

CUSTOMERS' PERSPECTIVE ON EXPECTATION AND PERFORMANCE GAP – A STUDY ON VEHICLE FINANCE LOAN SERVICES

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Abstract: The purpose of this research is to investigate the expectation and performance gap of the vehicle finance loan services, with special reference to organized lenders of Namakkal District, Tamil Nadu. Vehicle finance is one of the primary income generation source for organized lenders. When the lenders can understand the customers' perspective about the loan financing services, they can manage their customers easily. Both primary and secondary data is used in the vehicle finance services research. The secondary data required for the research is collected from websites and periodical journals. The primary data required for the research is collected from commercial vehicle loan borrowers of Namakkal district. Convenient sampling method was used and a sample of 178 responses were collected through questionnaire interview method. The questionnaire used in the research was developed with the help of RATER (Reliability, Assurance, Tangibles, Empathy and Responsiveness) model. The research identified the expectation and performance gap of the vehicle finance services offered by organized lenders. The results of the study revealed that there is a wider service gap in responsiveness and assurance of the commercial vehicle loan services, the individual item expectation and performance gap was also analyzed in the research and various insights has been provided, t- statistic analysis results revealed that there is a significant difference between perceived responsiveness of heavy commercial and light commercial vehicle borrowers.

Index Terms: Gap analysis, RATER, Vehicle Finance Loan

I. INTRODUCTION

Generally commercial vehicle finance is offered by banks, non-banking financial services or other unorganized lenders. The lenders can offer either secured commercial vehicle finance or unsecured commercial vehicle finance. In case of secured loans the lenders can ask secure the loan of commercial vehicle borrowers by pledging some of the assets like

1. Land or Building
2. Equipment or Supplies
3. Receivables from invoice

These assets are used to collateralize the loan borrowed for vehicle finance. Alternatively the vehicle finance can also be unsecured loans, in that case the lenders will rely on the cash flows of the commercial vehicle finance borrowers and predict the ability of the borrowers to repay the dues.

Commercial vehicle finance borrowers can seek the assistance of financial planners, commercial finance brokers or commercial finance consultants to source and structure the vehicle loans.

In general there are two types of commercial vehicles namely light commercial vehicles and heavy commercial vehicles. These commercial vehicles are classified based on their gross weight. The light commercial vehicles have a gross weight less than 3.5 tonnes and the heavy commercial vehicles have gross weight more than 3.5 tonnes. The present study was carried out in Namakkal district, this district is known for its small and medium scale industries and supplies poultry not only for entire Tamil Nadu but also across India. Some of the MSMEs are even exporting their poultry products to other countries as well. Thus the necessity and need for transportation is must and is in high demand in Namakkal district.

The commercial vehicle finance borrowers will get loan from the lenders for three major reasons that is for purchasing new commercial vehicles, to renovate existing vehicle or to buy used commercial vehicles. The interest rate of the loan depends on the credit worthiness of the borrower, expected life of the commercial vehicle or loan to value ratio. Thus the need for financing the commercial vehicle users is important in case of highly business oriented district.

NEED FOR THE STUDY

The commercial vehicles play a vital role in transporting the poultry products and other goods of the Micro Small and Medium scale enterprises from the place of production to other parts of the country. The MSMEs and commercial vehicle users are mutually dependent on each other for their business. Thus economic wellbeing of MSMEs will have a ripple effect on the Commercial vehicle owners and vice versa. When there are increased volume of business for commercial vehicle owners, there will be greater need for external sources of fund for running the business successfully. This sources of funds required for commercial vehicle owners are supplied through organized and unorganized lenders. This research concentrates only on organized lenders of Namakkal district like banks and non-banking financial services. The scope of this research is limited to the banks and NBFCs of Namakkal district. The research did not cover unorganized lenders like pawn brokers in Namakkal district.

II. LITERATURE REVIEW

Johnson M D *et al.*, (1996) in the article titled “Expectation, perceived performance and customer satisfaction for a complex service: The case of bank loans” analyzed the data collected from Swedish customer satisfaction barometers. The authors compared the predictive power of the customers with respect to services, non-services and bank loans. The authors concluded that the predictive power of customers vary from services to non-services and bank loans and added that the predictive power of the expectations are greater in case of non-services than for other services. The authors also added that the predictive power of bank loans are less when compared to predictive power of services and predictive power of non-services.

