JETIR.ORG ISSN: 2349-5162 | ESTD Year : 2014 | Monthly Issue
JOURNAL OF EMERGING TECHNOLOGIES AND INNOVATIVE RESEARCH (JETIR)
An International Scholarly Open Access, Peer-reviewed, Refereed Journal

A STUDY ON EFFECTIVENESS OF SERVICE QUALITY IN INDIAN BANK

***SIRAJBASHA R**

Assistant Professor, Department of Studies and Research in Management, KSOU Mukthagangothri-Mysore

Abstract

This paper attempts to study how effectiveness of service quality in bank promotes good banking *experience, setting customer satisfaction benchmarks, increasing quality of service. The banking industries are facing a rapidly changing market, new technologies, economic uncertainties, increasing competition, and especially more demanding customers. The income and business growth of the banks depends on loyal and satisfied customers. As a result, in today's competitive environment, banks are continuously trying to retain their existing customer and attract new customers by providing better quality services. Banking, an important segment of the service sector, plays a very crucial role in the economic development of every country. In these days of intense competition, the banks are very particular in identifying the needs of their customer and how effectively that can be met. They continuously struggle and develop new strategies to differentiate themselves from their competitors by providing their customers with high quality banking services and high technology innovative products. Although, banking sector of India has been improved gradually for the last two decades. But it is also facing lot of challenges and difficulties such as, increasing customer's demand and awareness, increasing competition, growing population, etc. Beside these, another important challenge that the sector is facing is technological changes. As the sector is growing fast, a number of new private banks have emerged. Therefore customers are getting many options for selecting their suitable financial service provider. Due to increasing customer awareness, they would select those particular banks that can provide standard services and fulfill their expectation. In the Indian scenario, where all banks offer almost similar products and services, need based efficient customer service and the service quality can differentiate a bank. So, to ensure customer satisfaction the banks have to improve their service quality, as service quality and customer satisfaction are interrelated to each other. It means if banks provide service as per customer's expectation then only the customers will be satisfied. As a result, to cope up this changing market condition banks have to retain old customers and have to attract new customers.*

Key words: *quality; service; customers' expectations; banks; perceptions; SERVQUAL; overall satisfaction;*

I. INTRODUCTION

In the evolving economy, banks have to look beyond for providing a multi-channel service platform. Today, banks are concentrating more on product designing, technology advancement, expansion, recruitment, etc. while relegating 'the services and quality of services' offered for customers' satisfaction. Technological advancements are compelling banks to restructure their service strategies for various customers in order to gain competitive advantage. Due to its exponential gross domestic product growth and its asset size ready to touch 28,500 billion, India is likely to become the third largest banking industry in the world by 2015.1 Broad estimates suggest that for public sector banks, the incremental equity requirement due to implementation of Basel III norms by March 2018 is expected to be approximately 750–800 billion.

Meeting these capital requirements will entail the use of innovative and attractive market based funding channels by the banks.2 According to a report by 'BT-KPMG' the State Bank of India, has risen from the 21st to the seventh spot thanks to improved operating profits. The second largest, ICICI Bank, has jumped to fifth place from the 13th spot last year.3 In the recent years, banks have taken innovation and USP hunting to a new level, going past gimmicks to launch products and services addressing specific customer needs. According to Price Waterhouse Coopers report titled 'Banking in 2050', India is likely to emerge as the third largest domestic market in the world by 2040 after China and the USA, leaving behind Japan, Germany and the UK. In an attempt to woo customers and foster loyalty, both the public and private sector banks have been focusing on customer service for quite some time now with their state of the art technologies and aggressive marketing strategies. Due to the average Indian's growing demand for personalised, quick and cost effective services and increased scope of rural and retail banking, banks are becoming increasing customer centric in their approach to offer new methods of banking products and services. The traditional terms and services have been replaced with innovative, more productive and convenient ways like the following examples of debit cards and ATM. The debit cards verses credit cards: IDBI launching its magic card for salary account holders. The debit card masquerades as a credit card if you need cash, but at a much low interest rate than regular credit cards. The rate on its overdrafts facility varies from 14.75% to 15.75%, depending on the organisation that one works for, while credit cards typically charge 24% to 36%. You can get ready cash of up to three times your salary in addition to the balance in your account. Of late ATM no longer merely mean any time money, they are also a place for anytime phone recharges, bill payments, and the like. You can now expect anytime ATM PIN generation in most of the private or public sector bank ATMs. No longer have you had to wait for days for the bank to courier across a secured PIN, when you need a duplicate one, or have forgotten your old one. Customers just need to call a toll free number now, where after verification of their credentials a password is generated. This password can be entered at the ATM to generate a PIN. From the banks' perspective, this is an attempt to encourage more technology based transactions. In the coming months and beyond; in a bid to meet the ever growing demand for faster-easier-simpler banking facilities; banks will start looking at niche avenues.

