

# SERVAQUAL ANALYSIS OF RURAL BANKING IN SATARA DISTRICT

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**Abstract:** Bank provides variety of services to rural masses in competitive environment. For penetration and better hold of rural market bank is attempting for service differentiation. . Obtaining customer is easy task but difficult is to retain. So there is a need to identify quality of services given by banks in rural area. Measurement of quality of service is difficult task. Some models are developed to assess the quality of service. Objective of this research paper is to study expectation, perception and service quality Gap in the banking services rendered to customers. Study put forth hypothesis to test that, ‘there is significant difference between the service quality gap of the services provided by sample banks. Total 96 bankers and 1409 customers from rural area of Satara are interviewed for this study with the help of structured schedule of standard SERVQUAL variables and few variables added by researcher on the basis of literature review. In total 34 variable brought in use, the reliability of schedule was measured 0.971.It is found that there is negative gap between customers expectations and perception. Public sector banks are strong in tangible aspects . Private sector banks are good in tangibility and reliability aspects. Whereas co-operative sector banks are good in reliability and responsiveness but have to concentrate on tangibility variable. Paired ‘t’ test is used to test hypothesis.

**Keywords:** SERVQUAL, service quality, gap analysis, bank Constitution wise gap in quality

## Introduction:

“Service quality is a measure of how well the service level delivered matches customer expectations. Delivering quality service means conforming to customer expectations on a consistent basis.” (Lewis and Booms 1983)

Grifvi, 2001 says that “Services quality is the amount of difference between customer's perceptions from services and his/her expectations.”

In late 1980s, Parasuraman et al., (1985) explained “Quality as a gap between what customers feel to be offered and what is provided.”

## Service Quality Measurement Models:

To measure quality of service is difficult task .There are some models to measure quality described as follows.

### a) SERVQUAL Model of Service Quality Dimension:

This model was developed in the early 1990.This model primarily included ten basic service quality dimensions i.e. reliability, responsiveness, competence, access, courtesy, communication, credibility, security, empathy and tangibles. But these ten service quality dimensions were too much .It makes difficulty in measuring service quality. So that these ten service quality dimensions were reduced upto 5 service quality dimensions. The five dimensions are Reliability, Responsiveness, Assurance, Empathy and Tangibility. The detail of each dimension is described as under.

1. Reliability : It means services provided as per promise.
2. Responsiveness : It means care for timely delivery of services to the customer
3. Assurance : It include knowledge and courtesy of staff who provide service .Such knowledge and courtesy should result in consumer confidence.
4. Empathy: It means individual customer care.
5. Tangible : It includes service appearance based on physical elements, equipment, etc.

Actually SERVQUAL is questionnaire of 22 questions, covering the above five basic service quality dimensions. Businesses measure service quality by using this SERVQUAL. Customers expectations of service quality in terms of these five dimensions is asked and their perception of the service they receive is taken. When expectations are higher than perception service quality is low and need to improve.

SERVQUAL is not only measurement model but also a management model. The SERVQUAL authors identified five Gaps that may cause to poor service quality.

Gap one arises between consumer expectation and management perception

Gap two arises between management perception and service quality specification

Gap three arises between service quality specification and service delivery

Gap four arises between service delivery and external communication

Gap five arises between expected service and experienced service

### b) Gap Model of Service Quality :

The second service quality model widely accepted in reference sources is the GAP quality model. This model was developed in 1985 by Parasuraman et al., which highlight that service quality is a function of consumer perception, i.e. the way how consumers perceive a service, and expectations formed before purchasing a given service. In GAP model, service quality is represented by the following formula:

k

$$SQ = \sum (P_{ij} - E_{ij})$$

$J=1$

where

SQ = service quality;

$P_{ij}$  = Performance perception of stimulus  $i$  with respect to attribute  $j$

$E_{ij}$  = Expectations of the organization for item  $i$  in dimension  $j$ .

The basic gap in such a quality model is the consumer gap which occurs due to differences between consumer expectations and consumer perception in a given service transaction.

### C) The Perceived Service Quality Model:

The Perceived Service Quality model includes the outcome of a service, the service process and the service provider's image. The Perceived Service Quality Model is not a model for measuring service quality, but it is a basis for developing service supply of a certain quality.

