ueno (2010) talks about human resources role in supporting service quality.

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(Kailash M, 2012) compared public and private sector banks in Vijayawada City using SERVQUAL Model. It found out that new products and services by banks can help in retaining customers.

(G. Santhiyavallij). It studied service quality of SBI in Coimbatore area. It was performed for a period 6 months and covered five branches SERVQUAL technique was used to study 22 variable under five dimensions and results should that mostly customers comes in range of “agree” and “partially agree” for SBI service quality.

(Parmita Mehta,2012). The study classified customers on the basis of their service quality scores, to perform segmentation analysis, and it was found that type of account is an influential factor on service quality segments and a significant demographic variable to measure service quality perceptions. Satisfaction with employee relationship management systems the impact of usefulness on systems quality perceptions (Yang Yang Thomas F. Stafford) Employees their intellectual skill & are considered as important factors to differentiate among quality service firms. Therefore, to deliver quality service, the concept of applying relationships technologies to internal customers also, is recommended such concept be termed as employee relationship management systems. Satisfied internal customer will deliver effectively to outside customer. The electronic delivery of important HR service to employees through an ERM postal increased their job satisfaction. So ERM along with CRM are parallel going factors for good service delivery.

Gaps Press of literature review:

1. Past and recent studies on banking service quality models failed to provide evaluation mechanisms to measure and access service quality performance of banks during an unexpected financial policy changes in country's economy such as demonetization.
2. Very limited study is available on service quality performance of rural banks and cooperative banks in India and also their service quality comparison with public and private sector banks.
3. There is a need to raise and reconstruct the service quality standards and dimensions for banking firms due to sudden and unexpected changes in the environmental forces.

VIII. CONCLUSION

Numerous studies and services academic research has led to the belief the quality is a key driver to profit performance. Although earlier service model such as SERVQUAL, SERVPERF have provided good yardsticks in service performance evaluation but still there is a gap for further more advanced and better models to be formulated for service quality that fits well in the rapidly changing environment and economic system of the world.

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