

"Identification of Service Quality Gaps in Case of Alternate Banking Channels by using SERVQUAL"

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Abstract:

The present study attempts to investigate the perception regarding quality of service and expectation of the customers in case of alternate banking channels of different categories of banks in Tricity. The survey was carried out by extensively using the SERVQUAL dimensions tool. The paper contains the findings of the pilot study conducted in phase 1 of complete research and focused on one of the important objectives of the ongoing research. The research was descriptive in nature; attempt was done to find the gap between perception and expectation of customers. A questionnaire was validated through Banking experts and academicians. All items in the questionnaire were taken from existing literature. The study found that the expectations were higher than perception. Significant gaps were identified in dimensions such as reliability, responsiveness, assurance, empathy and tangibility in order of merit as per RATER Scale.

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I. INTRODUCTION

Today's the stern changes and challenges in banking like rapid technological changes, cut-throat competition, digitalization, novel challenges, more aware and educate customers. Service quality is a vital parameter in finance industry for the survival of the banks as the competition in terms of foreign bank entries are booming. Banking transactions are now fully equipped with technological advancement and digitalization and the impact can be seen in customer expectation from the banks in terms of quality of service. Once the expectations are not properly sustained than the perception of the customers regarding banks is bound to change. From last decade the pattern of using alternate banking channel services such as ATM, NEFT, IMPS, RTGS are increasing since customers don't want to spend his resources like time money and efforts in the standing queue for a long time in the bank. At this time the banking industry is putting efforts to figure out the gaps between customer perception and expectation so that uneven gaps could be found and reduced

simultaneously. As per Parasuraman(1985 &1988), the difference between services received and services perceived will decide the service quality. Parasuraman(1988) also concluded that customers' expectations are what customers think a service provider should offer rather than an actual offer. Thus,

Service quality = f (Perceptions – Expectations)

Despite the origin of the alternate banking channel services still, people are using the branch banking for the day to day transactions like depositing money, withdrawing money, demand draft services, loans, insurance, etc.

Customer's expectations from the banks in terms of rapid services, customer-centric approach, responsiveness, reliability, empathy, assurance have increased. SERVQUAL as per Parsuraman (1988).The scale has 22-items spread over defined dimensions, each item measuring two statements:

(i) Customers' expectations of service quality in case of alternate banking channels and

(ii) Customers' perceptions of service in case of alternate banking channels they received.

The purpose of the study was to find the gap between customer perception and expectation in the case of alternate banking channels services of public, private and foreign banks by using SERVQUAL. The objective was drawn from the ongoing research as phase 1 of the pilot study.

II. LITERATURE REVIEW

Service quality dimensions will depend on two questions; what and how services are delivered Gronroos (1982). Customers assess service quality and the result will be in the range of either pleasure or displeasure (Swartz and Brown 1989) The outcomes showed that banks were lingering behind in presenting current tweaked items, for example, ventures and assessment Advisory Services, money the board administration, etc. Development of electronic fund transfer (EFT) constant gross settlement framework and portable financial administrations were poor. In this way, the banks were as yet not fruitful in expanding clients' fulfillment (Mehta, R.A. 2013). How versatile banking and portable installments administrations will change the financial division. This proposition gives a comprehension of the progressing changes occurring in the financial segment, the effect of portable banking and installments administrations among this change just as its job and media communications players in it (MikkoJoutsen2013). The outcomes uncovered that a large portion of the bank clients was happy with the working of conveyance channels and they trusted that the banks were not charging any nonsensical expense for these e-conveyance channels. Additionally, the bank clients suspected that the e-Banking framework was more straightforward and proficient than the manual framework and it likewise kept their data secret. Generally speaking, the e-Banking framework was a pleasant encounter for all (Juneja, A. (2013). The research revealed that private division banks have great administrations to clients and they help clients by giving better offices. The investigation discovers

the significance of new items and administrations for banks for holding clients. (Kailash M 2012).Results demonstrated that the four factors in particular unmistakable, unwavering quality, responsiveness, and compassion relate with fulfillment fundamentally. In any case, the affirmation factor would have no association with clients' fulfillment. The examiner reasoned that expansion in the administration nature of the portable banking could fulfill and create consumer loyalty that at last holds esteemed clients (Aghdaie, S.F.A., and Faghani, F. 2012). It was concluded that private division banks have great administrations to clients and they help clients by giving better offices. The investigation discovers the significance of new items and administrations for banks for holding clients (Bindiya Tater 2011). To respond, creating convenience, reducing cost, problem solving are key indicators seen as an incentive an ebanking and e banking administrators should consider these as indicated by the clients' desires and needs of the time. It needs to be upgraded to the administration nature of e-banking and increment the dimension of clients' fulfillment in e-banking (Kumbhar Vijay M 2011).In their research paper states that It is reflected from the overview that ATM banking remains the most prominent financial administration among clients after branch banking, versatile banking, and web banking (Tater Bindiyaet al (2011). The paper reasons that e-banking has turned out to be a critical wonder in the financial business and it will proceed as more its advancement and developments are made in data innovation (Gbadeyan R. A. and Akinyosoye O. Gbonda2011).