According to Aleksandar Grubo the analysis of various service quality models can define the seven criteria of good perceived service quality:

1. Professionalism and Skills;
2. Attitudes and Behavior;
3. Accessibility and Flexibility;
4. Reliability and Trustworthiness;
5. Service Recovery;
6. Serviscape;
7. Reputation and Credibility. (Aleksandar Grubor, 2005,).

### Review of Literature:

In the case of commercial banks four service quality variables were identified as the first order dimensions of service quality these are Reliability; Responsiveness; knowledge and Recovery; and Tangibles.(Dhandabani, uly-Dec.2010).Whereas in the case of the private retail banking ,customers differentiate five dimensions of service quality these five dimensions of customer-perceived service quality are: Factor 1 (Reliability, Responsiveness and Empathy); Factor 2 (Assurance, Empathy and Responsiveness); Factor 3 (Assurance, Empathy and Price); Factor 4 (Reliability);and Factor 5 (Tangible and Empathy) (Kumar, B Tamil Mani, , & S Mahalingam and M Vanjikovan;, 2010)

G.Karthikeya S. Mayilvaganan found in their research that in tangibles category parking facilities should be considered critical. In reliability category banker should give more importance to the factors such as Provide Service as Promised, Deliver Services at the Promised Time, Keeping Customers informed about when the Services will be performed, whereas in responsiveness, it is the factors such as Willingness of Employees to Help Customers and Readiness to respond to Customers Request have a service gap, in responsiveness, factor Employees who are Consistently Courteous have a service gap of greater than "1.5 and in empathy category, factors such as Giving Customers Individual Attention, Employees who deal with Customers in a Caring Fashion and Understand Customers Specific Needs are have a service gap of greater than "1.5. (Karthikeyan G., 2011)

A study is done to evaluate the impact of service quality on customer loyalty among bank customers in Penang, Malaysia with customer satisfaction .Service quality can enhance customer loyalty. Satisfaction has intermediating effect on relationships between service quality dimensions and customer loyalty. Reliability, empathy, and assurance were found to be significant role in customer satisfaction while Tangibles were found less significance on mediating variable (Liang, Mahamad Osman , & Ramayah. T., 2010)

One research is conducted in Bangladesh to find the most important dimensions of service quality that affect customer satisfaction in Private commercial banks in Bangladesh . Mainly reliability, responsiveness, and assurance dimension are crucial factors in PCBs of determining service quality gaps. The dimension with the largest gap is responsiveness (Mohammad, 2011)

In Public sector banks primarily reliability, responsiveness, and assurance dimension are crucial factors of determining service quality gaps. The top three aspects seem to relate to reliability; one to responsiveness and another aspect is relate to assurance dimension .On the other hand, the bottom three aspects relate to empathy, one for responsiveness and another relate to tangible dimension. The dimension with the largest gap is responsiveness (Mohammad, 2011)

### Research Methodology:

In today's global era each bank provides variety of services to rural masses. For penetration of rural market each bank is offering services differently. Obtaining customer is easy task but difficult is to retain that customer. So there is a need to assess quality of services given by such banks. Measurement of quality of service is difficult task. Because nature of service is intangible. Some models are developed to assess the quality of service. Customer is king of market so it is vital to know important service quality aspects from point of view of customer also.

Present research is descriptive inferential research. Objective of this research paper is to study expectation, perception and service quality Gap in the banking services rendered to customers. Study put forth hypothesis to test that, 'there is significant difference between the service quality gap of the services provided by sample banks. Total 96 bankers and 1409 customers from rural area of Satara are interviewed for this study with the help of structured schedule of standard SERVQUAL variables and few variables added by researcher on the basis of literature review. In total 34 variable brought in use, the reliability of schedule was measured 0.971. For collection of data Structured codified, close ended schedule for customers and bankers were prepared. Data were taken on five point likert scale. Data Analysis was done by using percentage, mean, standard deviation. Study put forth hypothesis to test, Hypothesis tested by using paired sample't' test and ANOVA.

Besides 22 statements across 5 categories of SERVQUAL model following additional variables in the form of statements across 5 categories brought in use on the basis of literature review.

