SERVICE QUALITY AND ITS APPLICATION IN BANKS

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ABSTRACT

Product segregation is not possible in a competitive environment like the banking industry. Banks everywhere bring the same products. Therefore, bank executives often distinguish their company from its competitors in terms of service quality. Service quality is an important factor affecting the level of customer satisfaction in the banking industry. In banking, quality is a flexible concept that combines different types of ease of use, reliability, portfolio of services, and also, the staff who deliver the service.In this paper we present a study reviewing the concept of service quality with a contextual setting of Banks. The study is based on secondary data and conceptual discussion. SERVQUAL as a quality measurement tool that focuses on customer expectations and ideas and the gap between the two is the most popular method used in the field of services such as banking.Researchers, managers and marketers of banking services in particular and service organizations in general, should recognize the need to invest in staff training programs with a strong focus on interpersonal communication and personal customer care features in order to provide effective service.

Keywords: Service quality, Customer satisfaction, Banking, Services marketing

1. Introduction

Cut throat competition and highly acclaimed profits have introduced new marketing practices in the Indian banking sector and brought customer satisfaction to the focus area. It has become increasingly important for banks to maintain their existing customer base and growth. As bank accounts grow customer expectations for service quality are growing. It is important to measure the level of banking service for the service providers can check their service quality level as well see quality gaps for development. Service quality is seen as one of the main decisions for customer satisfaction. Every marketing book urges organizations to get rid of their competitors and competing products (Lamb et al. 2004). As most differences raised in literature easily mimic competitors many firms focus their efforts on customer service quality as a means. The level of service has also been shown to be an important driver of customer satisfaction both from the academic view point and is strongly supported in various industries including the service industry.

In this paper we present a study reviewing the concept of service quality with a contextual setting of Banks. The study is based on secondary data and conceptual discussion. This study is important considering the recommendations of several committees set up by the Government of India and the Indian Parliament, which argue that Indian banks need to design an effective customer service system to compete effectively in a free market. Product segregation is not possible in a competitive environment like the banking industry. Banks everywhere bring the same products. Therefore, bank executives often distinguish their company from its competitors in terms of service quality. Service quality is an important factor affecting the level of customer satisfaction in the banking industry. In banking, quality is a flexible concept that combines different types of ease of use, reliability, portfolio of services, and also, the staff who deliver the service.

2. Literature review

Fida et al. (2020) found that there is an important relationship between these three variables: service quality, customer satisfaction, and customer loyalty. Similarly, retrospective results have shown that sensitivity and response magnitude have a very positive effect on customer satisfaction. Therefore, it is recommended that banks focus more on empathy and responsiveness when considering the critical relationship of these two conditions to customer satisfaction. However, banks should not neglect the value of other variables such as honesty, certainty, and materiality that are expressed as important by participants' responses to banking offerings.

Study by Haron et al. (2020) found PAKSERV's positive relationship of service quality, customer satisfaction, customer loyalty and the role of mediation of trust in improving customer loyalty. This study provides new evidence of how trust can work as an incomplete mediator in the relationship between customer satisfaction and customer loyalty according to Islamic banking tradition in Malaysia. Singh et al. (2018) state that the Indian financial sector has seen dramatic changes from the development of the nation. It seems important to look at banking management to determine the current state of financial management. This paper studies eight commercial banks in the state of Punjab. A set of 31 statements as features is analyzed to make 4 features that determine the quality of banking service in a logical and meaningful way. Different models and scales are available in the banking quality assurance books without any attempt to integrate them and the moderators would often be scrutinized. Narteh (2018) state that the purpose of his paper is to integrate SERVQUAL and BSQ models and to monitor the resulting price scale to assess service quality and customer satisfaction with commercial banking services in Ghana. The survey is volume and research methodology was used to collect data from 560 customer bank customers. The result was analyzed using a structural mathematical model. The study provides an extended model for measuring the quality of commercial banking services as seven of the eight hidden properties appear as service quality estimates when they are priced. It is also important to note that the five properties - tangibility, reliability, assurance, sensitivity and price - from the direct relationship emerged as the quality of service of the store banking services that accurately and significantly predicted customer satisfaction.Foreign and domestic banks in Malaysia compete in terms of skilled workers, innovative products and services, providing quality services and customer satisfaction. Moghavvemi et al. (2018) have assessed the overall service quality and customer satisfaction of both foreign and domestic banks. Data used to test the hypothesis were collected from 748 foreign and domestic bank customers in Malaysia. The research model

