



ASSESSMENT OF QUALITY SERVICE IN PUBLIC SECTOR BANKS: AN EMPIRICAL ANALYSIS (AN APPLICATION OF LINEAR MODEL)

A. Abdul Raheem*

Abstract

Customer service in banks is being talked about everywhere. In various forums, in the press and in conversations, customer service is in the news. Customer's service in banks is a systematic concept. A successful bank of the future will be the one that excels in customer service and provides them a range of service and product and does continues exercise in improving its potential to serve well. The very nature of service marketing requires that service organization should devote more attention on offering efficient service to the Customers. As the service invisible they can gain confidence and good will through efficient and prompt Customer service only. Among the services Public sector Banks play an important role in marketing various types of needs of customers. The public sector banks work on the good will of the customers. The best way of servicing and prospering in the competitive environment is through providing prompt, relevant and efficient customer service at reasonable cost.

* S.S Lecturer and Research Advisor, PG and Research Department of Economics, The New College, (University of Madras), Chennai-14

The Customers' satisfaction through face-to-face interaction form ways to make customers and employees felt special. This special feeling is created through unique actions qualitative approach to service. The essence of service is to satisfy customers' expectations. Service focus concentrates on empowerment, innovation and making customers' part of the action. Service focuses on making the service; the product and the surrounding more convenient, easier and unique good and satisfactory service build on excellent relationship and trust. While a quality service approach uses some of these elements, they form the heart of service excellence. The public sector banks play an important role in fulfilling various types of needs of customers. Generally, the customers are not fully satisfied by the services rendered by public sector banks. The level of satisfaction in the customer's service offered by public sector banks is generally related to mainly the customer's services and time taken in providing some of the essential service facilities. The customers of public sector banks must realize that good service also includes service that treating customers politely and attending to their work without delay. It basically implies ascertaining and assisting the customers' requirements, needs and expectations. In the last decades the services sector has been an area of tremendous growth and obviously there has been considerable research interest in various aspects of services work in this respect has been concentrated in the banking and financial.

Introduction

Customer service in banks is being talked about everywhere. In various forums, in the press and in conversations, customer service is in the news. Customer's service in banks is a systematic concept. With the competition in banks becoming fierce, it is natural for banks to view with one another to win over customers. In a competitive environment, not only winning new customer, but also retaining the existing customer base assumes greater importance. Though in the eighties Transaction Banking was the order of the day, Relationship Banking has regained its prominence once again, with many banks the world over strengthening this concept. Studies indicate that it is much more profitable and cost effective retaining customers rather than getting new customers. A successful bank of the future will be the one that excels in customer service and provides them a range of service and product and does continues exercise in improving its potential to serve well.

Customer Service in the 1990s

During 1990-91 two Committees, viz Narasimham Committee and the Goiporia Committee looked into various issues relating to working of public sector banks and customer service. The recommendations of the Narasimham Committee had a much greater impact on the financial strength, profitability, and commercial character and functioning of Indian banks, whereas, the recommendations of the Goiporia Committee focused on improving the customer service in banks. In many ways the recommendations of the Goiporia Committee complement the efforts of the Narasimham Committee. Both these Committees have together addressed various issues having a bearing on customer perception and customer satisfaction.

The first major development during this period is the entry of new players in the market. The new breed of private sector and foreign banks has entered the market, with branches established mostly in metropolitan cities and major towns. The ambience and a level of service that is far different from those of an average public sector bank branch. Their emphasis on the state of art technology, banking convenience and staff responsiveness has made them stand out as models worthy of emulation. As a result of this the customer today has a much wider choice of banking institutions to choose from.

Another important development during this period relates to the liberalization of branch licensing policy. Banks were encouraged to fall a market segmentation approach and establish specialized branches such as NRI branch, SSI branch, IF branche, AF branch, etc. This period also witnessed the beginning of a new era of price competition. There is a grater degree of freedom available to the banks in pricing their products and service and its is generally believed that any such price competition would help pass on the benefits of efficiency to the customer. In a bid to provide greater value for money, many banks are adding new features to their schemes and services, bringing greater flexibility and operational convenience.

Another important development is in the area of computerization and technology upgradation. The historic agreement signed between the IBA and bank trade unions has thrown open tremendous opportunities in terms of making Indian banking technologically advanced. The benefits of such technology upgradation are available to bank customers in different ways such as: Computerized banking environment; Speedier transactions, and accurate statements, ATMs offering 24 hours banking, Telephoning, Anywhere anytime banking, Customers terminals, and the like.