The role of banking industry is very important to Indian economy as India aspires to become globally competitive financial centre. The banking sector is dominated by scheduled commercial banks (SCBs), with majority percentage of public sector banks (75%), and remaining private and foreign banks (25%). There are approximately 80 SCBs, 27 public sector, 40 private sector and 33 foreign banks, 200 regional rural banks, more than 350 central cooperative banks and 20 land development banks.4 Today, banking operations are driven by market and the customer is seen as a consumer of the bank and not of any particular branch of the bank. The concept of core banking has made ‘anywhere and anytime banking’ a reality. Along with technological innovations banking services have also evolved, and the delivery of various banking products is now carried out through the medium of high technology at a fraction of cost to the consumer. The focus of service organisations appears to have shifted from ‘transactional exchange’ to ‘relational exchange’. Since service quality plays a major role in getting customer satisfaction and creating brand loyalty in banking sector so the service quality, along with customer satisfaction, customer retention, customer loyalty and delight are now the major challenges in gripping the banking sector (Mishra et al., 2010). Relational exchange is based on the principle of mutually satisfying relationship especially with customers. Need of the hour is to serve customers in true sense by evaluating customer’s lifetime value, transaction cost and profitability. The ancient mantras for success are being rediscovered in corporate world by using them with contemporary marketing practices. For attaining long-term survival and competitive advantage, it is significant to establish the needed emotional bond with customers. A satisfied customer enhances profitability and enables fight competitiveness. The prominence of the services’ sector has necessitated the need for improvement in all kinds of services being offered by the banks. Commercial banks like other service providers have to realise that increase in customer retention can have a substantial impact on their profit. Customer’s retention can be realised by improvement in customer’s service and satisfaction. This in turn can be achieved through various services/activities that are available to the banks (Dabholkar and Thorpeand Rentz, 1996; Fournier and Mick, 1999; Meuter et al., 2000).

Since competitive pressures in the service industry are mounting, and customers’ expectations about service quality from the banks are on the increase, service quality therefore is recognised as one of the important weapons to survive in modern banking industry. Service quality is regarded as one of the few means of differentiation and competitive advantage which attract new customer and contributes to market share (Venetis and Ghauri, 2004). Effectiveness of service quality is largely being tested to forecast marketing performance of the banks. Customer loyalty has its roots in customer satisfaction and customer retention which gets impacted by the service quality. Any business without a focus on customer satisfaction is at the mercy of market. Without loyal customers, your customer retention rate will eventually decrease. Today, banks have become a part and parcel of every individual and are competing in providing a variety of noble services to their customers. Service quality is an important aspect which determines success in any service organisation, particularly in the banking industry. Due to the homogeneity of services offered by banks and large number of players in the banking industry and other players such as NBFCs and the new Banking License Guidelines for NBFCs released by RBI competition is already high. This has intensified the competition in the industry, which will decrease the market share of existing banks.Intensified competition and desire for a big chunk of market share are among many factors driving the banks towards innovative practices for customer satisfaction and retention and this is motivating the commercial banks all over India to improve the quality of their services. Efficiency in services and mutual trust along with innovative technologies has strong impact on the customers' expectation and perceptions. These factors such as solving customers' problems; handling of customers' complaints, service delivery, etc., increase the speed of processes which in turn enable the banks to further improve their service quality