was analyzed using a structural simulation method. The results show that the knowledge and skills of the staff, as well as the convenience of the bank are very important to local bank customers while the bank image and online banking are important components for foreign bank customers. The results also show that foreign bank customers have higher satisfaction compared to local bank customers.Islam and Ali (2011) in their research found that there is a strong influence of service quality dimensions on satisfaction. It is also found that the customer satisfaction and reputation of the bank lead greater loyalty. Dutta and Dutta (2009) aims to study the expectations and opinions of consumers in all three banking sectors in India and to link the financial performance of Banks. Assessing customer perception of service qualitysurveyed 263 respondents in three banking sectors. As a result of the research the author found that in the banking industry it is the foreign banks that seem to offer better quality of services followed by private banks and then government banks. It was also found that these ideas are reflected in the financial performance of banks as well. Carrillat et al. (2007) aimed to investigate the differences between SERVQUAL andSERVPERF predictive quality assurance. Data from 17 studies containing 42 outcome sizes for the relationship between SERVQUAL and SERVPERF and OverallService Quality (OSQ) is meta-analyzed. Finally the researcher found that SERVQUAL and SERVPERF are equally valid predictions for OSQ. Familiarity with the SERVQUAL scale in the context of measurement improves its value for speculation; on the contrary, the validity of the SERVPERF speculation is not enhanced by contextual correction. Arasli et al.(2005)weighed the customer service standards of the Greek bank in Cypriot and assessed the relationship between quality of service, customer satisfaction and good word of mouth.The author found that the expectations of bank customers were not met where a significant gap in responsiveness was found. Reliable items have a very high impact on customer satisfaction, which in turn has a statistically significant impact on good word of mouth. In a study of the quality of service in

the banking sector of the Turkish bank, Karatepeet al. (2005) used a multi-stage, multi-stage approach, and multiple samples to measure the quality of learning service. Customer feedback on the quality of service of banking stores in Northern Cyprus serves as a learning environment. In another setting he has checkedthe nature of the relationship between the quality of service, the background, and the satisfaction with the selected consequences of behavior through a commercial bank in Germany. Hefound in his research that the "timely" aspects of service delivery were closely linked to customer satisfaction, complaining and changing behavior. Brahmbhatt et al. (2011) collected data on expectations, performance andimportance ratings from 153 bank customers to assess service quality measurements in public and private sector banks. SERVQUAL, Weighted SERVQUAL, SERVPERF and Weighted SERVPERF tests were reported by the authors in the paper. Jabnounand Al-Tamimi (2003) developed a SERVQUAL modified versionquality of service in commercial banks in the United Arab Emirates. The tool includes thirty items that are part of the five SERVQUAL sizes. The author tested the tool for reliability and legitimacy and showed that the tool has only three dimensions. Jamal and Naser (2002) have studied the impact of customer service quality and professionalism on customer satisfactionsample of 167 respondents from Abu Dhabi Commercial Bank. The author reported that both the main and relative dimensions of service quality appear to be linked to customer satisfaction. Newman (2001) presented a case study of the national pioneer launch of SERVQUAL by the UK's largest bank between 1993 and 1997 in her research paper. Bahia and Nantel (2000) conducted a study in Canada and attempted to develop a reliable and validated scale for measuring the perceived quality of banking services and found that when compared to BSQ size and SERVQUAL, it appears that BSQ size is more reliable than SERVQUAL.Ladhar (2008) presented alternative models of measuring service quality in banks.

3. Concept of Service Quality

Service Quality is a multifaceted concept (Jamal & Naser, 2002); means different things to different people (Bennington & Cummane, 1998). Gronroos (1984) pioneered this idea and describes the quality of service as a set of thoughtful decisions that result from a process of evaluation in which customers compare their expectations with the service they think they have received. He suggests that it may be divided into two categories - technical quality (performance) and performance quality (methodology). These two components may be further translated to suggest that the service should be more effective (to do the right thing) to meet the specific needs of the customer and to be more efficient (to do the things rightly).

Parasuraman et al. (1985) have suggested that quality of service is a function of the difference between expectations and performance in terms of quality standards. The model of service quality is built on the *expectancy-confirmation paradigm* which suggests that consumers perceive quality in terms of their perceptions of how well a given service delivery meets their expectations of that delivery. When customer expectations are greater than their perceptions of received delivery, service quality is deemed low. When perceptions exceed expectations then service quality is high. The model of service quality identifies five gaps that may cause customers to experience poor service quality. In this model, gap 1 is the service quality gap and is the *only* gap that can be directly measured. In other words, the SERVQUAL instrument was specifically designed to capture gap 1. In contrast, Gaps 2-5 cannot be measured, but have diagnostic value.