Jessica Hwang *et al.*, (2003) interrogated the expected and perceived service quality in meal service of hospital in United Kingdom. The authors also performed a gap analysis in National Health Services (NHS) and provided various insights about the expected and perceived performance of the health service industry. A seven point Likert Scale of modified SERVQUAL instrument was carried out in the study. The authors employed factor analysis and identified three distinct factors that had high reliability, namely food properties, environmental presentation and interpersonal services. The authors concluded that the food properties was found to be the predominant factor in predicting the customers’ satisfaction.

Rhian Silvestro (2005) in the article titled “Applying Gap analysis in health service to inform the service improvement agenda” has investigated the need to understand patients to provide them better care. The research article provided the tools that can be used to quantify the gap between the expected patient priorities and perception of health service performance. The author has also developed a research tool that can be used to measure the staffs perception on patients, the priorities and perception of the patients on the staff who can best understand them.

Priyadarshini *et al.*, (2009) analyzed the service quality expectations and perception among the Generation Y customers in Business schools. The study was carried out in Coimbatore district of Tamil Nadu. The authors performed a gap analysis on expected service quality and found that the expectations of the Gen Y customers are generally high when compared to the actual service delivery in the Business schools. The authors also concluded that the students were partially satisfied with the service delivery of the B Schools and has suggested some important insights to overcome the quality gaps identified.

III. RESEARCH METHODOLOGY

Descriptive research is followed in the study. The secondary data required for the research is collected from websites of bank and non-banking financial services, brochures and pamphlets supplied by the banks and non-banking financial services, periodicals, journals, etc. The primary data used for the research is collected with the help of well-structured questionnaire. A 22 item questionnaire was developed with the help of established scales. RATER model developed by Zeithaml *et al.*, (1988) was used in this research. The questionnaire was adopted as per the requirements of the commercial vehicle finance borrowers and their expectation and performance gap. The questionnaire was divided in to five section, namely Reliability, Assurance, Tangibles, Empathy and Responsiveness. The name of the construct and number of items used in the questionnaire are given in the below table. The questionnaire was then subjected to questionnaire interview method. The collected data was then entered in IBM – SPSS software for further analysis. The research tools used in the study includes simple percentage analysis, t test for independent sample, Gap analysis etc.

Table 1: Table showing number of items used in questionnaire

Construct	Number of Items
Reliability	5
Assurance	4
Tangibles	4
Empathy	5
Responsiveness	4
Total	22

IV. DATA ANALYSIS AND INTERPRETATION:

The sample profile of the primary data was classified in to three major categories based on type of vehicle the borrower is using, purpose of the finance availed for and type of lenders. The vehicle type was classified in to two categories namely heavy commercial vehicles and light commercial vehicles. It was found that 47.2 percent of the sample respondents are using light commercial vehicles and 52.8 percent of the sample respondents are using heavy commercial vehicle. The percentage analysis of the primary data revealed that 50.6 percent of the sample respondents have borrowed funds for financing purchase of new vehicle and 49.4 percent of the sample respondents have borrowed funds to purchase used vehicles. The sample respondents who borrowed from banks are found to be 46.6 percent and 53.4 percent of the sample respondents borrowed funds from Non-Banking financial services.

Table 2: Table showing profile of the sample respondents

Variable	Classification	Frequency	Percentage
Vehicle Type	Light Commercial Vehicle	84	47.2
	Heavy Commercial Vehicle	94	52.8
Total		178	100.0
Type of Finance	New Vehicle Finance	90	50.6
	Old Vehicle Finance	88	49.4
Total		178	100.0

Type of Lenders	Banks	83	46.6
	NBFCs	95	53.4
Total		178	100.0

Service Quality Gap:

The sample respondents are asked to provide their expected service quality and actually delivered service quality of their lenders based on their experience in the service providers place while availing finance. The items in the questionnaire was given in 7 point scale. Where 1 being marked for unpleasant perception about service quality constructs and 7 being the highest for the best perception about service quality construct. The average scores for each items in the construct is calculated and for both expected and perceived service levels. The gap in the service quality is then calculated by subtracting the average expected service quality and average delivered service quality. The table 3 will provide various insights about the constructs and items used on the questionnaire.