II. OBJECTIVE OF THE STUDY:

This paper intends

(i) to understand the concept of service quality, good customer experience, and to examine the synergy between them and

(ii) to appraise the level of service quality and customer satisfaction

III. SERVICE QUALITY AND ITS DIFFERENT MODELS

A service is an act or performance offered by one party to another. They are economic activities that create value and provide benefits for customers at specific times and places as a result bringing desired change. It can be said that service is a transaction where no physical goods are transferred. Service quality means a form of an attitude, related but not equivalent to satisfaction that results from the comparison of expectation with performance. The customers generally use certain criteria to evaluate service quality by examining reliability, responsiveness, assurance, empathy and physical aspects. The aim of providing quality services is to satisfy customers. Measuring service quality is a better way to dictate whether the services are good or bad and whether the customers will or are satisfied with it. According to business dictionary "Service quality means an assessment of how well a delivered service conforms to their client‟s expectation". Reeves and Bednar (1994) defined service quality as excellence, value, conformance to specifications and meeting or exceeding customers‟ expectations. Service quality is defined as the degree of discrepancy between customers‟ normative expectations for service and their perceptions of service performance (Parasuraman et al., 1985). Customer always wants good services from their service provider. But from above definition we can say that delivered service will become as the quality service if it meets the customer expectation. But customer expectation depends on his perception which varies from person to person. So service quality is a comparison between perceived expectation of a service and perceived performance of a service. As per Parasuraman, Zeithmal and Berry (1985) the service quality may be expressed as: Service quality=Perception - Expectation Therefore if the customer gets same services as they expect then difference will be zero, we can say service quality is very good. If the customer does not get the expected services then service quality is bad. Customer perception depends on various factors like age, gender, occupation, technological changes, etc. which again influence the service quality.

Service Quality Models Numbers of service quality model have been developed by different researchers around the world like Gronroos model, GAP Model, Attribute Service Quality Model (Haywood-Farmer, 1988), Alignment Model (Berkley and Gupta 1994), SERVPERF Model, and SERVQUAL Model. Among these SERVQUAL model is one of the popular model that has been used globally for measuring service quality of different institutions including banking sector. In this study we have applied SERVQUAL model for measuring the service quality and customer satisfaction among the selected customers of State Bank of India. SERVQUAL is a well-known multidimensional research instrument for measuring and evaluating service quality in any service sector. This model perfectly covers the dimensions that are considered by a customer in evaluating quality of service in a service sector. The objective of this survey instrument is to determine the value that the service sector is currently delivering to the customers and the value that the customer expects. The SERVQUAL model of measuring the scale of quality in service was developed by Valerie Zeithaml, Parasuraman and Len Berry in 1985. In this method data are collected via surveys of a sample of customer. In these surveys the customer responds to series of questions based around a number of key service dimensions .The methodology was originally based around 5 key dimensions. The questionnaire consists of matched pairs of items; 22 expectation items and 22 perceptions items, organized into five dimensions which are believed to align with the consumer’s mental map of service quality dimension. The 5 dimensions that are used in this model are: • Reliability: The ability to perform the promised service dependably and accurately. • Assurance: The knowledge and courtesy of employees and their ability to convey trust and confidence. • Tangibles: The appearance of physical facilities, equipment, personnel and communication materials. • Empathy: The provision of caring, individualized attention to customers. • Responsiveness: The willingness to help customers and to provide prompt service