The level of services is often regarded as a result of the service delivery system, especially in the case of clean service systems. In addition, service quality is linked to customer satisfaction. While there is no consensus in the research community about the direction of the cause related to quality and satisfaction, the common assumption is that the quality of service leads to satisfied customers. For example - customers leaving a restaurant or hotel are asked if they are satisfied with the service they received. When they answer "no," a person often thinks that the service was not

good. These service providers recognize that the effect of service quality on customer satisfaction is actually influenced by other factors, one of which is the physical and psychological state of the customer.

Over the past fifteen years, service quality research has grown exponentially and significantly. The concept has attracted interest among managers and researchers due to the significant effects customers' perceptions of service quality have on customer satisfaction and loyalty, as well as product equity. Service quality research has also gained international scope and significance and has attracted donations from experts from a wide range of fields. Although many operational issues have been debated, further research has been strongly influenced by the conceptual model of service quality proposed by Parasuraman et al. (1985) and after that it was used and refined by the same writers.

Given the importance of the concept, this study revisits the concept of service quality in the context of banks.

Dimensions of service quality

The five dimensions of service quality are:

Reliability: This refers to the organization's ability and consistency in performing a particular service in a way that satisfies the needs of its customers. This process encompasses all aspects of customer engagement, including delivery or improvement of service or service, fast and accurate problem solving and competitive pricing. Customers have some honest expectation of buying a product, and the company's success often depends on its ability to meet its expectations.

Tangibility: This is an organization's ability to demonstrate service quality to its customers. There are many things that give a company good quality, such as the look of its headquarters, the staff of its employees and its conduct, its marketing materials and its customer service department.

Empathy: Empathy is the way an organization conducts its services in a way that makes the company seem sensitive to the wishes and needs of its customers. A customer who believes that the company really cares about his well-being may be more loyal to the company.

Responsiveness: This is the company's dedication and ability to provide customers with instant services. Responsiveness means receiving, evaluating and promptly responding to customer requests, feedback, questions and problems. A company with high quality service always responds to instant customer communications which may reflect the value the company puts on customer satisfaction.

Assurance: A guarantee is the trust that customers have in a particular organization. This is especially important for services that the customer may perceive as beyond their ability to understand and evaluate properly, which means that there must be some aspect of trust in the ability of the service provider. Company employees need to be careful to gain the trust of their customers if they want to keep them.

Importance of service quality

The main reasons why high quality service is important to an organization are:

It improves sales. Having a customer base that sees the company's services as high quality is more likely to do business with that company. Also, customers who buy from high quality service companies are more likely to continue buying from those companies on a regular basis.

Save on marketing costs. Maintaining existing customers by providing them with high quality services often costs less than attracting new ones.

It can attract top employees. The most experienced professionals often choose to work for companies with high quality service.

It can lead to a repeat of the business. Customers who identify their problems and complaints quickly and effectively with the company's customer department may be more likely to buy from that company in the future.

It strengthens the company brand. The reputation of a company with high service quality can enhance sales by attracting new customers or retaining existing ones.

It removes certain buying barriers. High quality service can convince a reluctant customer to buy, as they know that if the service is not right for them, they can rely on strong customer service to rectify the situation.

4. Conclusion

Banking is a very competitive industry. Success in the banking sector certainly depends on customer satisfaction. Banks that are not in a position to meet the expectations of their customers will be gradually excluded from the competition. SERVQUAL as a quality measurement tool that focuses on customer expectations and ideas and the gapbetween the two is the most popular method used in the field of services such as banking. Service quality has become an integral part of many organizations to differentiate themselves from competitors and create sustainable competitive advantage. When assessing service quality managers should not use standard service quality standards, but should make sure they are evaluating all aspects of their service. The results of this study provide evidence that SERVQUAL size is a useful tool for predicting overall satisfaction. It is more expensive to find and attract a new customer than to keep an existing one. Bank service providers should always monitor the level of personal fulfillment and organizational satisfaction, if they want customers to remain loyal and want to recommend their banks to others. Therefore, all banks, whether private, public or foreign, should make an effort to incorporate interpersonal skillstraining in their general training program to meet the needs of their clients. Statistical analysis shows that there is a gap between customer expectations and perception in the banking sector. This gap varies across the banking sector. Researchers, managers and marketers of banking services in particular and service organizations in general, should recognize the need to invest in staff training programs with a strong focus on interpersonal communication and personal customer care features in order to provide effective service. Banks need to develop those employee-related qualities of service quality as they are a major source of competitive profit.

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