Challenges of the Future

The Talwar Committee put this very aptly when it said that the main purpose of banking is to create and deliver customer needed services in a customer-satisfying manner. Hence, there are two elements of the banking service viz., creation and delivery of service. All the measures mentioned earlier can vouch for a bank's success in creating customer needed service, but we have to go a long way in delivering them in a customer-satisfying manner. Focussing our attention on the following aspects, viz., Technology, Product Diversification and Innovation can achieve this.

Service Quality and Customer Satisfaction

The very nature of service marketing requires that service organisation should devote more attention on offering efficient service to the customers. As the service invisible they can gain confidence and good will through efficient and prompt customers service only. Among the services Public sector Banks plays an important role in marketing various types of needs of customers. The public sector banks works on the good will of the customers. The best way of servicing and prospering in the competitive environment is through providing prompt, relevant and efficient customers service at reasonable cost.

The customers' satisfaction through face-to-face interaction form ways to make customers and employees felt special. This special feeling is created through unique actions and qualitative approach to service. The essence of service is to satisfy customer's expectations. Service focus concentrates on empowerment innovation and making customer's part of the action. Service focuses on making the service, the product and the surrounding more convenient, easier and unique, good and satisfactory service build on excellent relationship and trust. While a quality service approach uses some of these elements, they form the heart of service excellence. The public sector banks play an important role in fulfilling various types of needs of customers. Generally, the customers are not fully satisfied by the services rendered by public sector banks. The level of satisfaction in the customer's service offered by public sector banks is generally related to mainly the customer's services and time taken in providing some of the essential service facilities. The customers of public sector banks must realize that good service also includes service treating customers, politely and attending to their work without delay. It basically implies ascertaining and assisting the customer's requirements, needs and expectations. In the last decades the services sector has been an area of tremendous growth and obviously there has been considerably

research interest in various aspects of services work in this respect has been concentrated in the banking and financial.

The service quality evaluation process is much complex as compared to the process used by customers to evaluate quality of goods. *'This complexity stems from the unique attributes of service, such as, intangibility, heterogeneity and inseparability.'*¹ Service quality, which is an abstract construct, is generally conceptualized as an attitude and it is the customer's comprehensive evaluation of an offering. It is built up from a series of evaluated experiences and is unlike satisfaction which is the outcome of the evaluation a customer make of a specific transaction and is thus less dynamic. However, satisfaction is related to quality of satisfaction over time result in perception of service quality. The conceptual model of service quality suggests criteria that consumers employ in evaluating service quality.² There are five dimensions of service quality which were originally identified and labeled as tangibility, empathy, responsiveness, reliability and assurance.³ Expectations and perceptions, which play a significant role in the conceptual model, are linked through disconfirmation of expectation paradigm. This paradigm hold that the predication customers make in advance of consumption act as a standard against which customers measure the firm's performance later.

Service quality is the conformance of the service to the customer's specification and expectation.⁴ The quality of service, therefore, depends on the ability of the server to meet the expectation of the customers. Many companies are finding that outstanding service quality is the way of differentiating the service from those of the competitor. This gives them the potent competitive advantage that leads to superior performance. As the chief executive of American Express puts it, *'promise only what you can deliver and deliver more than you can promise.'*⁵ In the present scenario, the quality service essential for survival but is imperative for growth and prosperity of industries.

Indian economy is expected to post a growth of around 7 to 8 percent in 2004-2005, sustaining the momentum of 2005-2006. Prospects of good performance under agriculture appear bright, with the prediction of normal monsoon. While industry is likely to grow by about 7 per cent service sector may expand by 8 per cent. Economic activity may be accelerated by greater investment by the Government and the private sector. The Government has already proposed creation of a fund for promoting investment in infrastructure in rural and urban areas for facilitating growth in agriculture and industry including small industry. Banks are to play a positive role in sustaining economic growth through the provision of requisite finance. Therefore, the above statement of discussion, this

study aims to analyze the Service quality and customer satisfaction in public sector banks in Chennai city. This study attempts to examine the following objectives:

- To examine the relationship between service quality attributes and customers' satisfaction;
- To study effects of service quality and customers' satisfaction;
- To suggest improvements in the existing services that will increase the level of performance of public sector banks.

Methodology

The present study selected to analyse service quality and customers satisfaction in public sector banks. This study involved the collection of primary data collected from sample customers of public sector banks viz IOB, SBI, Indian Bank, and PNB in Chennai city through structured questionnaires. Samples of 60 customers from various selected public sector bank branches in Chennai city were selected for the purpose of this study. This study selected following ten service quality variables viz., account operation, friendliness, attentive to the customers, understanding the customers, convenient operating hours, completion of work within fewer visit, perception of staff, image of bank, money transfers operation and ATM facility. Most of questions were designed having a 5-point scale excellent (5), very good (4), good (3), satisfactory (2) and poor (1). Interviewee's response to various elements under each question was totaled and multiplies by the grades and divided by number of respondents and scores were calculated. Scoring techniques and multiple log linear models are used to find out results of this study.