IV. RELATION BETWEEN CUSTOMER SATISFACTION AND SERVICE QUALITY

Customer satisfaction and service quality are inter-related. The higher the service quality, the higher is the customer satisfaction. Many agree that in the banking sector, there are no recognized standard scales to measure the perceived quality of a bank service. Thus, competitive advantage through high quality service is an increasingly important weapon to survive. As a process in time, service quality takes place before, and leads to overall customer satisfaction. Service quality has been found to be an important input to customer satisfaction. Service quality is one of the important areas of business especially for service industries like bank to retain their customer and to attract new one. Poor customer service could cause a banking business loss of millions of dollars and also „its credibility‟. Good customer service and service quality is what attracts people to a business. When customers are pleased they become long-term assets of the bank. Building strong customer relations can tie a customer and a business together. When customers are satisfied they feel well treated and are willing to treat the business well. Perfect and smiley customer service definitely improves customer satisfaction. From the customer‟s perspective service quality significantly influence customer satisfaction and customer satisfaction has direct influences on purchase intentions. Some researchers have found empirical supports for the view of the point mentioned above; where customer satisfaction came as a result of service quality. As said by Wilson et al. (2008), service quality is a focused evaluation that reflects the customer‟s perception of reliability, assurance, responsiveness, empathy and tangibility while satisfaction is more inclusive and it is influenced by perceptions of service quality, product price and quality, also situational factors and personal factors. The relationship between service quality and customer satisfaction is becoming crucial with the increased level of awareness among bank customers.

Customer satisfaction = Customer perception of the service received –

Customer expectation of service. In this way it is easy to generalize that if the perception of the service received exceeds the expectation of the service, customer‟s satisfaction will be positive. On the other hand if the perception of the service received is less than the level of expectation of the service, it would lead to customer dissatisfaction. But customer satisfaction is highly effected by the other factors like experience, purchase decision, service provider, price, etc. There is a substantial body of empirical literature that establishes the benefits of customer satisfaction for firms. It is well established that satisfied customers are key to long-term business success. Companies that have a more satisfied customer base also experience higher economic returns. Consequently, higher customer satisfaction leads to greater customer loyalty; which in turn leads to higher future revenue. Indian banking industries is facing various kind of ups and downs in the current scenario. There are some specific reasons like lowering of entry barriers, increasing product line of banks and non-banks, etc. Since the financial reforms, bank are also facing huge competitive pressure therefore it is inevitable for the banks to maintain loyal customers based, besides banks are trying to make strategies towards customers satisfaction and loyalty through improved service quality to achieve and improve their marker and profit position.

Though the required measures and changes needed may be expensive in terms of employee’s time and efforts, the managements of these banks need to find ways to overcome these hurdles, otherwise the increasing competition from international banks can shrink their market shares. The high degree of dissatisfaction among the customers may be due to the design of service or lack of product knowledge among the front line staff members or subsequent response of bank employees. Researchers might wish to probe further into the manner in which this method addresses the problem of delivering service elements of responsiveness, empathy and spontaneity. Value is the intangible benefits received by the customer in return of the inconvenience endured like taking half day leave from work for banking purpose, travelling in traffic and many more. What a customer perceives as an excellent service is not only greeting them properly or doing work for them; it is an attempt to understand their problems and provide timely and cost effective solutions. For a corporate employee working in shifts, or often travelling convenient operating hours can have great impact on his/her perception of service. Banks have to identify strategy to overcome this hurdle in which neither the employee nor the customer should suffer. Since use of technology in the delivery of banking services is becoming increasingly popular as it helps in eliminating uncertainties, internet banking services are now being better mapped and demanded by the present day customers. Banks' management therefore remains well advised on the constructs of service quality in internet banking too. Further, they can also use the internet banking service quality model to measure their service quality and thus effectively manage their resources. Bankers' perspectives regarding internet banking service quality should also be addressed in future researches to better understand the problem domain. Impact of service quality and customer satisfaction on customers' loyalty can also be examined through this model. Internet or mobile banking has gained popularity also yet physical interaction and that too within specified 'working hours' has to be managed. 'Personalised bankers' meant for classified clients is another option in which the employee meets the customer at his/her convenience and flexibility. This is quality service which helps a company maximise benefits and minimise non-price burdens for its customers. Future efforts should therefore continue to advance the concept and means to measure and improve the service quality. Scholars can carry out research on the dark side and conduct detailed study on the customers' perception for perfect service quality.