Table 3: Table showing Expectation and Performance Gap of Service Quality

Construct	Item	Statements	Expected	Delivered	Service Gap
Reliability	Rel1	Timely Delivery of Services	6.39	4.21	2.18
	Rel2	Sincere interest in solving issues	6.42	4.89	1.53
	Rel3	Service done Right at first time	6.22	5.47	0.75
	Rel4	Promises delivered	6.54	4.03	2.51
	Rel5	Error free records	6.71	4.31	2.4
		Average Gap Score			1.874
Assurance	Assur1	Employees Instill confidence	6.34	3.67	2.67
	Assur2	Feel Safe	6.44	3.97	2.47
	Assur3	Employees Consistently Courteous	6.38	4.56	1.82
	Assur4	Employees are Knowledgeable to answer	6.11	3.13	2.98
		Average Gap Score			2.485
Tangibles	Tan1	Modern Looking Building/System	6.01	5.21	0.8
	Tan2	Visually appealing work space	6.06	5.16	0.9
	Tan3	Professional Employees	6.18	4.81	1.37
	Tan4	Materials visually appealing	6.23	4.55	1.68
		Average Gap Score			1.1875
Empathy	Emp1	Individual attention	6.88	4.91	1.97
	Emp2	Convenient operating hours	6.21	4.11	2.1
	Emp3	Customers as prime interest	6.55	5.27	1.28
	Emp4	Personal attention	6.03	5.41	0.62
	Emp5	Specific needs understood	6.23	4.78	1.45
		Average Gap Score			1.484
Responsiveness	Respon1	Convey right delivery of service	6.81	4.19	2.62
	Respon2	prompt service to customers	6.22	3.21	3.01
	Respon3	Willing to help customers	6.48	4.04	2.44
	Respon4	Never too busy to respond request	6.32	3.75	2.57
		Average Gap Score			2.66

A student t test was employed to calculate the significance of difference in Mean values of expected and delivered service quality. It was found the mean difference of expected and delivered service quality was found to be statistically significant. The table 4 will throw interesting facts about difference in mean for the five different constructs used in the questionnaire and their significance. All the calculated t statistic value of mean difference was found to be greater than the critical value 1.96, hence it can be confirmed that the mean difference in expected and delivered service quality are statistically significant.

Table 4: Table showing t statistic value of Expected and Delivered Service Quality

S.No	Factors	Expected		Delivered		t Statistic value	Significance
		Mean	SD	Mean	SD		
1	Reliability	6.456	0.3668724	4.582	0.380393	3.00688131	0.003025785
2	Assurance	6.3175	0.3976936	3.8325	0.383895	3.21113676	0.001570437
3	Tangibles	6.12	0.4081033	4.9325	0.400629	3.02854569	0.002824932
4	Empathy	6.38	0.3850191	4.896	0.321324	3.05879505	0.002567698
5	Responsiveness	6.4575	0.3859759	3.7975	0.411314	4.48103849	0.0000133

To understand the difference in perception about different groups of sample respondents another mean difference calculation was employed. The table 5 will throw some interesting facts about the expected responsiveness and delivered responsiveness of the lenders with respect to two different groups of borrowers. The sample respondents were divided in to two groups namely light commercial vehicle borrowers and heavy commercial vehicle borrowers, the mean difference in their perception about expected and delivered responsiveness was calculated and to generalize the results statistically a t test was conducted. It was found that the calculated t statistic value was greater than the critical value 1.96 and the group difference in mean was found to be significant at 0.001 level.