Table 1 Additional Variables added into SERVQUAL variable

Sr.	Additional Variables	Add into SERVQUAL category
1.	Sufficient staffs are available to provide customers banking services	Tangibility
2.	Bank do Adherence to the norms	Reliability
3.	Employees of banks are polite.	Responsiveness
4.	When customers have problems, Bank is sympathetic and reassuring	Assurance
5.	Employees give professional consultation and advice	Assurance
6.	Bank is not taking additional charges.	Assurance
7.	Bank do not take any hidden charges at the time of loan	Assurance
8.	Bank provide transparent service	Assurance
9.	The locations of the branches are convenient to you.	Empathy
10.	Provides various services under one roof	Empathy
11.	Arrange Financial awareness Programs.	Empathy
12.	Bank provide service at the door(door step service)	Empathy

**Data Analysis and Interpretation:****SERVQUAL GAP Analysis**

In this study SERVQUAL model is used to measure quality of banking services. Expectations of customers of services are taken then perception about services is taken. And gap is found by deducting perceived data from expected data. The detail description on this gap is given below.

**Table2. Total SERVQUAL Gap**

Sr	Parameter	Expected Mean	Actual Mean	Gap(E-A)
	<b>TANGIBLE</b>			
1.	*Modern looking equipment and instrument facilities of bank.	4.42	3.82	0.6
2.	*Bank's physical facilities /premises are visually appealing.	4.34	3.66	0.68
3.	*Employees of bank have appearance neat.	4.43	3.76	0.67
4.	*Materials associated with the service (manuals, pamphlets, statements) are visually appealing and easy to understand	4.43	3.63	0.8
5.	Sufficient staffs are available to provide customers banking services.	4.49	3.22	1.27
	Total of average gap			<b>4.02</b>
	<b>RELAIBILITY</b>			
6.	*Bank promise to do something by a certain time, they do so.	4.55	3.67	0.88
7.	*Bank provides their services at the time they promise to do so.	4.56	3.63	0.93
8.	*Bank keep their records accurately/ Error free	4.54	3.79	0.75
9.	*Bank shows Sincere interest in solving customers' problems	4.53	3.57	0.96
10.	Bank do Adherence to the norms	4.54	3.61	0.93
11.	*Bank Perform the right service at the first time	4.55	3.57	0.98
	Total of average gap			<b>5.43</b>
	<b>RESPONSIVENESS</b>			
12.	Employees of banks are polite.	4.58	3.46	1.12
13.	* Banks tell customers exactly when services will be performed	4.61	3.48	1.13
14.	* Employees give prompt service to customers	4.60	3.41	1.19
15.	*. Employees are always willing to help customers	4.60	3.42	1.18
16.	* Employees are never too busy to respond to customers' requests	4.56	3.28	1.28
	Total of average gap			<b>5.9</b>

<b>ASSURANCE</b>				
17.	When customers have problems, Bank is sympathetic and reassuring	4.57	3.59	0.98
18.	Customers feel safe in transactions with Banks	4.56	3.68	0.88
19.	Employees have the knowledge to answer all questions of customers	4.56	3.65	0.91
20.	. Employees are consistently courteous with customers	4.56	3.52	1.04
21.	Employee behavior instill confidence in customers	4.54	3.51	1.03
22.	Employees give professional consultation and advice	4.55	2.82	1.73
23.	Bank is not taking additional charges.	4.56	3.60	0.96
24.	Employees have the knowledge to answer all questions of customers	4.55	3.62	0.93
25.	. Employees are consistently courteous with customers	4.52	3.61	0.91
	Total of average gap			<b>9.37</b>
<b>EMPATHY</b>				
26.	* The Bank is giving customers individual attention.	4.51	3.42	1.09
27.	*Bank's operating hours are convenient to all their customers.	4.52	3.63	0.89
28.	*The Bank has employees who are giving customers personal attention	4.52	3.57	0.95
29.	*The Bank has their customers' best interest at heart.	4.52	3.57	0.95
30.	*Understand the specific needs of their customers	4.52	3.49	1.03
31.	The locations of the branches are convenient to you.	4.52	3.40	1.12
32.	Provides various services under one roof	4.49	3.35	1.14
33.	Arrange Financial awareness Programs.	4.39	2.60	1.79
34.	Bank provide service at the door(door step service	4.36	2.37	1.99
	Total of average gap			<b>10.95</b>

Source: (Field data)

\*indicates original SERVQUAL variables

Above table 2 shows SERVQUAL gap in all banks. It is observed that there is negative gap found in all variables. There is negative gap in all variables means respondents expectations are high than perception. Maximum gap found in empathy i.e. 10.95 followed by assurance i.e. 9.37 whereas minimum gap found in Tangible factor i.e. 4.02.