V. Conclusion

In today"s competitive environment, **service quality** plays an important role for the long term sustainability of the banks. As a result, to cope up this changing market condition banks have to retain old customers and have to attract new customers by providing better quality of services. It has been evident that there is a strong relationship between the customer satisfaction and service quality. To ensure customer satisfaction the banks have to improve their service quality as per the customer"s expectation.

The service quality variables of tangibility-appealing physical facilities and convenient operating hours-empathy dimensions play important role in predicting customer expectations and perception of service quality. Hence, these issues should be a central concern for bank managers as well as service management academics and practitioners. Bank managers are suggested to focus on these specific dominant SERVQUAL variables on customers' intentions to measure, control and improve customer perception of service quality among Indian commercial banking customers. Excellent customer service has become the indispensable component of value that drives any company's success. Excellence and efficiency in customer's service is increasingly considered as a profit strategy because it results in more new customers, retention of old customer and hence more business with existing customers, fewer lost customers, more insulation from price competition, and fewer mistakes requiring the re-performance of services. Bankers need to identify most effective ways of closing service quality gaps in order to remain competitive and they should prioritise the gaps on they should or must focus. In addition, they must also consider that their performance measures have to place a value on better responsiveness to customer needs. The banks can also have frequent surveys to know about the customers' perceptions and expectations and should try to analyse whether their aims have been achieved or not.

VI. REFERENCES

1. Radhe Shyam Rungta (1970). The Rise of Business Corporations in India, 1851–1900. CUP Archive. p. 221. GGKEY:NC1SA25Y2CB. Retrieved 12 January 2015.
2. H. K. Mishra (1991). Famines and Poverty in India. APH Publishing. p. 197. ISBN 978-81-7024-374-8. Retrieved 12 January 2015.
3. Muthiah S (2011). Madras Miscellany. Westland. p. 933. ISBN 978-93-80032-84-9. Retrieved 12 January 2015.
4. "The Advent of Modern Banking in India: 1720 to 1850s". Reserve Bank of India. Retrieved 12 January 2015.
5. "The Reserve Bank of India's big surprise". The Hindu. Retrieved 26 February 2017.
6. "Evolution of SBI". State Bank of India. Retrieved 12 January 2015.
7. "Business Financing: Banks". Government of India. Retrieved 12 January 2015.
8. "Social Controls, the Nationalisation of Banks and the era of bank expansion – 1968 to 1985". Reserve Bank of India. Retrieved 12 January 2015.
9. D. Muraleedharan (2009). Modern Banking: Theory And Practice. PHI Learning Pvt. Ltd. p. 2. ISBN 978-81-203-3655-1. Retrieved 12 January 2015.
10. "Directory of Bank Offices: Certain Concepts". Reserve Bank of India. Retrieved 12 January 2015.
11. Fred Gottheil (1 January 2013). Principles of Economics. Cengage Learning. p. 417. ISBN 978-1-133-96206-9. Retrieved 11 January 2015.
12. Santosh Kumar Das (1980). The economic history of ancient India. Cosmo Publications. pp. 229–. ISBN 978-81-307-0423-4.
13. Chris A. Gregory (1997). Savage Money: The Anthropology and Politics of Commodity Exchange. Taylor & Francis. p. 212. ISBN 978-90-5702-091-9. Retrieved 11 January 2015.
14. Md. Aquique (1974). Economic History of Mithila. Abhinav Publications. p. 157. ISBN 978-81-7017-004-4. Retrieved 12 January 2015.
15. "Evolution of Payment Systems in India". Reserve Bank of India. 12 December 1998. Archived from the original on 1 May 2011.
16. Kling, Blair B. (1976), "The Fall of the Union Bank", Partner in Empire: Dwarkanath Tagore and the Age of Enterprise in Eastern India, University of California Press, p. 198, ISBN 9780520029279
17. Cooke, Charles Northcote (1863) The rise, progress, and present condition of banking in India. (Printed by P.M. Cranenburgh, Bengal Print. Co.), pp.177–200.
18. Shankar's Weekly. 1974. pp. 2, 3. Retrieved 24 August 2017.
19. "Post-War Developments In Banking In India" (PDF). Economic Weekly. Mumbai: Sameeksha Trust: 17–18. 1 January 1949. ISSN 0012-9976. the total number of bank branches registered a three-fold increase
20. "Reserve Bank of India – About Us". Reserve Bank of India. Retrieved 6 September 2019.

