"ANALYZING QUALITY GAP"

CASE OF PUBLIC SECTOR BANK IN SOUTH DELHI

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ABSTRACT

The services sector is the most important sector, which contributes largely to the National economy. In India, the banking sector is an important component of this sector. The increasing need of customer satisfaction in the banking sector is of utmost importance. The study attempts to find out the Service quality (SQ) of Public sector in South Delhi area, It tries to look whether there is gap between customer expectations and perceptions of service offered. One of the most popular models, SERVQUAL, used in Service marketing is used in the study. SERVQUAL is based on the perception gap between the received service quality and the expected service quality, and has been widely adopted for explaining consumer perception of service quality.

KEYWORDS: Customer Satisfaction, SERVQUAL Model

INTRODUCTION:

The services sector is the most important sector, which contributes largely to the national economy. In India, the banking service is an important component of services sector. The share of banking and insurance sector within the services industry has burgeoned from 2.78% of GDP in 1980 – 81 to 6.27% in 1997 – 98 (Economic Times, 2000). It has been so due to the increased significance of financial services in post – reforms era. In the recent years, a number of private sector and foreign banks have entered the Indian market and made it more competitive. The onset of competition from the private players and initiation of banking reforms since early 1990s have led to an increased emphasis on efficient customer service (Narsimham Committee, 1991). Moreover, the tough competitive arena in which these banks operate today, maintaining the quality of service is a pre – requisite for survival. Therefore, measurement of service quality has increasingly created an interest among the service providers (banks) and scholars alike. It is so because service quality is being used to position the banks in the market place (Brown & Swartz 1989). However, the service quality is hard to measure (Rust, Zahorik & Keiningham, 1995). In case of banking services, the varied service products being offered and their interface with the information technology like banking on internet, electronic delivery channels, etc. help the banks in seizing the market and be the ultimate winners (Cooper & Edgett, 1996). This also forms an important aspect of service quality. Despite this understanding, conceptualization and measurement of service quality have been the most controversial and debated topics in service marketing literature. The global trends and challenges in services in today's business world showed that "services companies are under a constant and dynamic change" while "customers are becoming less loyal, more price sensitive and discerning." (Sigala & Christou, 2006).

It is the common knowledge that customers are the lifeblood of any company's business nowadays. Because of their importance, customers perceive that they have the power to demand high service quality (Macdonald, 1995). This leads all companies to the battle competing for customers. Moreover, customers are now more aware of other service providers as well as the range of financial products available for them in the marketplace. Customer expectations rise accordingly, thus they are "more critical" when choosing the service (Akan, 1995). As a result, service providers must redouble their efforts if they want to be winners in this battle (Edvardsson, Thomasson & Ovretveit, 1994). And financial service providers are not exceptions for that. In that context, service quality (*SQ*) is a prerequisite for the survival and development of any company (Parasuraman, Berry & Zeithaml, 1988). Many authors backed up this statement since the early of the 1980s until now. Their reasons are as followed.

First, it is a critical factor in achieving competitiveness in most service industries (Galloway & Ho, 1996). Only when SQ is paid enough attention the company differentiate itself from other rivals in the marketplace and gain a lasting competitive advantage in the long run (Galloway & Blanchard, 1996; Gounaris, Stathakopoulos & Athanassopoulos, 2003).

Second, SQ is a key to long-term profitability as it affects the repurchase intentions of both existing and potential customers (Anderson, Fornell & Lehmann, 1994; Caruana & Pitt, 1997; Leverin & Liljander, 2006). Furthermore, if customers stay long with the company, more profit can be gained by reducing customer acquisition costs and lowering costs thanks to serving repeat customers (Heskett, Jones, Loveman, Sasser & Schlesinger, 1994; Mittal & Lassar, 1998; Roig, Garcia, Tena & Monzonis, 2006).***And finally,*** SQ can be used to fan word-of-mouth advertising (Julian & Ramaseshan, 1994). This powerful tool can help the company to recruit new customers with lower cost. It is estimated that attracting new customers is about four times more expensive than retaining the current ones (Wang, Lo & Hui, 2003). The research topic, measuring customer satisfaction based on service quality gap, has been widely discussed by many researchers for years.

The **public sector**, sometimes referred to as the **state sector**, is a part of the state that deals with either the production, delivery and allocation of goods and services by and for the government or its citizens, whether national, regional or local/municipal. Examples of public sector activity range from delivering social security, administering urban planning and organizing national .The organization of the public sector (public ownership) can take several forms, including:

- Direct administration funded through taxation; the delivering organization generally has no specific requirement to meet commercial success criteria, and production decisions are determined by government.
- Publicly owned corporations (in some contexts, especially manufacturing, "state-owned enterprises"); which differ from direct administration in that they have greater commercial freedoms and are expected to operate according to commercial criteria, and production decisions are not generally taken by government (although goals may be set for them by government).
- Partial outsourcing (of the scale many businesses do, e.g. for IT services), is considered a public sector model.