In Tangible factor maximum gap found i.e. 1.27 in variable sufficient staffs are available to provide customers banking services and gap is minimum i.e. 0.6 in modern looking equipment and instrument facilities of bank.

In Reliability factor maximum gap i.e. 0.98 found in variable Bank Perform the right service at the first time while gap is minimum in i.e. 0.75 Bank keep their records accurately/ Error free.

In Responsiveness category maximum gap i.e. 1.28 found in variable employees are never too busy to respond to customers' requests while gap is minimum i.e. 1.12 in employees of banks are polite.

In Assurance factor maximum gap i.e. 1.93 is in variable employees give professional consultation and advice while gap is minimum i.e. 0.88 in customers feel safe in transactions with banks.

In Empathy factor maximum gap i.e. 1.99 found in bank provide service at the door (door step service) and minimum i.e. 0.89 in bank's operating hours are convenient to their entire customer.

Concluding that banks have to concentrate on empathy and assurance category. Because gap between expectation and perception is high in these two category. Whereas gap is less in tangibility and reliability category.

#### Constitution wise Gap of SERVQUAL

Following table shows comparative Sector wise gap of SERVQUAL. Mean gap between customers' expectations and perceptions are taken. Rank is given separately for each constitute.

**Table: 3**  
**Comparative analysis of SERVQUAL Constitute wise**

Sr	Variable	Public sector gap	Rank	Private sector Gap	Rank	Co – operative sector gap	Rank
1.	Tangible	2.33	5	1.52	5	6.05	3
2.	Reliability	5.63	4	1.95	4	4.18	5
3.	Responsiveness	6	3	2.78	3	4.99	4
4.	Assurance	9.34	2	8.93	1	9.51	1
5.	Empathy	10.77	1	8.68	2	9.09	2
Spearman Correlation between public sector and private sector is significant 0.037							

Spearman Correlation between private sector and co-operative sector is not significant (0.188)
Spearman Correlation between co-operative sector and public sector is not significant (0.285)

Source: (Field data)

Above table 3 shows comparative analysis of five categories of SERVQUAL among three constitutes. In Public sector banks maximum gap between customer expectation and perception found to be in Empathy variable i.e. 10.77 followed by Assurance i.e. 9.34. Which secures rank 1 and 2 respectively. Whereas Tangible and reliability these variables have less gap which get last rank. In private sector banks maximum gap between customer expectation and perception found to be in Assurance variable i.e. 8.93 followed by Empathy i.e. 8.68. Which secures rank 1 and 2 respectively. Whereas Tangible and reliability these variables have less gap which get last rank. In co-operative sector banks maximum gap between customer expectation and perception found to be in Assurance variable i.e. 9.51 followed by Empathy i.e. 9.09. Which secures rank 1 and 2 respectively. Whereas reliability and responsiveness these variables have less gap which get last rank.

This table also shows category wise comparison of SERVQUAL variables. It can be stated that in case of tangible category of SERVQUAL model Co-operative sector banks have maximum gap i.e. 6.05. On contrary public and private sector banks has less gap in tangible variable. It means Co-operative sector banks have to concentrate on tangibility variable.

In reliability category of SERVQUAL model Public sector has maximum gap i.e. 5.63 followed to it co-operative sector has gap i.e. 4.18. But in case of reliability private sector has less gap. It means a public sector banks have to concentrate on reliability variable.

In Responsiveness category also Public sector banks has maximum gap i.e. 6 followed to it co-operative sector has gap of 4.99. But private sector has fewer gaps in responsiveness. It means a public sector bank have to concentrate on responsiveness variable.

In assurance category Co-operative sector banks have maximum gap i.e. 9.51 followed to it public sector banks have gap of 9.34. Private sector banks has less gap compare to both constitutes. It means a co-operative sector banks have to concentrate on assurance variable more.

And lastly in Empathy category of SERVQUAL model maximum gap found to be in Public sector banks i.e. 10.77 followed by co-operative sector and private sector banks. It means a public sector bank have to concentrate on empathy variable.