21. "Plan for social control of banks". The Hindu. 15 December 2017. ISSN 0971-751X. Retrieved 16 February 2020.
22. Austin, Granville (1999). Working a Democratic Constitution – A History of the Indian Experience. New Delhi: Oxford University Press. pp. 215. ISBN 0-19-565610-5.
23. "From the Archives (July 10, 1969): P.M. wants selective bank take-over". The Hindu. 10 July 2019. ISSN 0971-751X. Retrieved 9 August 2019.
24. "From the Archives (August 5, 1969): Bill on Bank nationalisation". The Hindu. 5 August 2019. ISSN 0971-751X. Retrieved 9 August 2019.
25. Parmatam Parkash Arya; B. B. Tandon (2003). Economic Reforms in India: From First to Second Generation and Beyond. Deep & Deep Publications. pp. 369–. ISBN 978-81-7629-435-5.
26. Prof. Mubarak, "SERVICE QUALITY IN INDIAN BANKING INDUSTRY- A STUDY",International Journal of Creative Research Thoughts (IJCRT), ISSN:2320-2882, Volume.6, Issue3, pp.361-370, July 2018, Available at :http://www.ijcrt.org/papers/IJCRT1133358.pdf
27. "The Success of India's Liberalization in 1991". UFM Market Trends. Retrieved 9 September 2021.
28. IndianMoney; IndianMoney. "List Of Private Banks in India | IndianMoney". indianmoney.com. Retrieved 9 September 2021.
29. Ago, Mkdigestin #mgsc • 2 Years (17 April 2019). "Prowess of New Generation tech-savvy Private Banks in India". Steemit. Retrieved 9 September 2021.
30. "Voting rights for foreign shareholders: Centre plans raising ceiling to up to 20 per cent amid cash crunch". The Indian Express. 22 June 2016. Retrieved 11 June 2020.
31. "Bandhan Bank hikes foreign investment limit to 49%". The Economic Times. 4 November 2019. Retrieved 11 June 2020.
32. "Bandhan Bank hikes foreign investment limit to 49%". The Economic Times. Retrieved 9 September 2021.
33. Iyer, Aparna (17 May 2016). "SBI merger: India may soon have a global Top 50 bank". Archived from the original on 30 June 2016. Retrieved 1 July 2016.
34. Saha, Manojit (18 May 2016). "Five associate banks to merge with SBI". The Hindu. Archived from the original on 21 June 2016. Retrieved 1 July 2016.
35. "SBI merges with 5 associates: New entity set to enter world's top 50 banks list". 16 June 2016. Archived from the original on 30 August 2019. Retrieved 30 August 2019.
36. "Cabinet okays merger of associates with SBI". Archived from the original on 30 August 2019. Retrieved 30 August 2019.
37. "Ahead of merger with SBI, associate SBT to raise up to Rs 600 crore". The Economic Times. 18 February 2017. Archived from the original on 19 February 2017. Retrieved 18 February 2017.
38. "Who benefits from merger of SBI, associates?". 20 June 2016. Archived from the original on 30 August 2019. Retrieved 30 August 2019.
39. Gupta, Deepali (11 May 2017). "SBI's merger could see the banking behemoth leapfrogging into the global top 50". The Economic Times. Archived from the original on 30 August 2019. Retrieved 30 August 2019.
40. "Five associate banks, BMB merge with SBI". The Hindu. April 2017. Archived from the original on 1 April 2017. Retrieved 30 August 2019.