REVIEW OF LITERATURE:

SQ is a multi-dimensional concept (Jamal & Naser, 2002); it means different things to different people (Bennington & Cummane, 1998). Firstly, service is abstract (Sureshchandar, Rajendran & Anantharaman, 2002). As a result, service is difficult for suppliers to explain and for customers to assess (Edvardsson *et al.*, 1994). Secondly, no global definition of quality has been established until the time of speaking even though this has been the focus of discussion throughout history. Rather, different definitions are accepted under different circumstances (Reeves & Bednar, 1994). The search for this definition carried out by Bennington and Cummane (1998) showed that quality has been defined variously as excellence (Pirsig, 1974 & Kitto, 1951), value (Feigenbaum, 1951 & Abbott, 1955), conformance to specifications (Levitt, 1972 & Gilmore, 1974), conformance to requirements (Crosby, 1979), fitness for use (Juran, 1974, 1988), loss avoidance (Taguchi cited in Ross, 1989) and meeting and/or exceeding customers' expectations (Gronroos, 1982 cited in Parasuraman *et al.*, 1988).

Quality is also defined as ''a measure of the extent to which the service delivered meets the customers' expectations'' (Ghobadian, Speller & Jones, 1993) which was supported

by Harrison (2000). Among many definitions, Reeves and Bednar (1994) stated that the most popular definition of quality was meeting and/or exceeding customers' expectations. Services have some specific characteristics that differentiate them from the manufactured goods. Gianesi and Corrêa (2004) say the following special characteristics of service operations are the main ones: intangibility, client participation and simultaneous production and consumption. According to Coelho (2004, p. 36), "in service management it is important to understand how clients assess the quality of the service provided, that is, how quality is perceived by the client". Many scholars and service marketers have explored consumers' cognitive and affective responses to the perception of service attributes in order to benefit by providing what consumers need in an effective and efficient manner. Consumer satisfaction (e.g. Cadott et al, 1987; Churchill & Surprenant, 1982; Fornell,1992; Oliver, 1997) and PSQ (e.g. Parasuraman et al, 1985, 1988; Rust & Oliver, 1994; Zeithaml et al, 1996) have been considered the primary intervening constructs in the area of service marketing .

RESEARCH GAP: There are some valuable studies done in banking sector using SERVQUAL model **(**Vu Thi My Chinh, 2008; Alok Rai, 2009**)** all of which have been done on a inter-bank comparison and hardly any study has been done which is specific to a public sector bank. This study considers different branches of public sector Bank and judging the service quality on various dimensions.

METHODOLOGY:

An inventory of service quality items was identified. Items for measuring customer-perceived service quality were adapted from the service quality and service marketing literature (Parasuraman et al., 1991) and the bank marketing literature (Levesque & McDougall, 1996; Yavas et al., 1997; Parasuraman et al., 1988; Parasuraman et al., 1991; Cronin and Taylor, 1992). The list of items generated consisted of 18 items which is a combination of both the above mentioned literature. The scale has been used by so many researchers (Parasuraman et al., 1991, Alok Kumar Rai,2009).The instrument has been kept in its original format with minor adaptation. Later on reliability of the scale has been done and value has been found out between 0.741 to 0.750 which is greater than the suggested criterion (Rajesh Nair, Ranjith P V, Sumana Bose and Charu Shri,2010). A descriptive research was used to gain an insight into consumer's perceived service quality offered by banks with respect to five dimensions. Primary data were collected for the research. A standardized structured questionnaire, SERVQUAL by (Parasuraman, et al 1985), was used for the research which later was customized after taking the opinion of academicians, bankers and some research papers also. The sample size used was 80 respondents from public sector banks. The study was conducted in South Delhi area.

ANALYSIS AND FINDINGS

Reliability Analysis

The reliability test has been done for the main items of the questionnaire. In other words, they were 36 items (both Customer expectations and Customer Perception scores).For all of the items, The Cronbach's alpha value ranged from 0.741 to 0.750, which are greater than suggested criterion 0.7. The measurements can be considered reliable with the sample.

Table 1.1

Case Processing Summary

		N	%
Cases	Valid	80	38.1
	Excluded[a]	130	61.9
	Total	210	100.0

a. Listwise deletion based on all variables in the procedure.

Table 1.2

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.741	.750	36

Table 1.3

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
191.9625	228.062	15.10172	36

TABLE DESCRIPTION:

Reliability: The ability to perform the promised service dependably and accurately- In the case of parameters in reliability also the customers are not happy as shown by the negative values of (P-E) The dissatisfaction is highest in the case of the first parameter, i.e." Accuracy of transactions".