Constitution wise analysis of SERVAQUAL Gap shows that in public sector maximum gap between customer expectation and perception found to be in Empathy factor i.e. 10.77. In Private sector maximum gap between customer expectation and perception found to be in Assurance factor i.e. 8.93 whereas in co-operative sector also maximum gap between customer expectation and perception found to be in Assurance factor i.e. 9.51.

Spearman's correlation is done on basis of rank. It is found that Correlation between public sector and private sector is significant at the 0.03 level (2-tailed). And Correlation between private sector and co-operative sector is not significant and also Correlation between co-operative sector and public sector is not significant.

It is concluded that public sector is strong in tangible aspects but rest of variables i.e. reliability, responsiveness, assurance and empathy are little bit weak compare to other constitutes. Private sector banks are good in tangibility and reliability aspects. Whereas co-operative sector banks are good in reliability and responsiveness but have to concentrate on tangibility variable.

**H01: There is significant difference between the service quality gap of the services provided by sample banks.**

Analysis of customer data of SERVQUAL 22 variables with respect to gap of expectations and perception has been calculated. The average of expectations of 22 variables have been taken and the average of perception of 22 variables have been taken the gap have been worked out subtracting perception from expectations. The said gap has been compared across 15 sample banks.

Following table shows ANOVA test of gap between sample customers expectations and perception with respect to 22 variables of SERVQUAL model.

**Table:4 ANOVA SERVQUAL Gap**

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	48.384	14	3.456	3.995	.000
Within Groups	1205.949	1394	.865		
Total	1254.333	1408			

Source: (Compiled by researcher)

Above table 4 shows the calculated value of 'f' test is 3.995 at 14df at 5% level of significance the 'p' value is 0.000 reveals the test is significant hence, the null hypothesis is rejected and alternative hypothesis is accepted, that there is significant difference between the service quality gap of the services provided by sample banks.

Following table shows the paired sample 't' test of SERVQUAL variables

**Table:5 Paired sample't' test of SERVEQUAL variables.**

Particulars	Paired Differences				T	Df	Sig. (2-tailed)
	Mean	SD	Std. Error Mean	95% Confidence Interval of the Difference			
				Low			

				er				
Grand Average Expected Quality and Grand Average Perceived Quality	.943	.9438	.0251	.8937	.992	37.504	1408	.000

Source: (Compiled by researcher)

Above table 5 shows that the calculated value of paired 't' test is 37.504 at 1408 df with 5 % level of significance the value of 'p' is 0.000 reveals to reject the null hypothesis that the grand average of expected quality and grand average of perceived quality is same. There found to be significance difference into these two. Since the value of 't' is positive the count of expected value is more as compared to perceived value of SERVQUAL variables reveals that there is scope for an improvement in service quality to the expectations of sample customers.

### Findings and Conclusion:

From above study it is observed that gap between expectation and perception is high in empathy and assurance category whereas gap is less in tangibility and reliability category of SERVQUAL model. Constitution wise analysis of SERVQUAL Gap shows that in public sector maximum average gap between average of customer expectation and average of perception found to be in Empathy factor i.e. (10.77). In Private sector maximum Average gap between average of customer expectation and average of perception found to be in Assurance factor (8.93) whereas in co-operative sector also maximum. Average gap between average of customer expectation and average of perception found to be in Assurance factor (9.51).

Compare to other sectors it is concluded that public sector is strong in tangible aspects but rest of variables i.e. reliability, responsiveness, assurance and empathy are little bit weak compare to other constitutes. Private sector banks are good in tangibility and reliability aspects. Whereas co-operative sector banks are good in reliability and responsiveness but have to concentrate on tangibility variable.

Following are some suggestions to improve Service quality and minimize the gap between Customers expectations and perception.

- Material associated with services i.e. leaflets, Brouchers, various forms and vouchers should be easily understood by customers. Public sector and private sector banks providing such material in English language and Hindi language. But in rural Satara Marathi language is local language so people have difficulty in understanding. So banks are suggested to provide such material in Marathi language.
- Banks are suggested to shows sincere interest in solving customers' problems and to perform the right service at the first time. Training and Development programme on quality improvement may arrange for staff. In which SERVQUAL model can be also convey to them. Importance of CRM should be tell to bank employees so that they will focus on customer and will work more dedicatedly.

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