Table 5: Table showing t statistic value of Expected and Delivered Responsiveness for Heavy and Light commercial vehicle borrowers

	Vehicle Type	N	Mean	Std. Deviation	t Statistic- Mean Difference	Significance (2 tailed)
Responsiveness Expected	Light Commercial Vehicle	84	5.9583	.40485	6.073	0.000
	Heavy Commercial Vehicle	94	6.9567	.39986		
Responsiveness Delivered	Light Commercial Vehicle	84	4.0030	.39670	9.038	0.000
	Heavy Commercial Vehicle	94	3.592	.42751		

The table 6 will throw some interesting facts about the expected assurance and delivered assurance of the lenders with respect to two different groups of borrowers. The sample respondents were divided in to two groups namely borrowers from Banking Services and borrowers from Non-Banking Financial Services. The mean difference in their perception about expected and delivered assurance was calculated and to generalize the results statistically a student t test was employed. It was found that the calculated t statistic value was greater than the critical value 1.96 and the group difference in mean was found to be significant at 0.001 level for expected assurance. But in case of delivered assurance, there is no statistical difference in the mean. Hence it can be inferred that there is no difference in actual delivery of the assurance in case of Banks or NBFCs. Both banks and NBFCs are delivering same level of assurance for their vehicle finance customers.

Table 6: Table showing t statistic value of Expected and Delivered Assurance for Banks and NBFCs

	Type of Lender	N	Mean	Std. Deviation	t Statistic Mean Difference	Significance (2 tailed)
Assurance Expected	Banks	83	5.9639	.41711	3.827	0.000
	NBFCs	95	6.6661	.38013		
Assurance Delivered	Banks	83	3.9910	.35879	1.317	0.1895
	NBFCs	95	3.674	.40707		

V. DISCUSSION

After analyzing the service quality gaps it was found that the items like Responsiveness 2, Assurance 4 and 1 showed a wider gaps of 3.01, 2.98 and 2.67 respectively. The questions for the item responsiveness 2 was my lender provides prompt service as expected by me showed a huge gap. Hence it was suggested that the lenders should understand the needs of the customers and deliver the prompt service required by them. Similarly the corresponding questions for Assurance 4 and Assurance 1 are employees are knowledgeable to answer the quires, employees instill confidence in the minds of the customers scored the next wider gaps in service quality. Hence it was suggested that proper training has to be provided by the top management to the employees to responsively answer the queries of the customers and to instill confidence in their minds.

Table 7: Table showing Items of Larger Service Quality Gap

Items	Expected	Delivered	Service Gap
Respon2	6.22	3.21	3.01
Assur4	6.11	3.13	2.98
Assur1	6.34	3.67	2.67
Respon1	6.81	4.19	2.62
Respon4	6.32	3.75	2.57
Rel4	6.54	4.03	2.51

The average service quality gap score for each construct is calculated and it was found that the construct responsiveness showed a wider average gap of 2.66 followed by the construct assurance. The employees of the bank and non-banking financial services has to be trained to provide responsive answers to the queries raised by the customers. Also it was felt by the customers the banks and non-banking financial services that offer commercial vehicle loans have somewhere failed to instill assurance in their minds of the customers this lack can be due to lack of management and control measures for the employee behavior with the customers. Periodical feedback from customers and customer feedback based employee appraisal can help reduce this service quality gap.

Table 8: Table showing Average Scores of Service Gap

S.No	Dimensions	Service GAP
1	Average Score for Reliability	1.874
2	Average Score for Assurance	2.485
3	Average Score for Tangibles	1.1875
4	Average Score for Empathy	1.484
5	Average Score for Responsiveness	2.66

VI. LIMITATION

The research study was conducted from April 2017 to September 2017, hence the results of the research study can have temporal limitations. The statistical tools used in the research study are simple percentage analysis and independent sample t test. Hence the results of the research study are limited to the predictive power of the statistical tools used. The research study was carried out in Namakkal district, hence it has its geographical limitations. The research study was carried out in Banks and non-banking financial services. Hence the results of the research study are limited to the vehicle finance customers of the industry.

VII. CONCLUSION

Understanding the customers is the key element in the service industry to win their minds. Even though the vehicle finance customers are business to business borrowers, there is always a human element in their decision making process. In general it was perceived that the business to business customers will make only well informed rational decision. But the final deal of the business is closed by human interaction and a series of negotiations. This research has presented the expectation and perception of commercial vehicle finance borrowers. The research also threw lime light on the service quality gaps found in organized lenders.

The research can be used by the academicians, policy makers and the bankers to enhance their understanding about vehicle finance customers, their expectation and perception about the real service delivery in case of organized lenders. The bankers can use these research to estimate the gap in their loan financing services and try to fill the expectation performance gap to delight their customers.

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