Results and Discussion

The major problems faced by the service provider are to control quality and offer consistent service. In a tangible product, quality can be technically and statistically specified and it can also be checked for conformance with the specified standards much before it reaches the customer. But on a service, production and consumption occurs simultaneously so the buffer available with a tangible product does not exist for a service. A service has a lot of intangible dimensions including reliability, responsiveness, competence, courtesy, friendliness, security, ambience, etc., which are qualitative by nature and whose value is subjective. The subjectivity makes it imperative for the marketers to take into cognizance the customers perceptions of service quality so that the service package defined and planned by the marketers is close to the one that is expected by the customer.

Service quality is characterized by the customer perception of services. In services, what counts is the quality as it is perceived by the customers, i.e., the customers are the sole judge of quality conceptualized a service quality model where he identified the two variables of service quality as expected service and perceived service. He observed that the discrepancy between expectations and perceptions is the primary determinant of customers' service quality assessment.

This section has taken some key service quality factors influencing customer's satisfaction in public sector banks. These service quality factors relating to account operation, perception of staff, image of bank, money transfers operation and ATM facility. This study analyzes relation between service quality factors and customer's satisfaction in public sector banks is analyzed through using correlation techniques.

The Correlation Coefficient formula is:

$$R = \frac{\sum dx dy - n(X - A^1)(Y - A^2)}{n\sigma_x \sigma_y}$$

where,

X = mean of x series, Y = mean of y series

A¹ = Assumed Mean Value of X series

A² = Assumed mean value of Y series

$\sum dx dy$ = product of deviations from assumed averages

σ_x = standard deviation of X series

σ_y = standard deviation of Y series

N = Total number of pairs

The zero order correlation coefficient of independent variables taken up for the study towards dependent variable viz., customer's satisfaction in public sector banks were studied and furnished in Table 1. It is obvious that out of ten independent variables taken up for the study, among ten variables, five variables were found to be having a positive and significant association at one per cent level of probability. Therefore, the service quality factors namely, account operation, perception of staff, image of bank, money transfers operation and ATM facility are most significant positive relation between customer's satisfactions in public sector banks.

Table 1. Correlation Coefficient of quality Service provided by public sector banks and customer's satisfaction

Sl.No.	Parameters	Correlation Coefficient value
1	Account operation	0.5475*
2	Perception of staff,	0.6156*
3	Image of bank,	0.5142*
4	Money transfers	0.6125*
5	ATM facility	0.5468*

Source: Computed

Note: * Significant at 1 per cent

NS - Not Significant

Therefore, the above discussion concluded that the service quality factors namely, account operation, perception of staff, image of bank, money transfers operation and ATM facilities are most important variable, which influence customer's satisfaction in public sector banks as shown in correlation coefficient values.

The correlation between the dependent and independent variables is computed in the correlation techniques. It reveals that all the above mentioned most important service quality variables are positively significant with customer's satisfaction in public sector banks. Therefore the present study has applied log linear regression model, it is given in the form of

$$\text{Log}Y = a + \text{log}b^{x1} + \text{log}b^{x2} + \dots + \text{log}b^{xn} + u$$

Where,

Y = Dependent Variable

$x1 \dots xn$ = Independent Variables

u = Random Disturbance

From the results of Table 2, it is discernable that impact of service quality factors on customers satisfaction in public sector banks, the statistical test of the significance of the functional relationship as expressed by the equation as well as several characteristics. The 't' values are the result of a test of the significance of relationship. The value of elasticity indicates that the degree of relationship between the dependent and the explanatory variables.

**Table 2. The Regression Coefficient of Selected Attributes
(Effect of Quality Service provided by IOB and Client's Perception)**

Sl.No.	Variables	Regression Coefficient (B)
1	Account operation, operation	1.65417*(3.382)
2	Perception of staff	1.06562*(3.123)
3	Image of bank	1.99007*(2.272)
4	Money transfers	1.06903*(2.208)
5	ATM facility	1.04325*(3.487)
	R2 Value	0.6875

Source: Computed

Note: * Significant at 1 per cent level and figures in parentheses represent 't' Values

Among five explanatory service quality variables, that influence the differences in customer's satisfaction in public sector banks, it is evident that the calculated value of *t* is greater than the tabulated value of *t* at 1 per cent level of significance. Among the five-service quality variables have positively determined the customer's satisfaction in public sector banks. The sign of elasticity coefficient of these variables is positive and more than one, it means that, if all the five significant variables influence increase, the customer's satisfaction also increases.