Empathy: The caring, individualized attention provided to customers- In the case of parameters in empathy also the customers are not happy as shown by the negative values of (P-E). The un satisfaction is highest in the case of the first parameter, i.e., "Bank makes concentrated effort is to modify their product or service as per your need"

Responsiveness: The willingness to help customers and provides prompt service. - In the case of parameters in responsiveness also the customers are not happy as shown by the negative values of (P-E). The un satisfaction is highest in the case of the first parameter, ie, "When you have a problem bank shows sincere interest in solving it".

Responsibility- The completeness of information and records, progress of complaints must be known to the customers- dissatisfaction level in first parameter that is application formalities.

Tangibles: The appearance of physical facilities equipments, personnel, and Communication materials- Dissatisfied as negative value of P-E.

Safety: Trust in banking shows dissatisfaction

 CONCLUSION:

Service Quality plays an important role in assessing a bank in today's world of cutthroat competition. It is very evident from the fact that there is a gap between what is expected and perceived for most or all of the parameters. The reliability and empathy dimension is almost positive and according to the expectations of the clients but when we consider about responsibility and responsiveness than the perceived gap on these factors is very much higher which an area of concern for the bank is. Employees have to be trained on the skills required to give adequate help to customers. Most of the banks do not have the facilities to inform the consumers when the services will be performed. This is one area where the bank has to concentrate and make sure it inform the customers about the time taken for each service. Banks have to take service given to the consumers as a "P" for their marketing and invest time, resources and money on improving the efficiency in this frontier. One strategy is to dedicate one or two people in each branch to inform the customers about the services to be provided and also solve the queries of them. The bank shall have to reorient itself in terms of the customer service parameters to instill the concept of quality service in the mind of the customer and therefore the growth. Strategically speaking, the Public sector should focus more on improving the infrastructure. The infrastructure not only involves the information technology input in the branches but also the physical evidence, internal environment and layout. This is due to the fact that recently like in other services, in banking also the internal ambience of the organization has a positive impact on the customers. The customers trust the public sector banks. These banks have existed in the market for a longer period than the private sector banks. The reliability factor is a positive factor for these banks (especially Public sector). The bank should position itself in the market on the basis of this dimension and promote itself aggressively. It will not only help them survive the present onslaught from private sector banks, but also be competitive in the market. The growing needs of the customers are evident from the wide array of services being offered by the banks like insurance, mutual funds, depository services, etc. According to Reserve Bank of India, the voluminous increase of 14,85,643 crores in the retail financing schemes of the various banks indicates the varied needs of the customers, in which the public sector banks have emerged as the significant players. This in turn points towards the degree of readiness, which these banks are demonstrating towards the customers and their needs. The Public sector should follow the strategy of differentiation of service offers from one another. Last but not the least, the customer base of the Public sector is very big as compared to

the private sector banks, therefore it is important to retain them with the banks. It becomes imperative for the public sector banks particularly Public sector to train their employees to treat the customers with empathy. This can give the required leading edge and finally the competitive advantage to the Public sector. The current study has supported by a case study which is attached in the appendix.

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Annexure

A) RELIABILITY			
NAME	**P**	**E**	**P-E**
1. Accuracy of Transactions.	**6.525**	**6.7375**	**-0.2125**
2. Availability of staff at the counters.	**5.7125**	**5.751**	**-0.0385**
3.Employees of BANK have the knowledge to answer your questions	**5.775**	**5.975**	**-0.2**
B) EMPATHY			
NAME	**P**	**E**	**P-E**
1.Level of Courtesy Shown by staff	5.3875	6.275	-0.8875
2.Bank makes concentrated efforts to modify their product or service as per your need	4.5375	5.6375	-1.1
3.Employees of BANK understand your specific needs	4.5	5.4375	-0.9375
C) RESPONSIVENESS			
NAME	**P**	**E**	**P-E**
1. BANK has employees who give you personal attention.	4.9125	5.775	-0.8625
2. When you have a problem, BANK shows a sincere interest in solving it.	5.5375	6.525	-0.9875
3. Prompt Response in reacting to your Needs.	5.4875	5.8125	-0.325
D) RESPONSIBILITY			
NAME	**P**	**E**	**P-E**
1. Completeness of Information and clarity of letters/statements received from us	5.4125	5.9625	-0.55
2. Application formalities are simple	4.975	6.025	-1.05
3. Bank keeps their records correctly.	4.7875	5.8875	-1.1
4.You are kept well informed about the progress of your complaints/query status	5.1625	6.0625	-0.9
E) TANGIBLES			
NAME	**P**	**E**	**P-E**
1. General upkeep of the premises.	4.6375	5.1125	-0.475
2. Materials associated with the service, such as pamphlets and statements, are visually appealing at BANK	4.6875	5.2375	-0.55
3.The employees of the bank are well dressed and well maintained	4.275	4.5125	-0.2375
F) SAFETY			
NAME	**P**	**E**	**P-E**
1. You feel safe in your transactions with BANK.	5.4	5.9375	-0.5375
2. You trust the bank employees.	5.0125	5.825	-0.8125