The value of coefficient of determination R², it is clear from Table 2, it indicates that the variables included in the service quality attributes bring about differences in client's perception by 0.6875 (i.e 68.75 per cent) in public sector banks. The service quality factors influence much more, the value of coefficient of all the explanatory variables is more than one, indicating that the percentage change in the customer's satisfaction (due to the service variables) is more than the percentage change in the service quality variables. In other words, the rate of increase in the customer's satisfaction is more than the rate of increase in the service quality attributes.

Therefore, it could be deduced from above analysis explain that the value of coefficient of service quality variables such as account operation, perception of staff, image of bank, money transfers operation and ATM facility on customer's satisfaction in public sector banks. Therefore, these service quality variables determined customer's satisfaction in public sector banks is significant. The impacts of service quality attribute on customer's satisfaction are higher. The signs of the coefficient of all the service quality variables are positive, it indicating that the higher the level of the service, higher will be the customer's satisfaction in public sector banks. i.e. the value of elasticity of account operation (1.65),

perception of staff (1.065), image of bank (1.99), money transfers operation (1.069) and ATM facility (1.04) increases by 10 per cent. In turn they influence customer's satisfaction increases by 16.5 per cent, 10.6 per cent 19.9 per cent 10.6 per cent and 10.4 per cent. It could be concluded that from above discussion that the customer's satisfaction is positively determines service quality factors. The coefficient of service quality attributes namely account operation, perception of staff, image of bank, money transfers operation and ATM facility are expected to have a positive sign.

Conclusion and Suggestions

The findings of relationship between customer's satisfaction and quality service, using correlation techniques explains that out of ten independent variables taken up for the study. Among ten variables five variables were found to be having a positive and significant association at one per cent level of probability. The service quality factors namely, account operation, perception of staff, image of bank, money transfers operation and ATM facility are most significant positive relation between customer's satisfaction and quality service in public sector banks in Chennai city.

The findings of effects of service quality on customer's satisfaction, using regression analysis explain that the value of coefficient of service quality variables such as account operation, perception of staff, image of bank, money transfers operation and ATM facility on customer's satisfaction in public sector banks. Therefore, these service quality variables determined customer's satisfaction in public sector banks is significant. The impacts of service quality attribute on customer's satisfaction are higher. The signs of the coefficient of all the service quality variables are positive, it indicating that the higher the level of the service, higher will be the customer's satisfaction in public sector banks in Chennai city. i.e. the value of elasticity of account operation (1.65), perception of staff (1.065), image of bank (1.99), money transfers operation (1.069) and ATM facility (1.04) increases by 10 per cent. In turn they influence customer's satisfaction increases by 16.5 per cent, 10.6 per cent 19.9 per cent 10.6 per cent and 10.4 per cent. It could be concluded that from above discussion that the customer's satisfaction is positively determines service quality factors. The coefficient of service quality attributes namely account operation, perception of staff, image of bank, money transfers operation and ATM facility are expected to have a positive sign. The suggestions made by this study are as follows:

- There are either little or no variety in services provided to customers leave alone service quality.

- The customer's complaints and grievance have little relevance as long as there are no responses in time. Mere establishment of a cell or a unit is not the solution to the problem but its operation and or activation.
- The procedures are stick mind boggling for the customers. While procedures are vital for formulating, service actions, realizing moments of truth is direly essential.
- There are changes in the technology of service in banks. There appears to be varietal differences in service provided using technology. The impact of technology on service quality needs to be investigated.
- There is little or no competitive efficiency in providing service. The service component as a cost variant is yet to acquire a position in the banking sector.
- The human aspect of service quality such as attitude, responsiveness and courtesy are not on the top of mind of the employees while there are minimum expectations of customer.
- There is little commitment, punctuality and presence of mind is solving customer service problems. In fact there is no professional approach to solving service problems.
- Employees have job knowledge; they do not do it accurately by acquiring skills. Training and development approach in improving quality needs application.
- The speed with which a service problem is solved as it crops up is to be attended to. The rate of speed and efficiency go together.
- The only solace is banks have infrastructure physical and non-physical. An integration of the two is the needs of the hours.

The study has highlighted the customer's satisfaction and quality service in public sector banks in Chennai city, which need to improve to survive the competition posed by the new entrants in the foreign sector. The existing organizational structure and policies of public sector banks are ill equipped to meet the new objective. Despite various committees being set up to examine the changes required in the existing insurance framework, not much work has been done to improve quality to service delivery. Asset management not only entails the management of funds but also efficient handling of clients who are the invisible assets on the balance sheet. If public sector banks hope to survive, they will have to equip themselves with a commitment to quality services.

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