The research revealed the importance of self-administration of customers for online banking facilities for ATM administration, web banking administration etc. The study resolved that the customer can be extremely benefited by these financial channels (Joshua A J &Moli P Koshy2011). The research paper states that in a nation like India there is a requirement for giving better and altered administrations to the clients

which can be made conceivable through e-banking. The general population has positive recognition about internet banking, ought to be treated with the extraordinary esteem (Neha Dixit & Dr. Saroj KDutta2010). The investigation demonstrated that these variables were the center administration quality measurements for consumer loyalty in e-Banking. The examination likewise investigated that dependability; responsiveness and confirmation had more commitment to fulfilling the clients of e-Banking in Bangladesh (J.M. 2010).

III. METHODOLOGY

The objective of the study was to identify and improve the level of service qualities in the case of alternate banking channel services perceived and expected by customers by using SERVQUAL. A structured questionnaire of 22 items and 5 dimensions of RATER scale of service quality were used to find out the research objective. SERVQUAL measurement scale is the most extensively used measurement scale to determine the quality of the services (Cook and Verma 2002) but still quite a lot of authors question its universality (Buttle 1996). The authors could change or improve the RATER scale for confine all levels of service quality in the selected service industry (Parasuraman et al. 1991).SERVQUAL instrument with seven-point Likert scales (1 meaning “totally disagree” and 7 meaning “totally agree”) and consists of 22 SERVQUAL items, was utilized. Descriptive Research Design was taken to decide the Perception and Expectation of customers regarding alternate

banking channel services of public, private and foreign banks. The scope of the study was limited to Public, Private and Foreign banks in cities of Chandigarh, Panchkula, and Mohali. For the pilot study, the sample size of 100 respondents was taken out of which 69 were male and 31 were female respondents. Data was collected from the respondents in different bank branches in Tricity. A sample unit was defined as any customer of the bank having saving account for 2 years or greater than 2 years. Besides, primary data collection, data were also collected from secondary sources such as journals, bank magazines, reports, etc.

IV. FINDINGS

Table no 1 show the demographical characteristics of 100 respondents. It is observed that 69% of the respondents are male and 31% of respondents are females. In the age group, category 33% of the respondents are aged between 36-50, which is maximum in the age category followed by 30% respondents are 26-35, 19 % are more than 50 and the rest 18 % are age between 18-25. In education, 53% are postgraduate quite educated respondents, followed by 30% graduate and 17% are 10+2. Therefore, this study is based on analysis derived from 100 respondents.

Demographic data of respondents presented in Table I.

Table no 1: Demographics
Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	69	69.0	69.0	69.0
Female	31	31.0	31.0	100.0
Total	100	100.0	100.0	

Age

	Frequency	Percent	Valid Percent	Cumulative Percent
18-25	18	18.0	18.0	18.0
26-35	30	30.0	30.0	48.0
36-50	33	33.0	33.0	81.0
Above 50	19	19.0	19.0	100.0
Total	100	100.0	100.0	

Education

	Frequency	Percent	Valid Percent	Cumulative Percent
10+2	17	17.0	17.0	17.0
Graduate	30	30.0	30.0	47.0
Post-Graduate	53	53.0	53.0	100.0
Total	100	100.0	100.0	

Table no II shows the bank details which were a resultant form literature review. In the research Public, private and foreign banks were selected. We collected the primary data form 130 respondents from all the selected banks, out of which 100 respondents' responses were included in the

analysis. Rest 30 responses were not complete hence; they were not included in the research for evaluation. 32 respondents from public banks, 32 respondents from private banks and 36 respondents from foreign banks were included in the research.

Table no II-Banks and respondents' detail

SN	Bank category	No of respondents
1	Public bank	32
2	Private bank	32
3	Foreign bank	36

Cronbach's alpha also known as reliability analysis, significant. All the values of 5 dimensions are more of all the 5 dimensions of SERVQUAL is than .7.

Table no III Reliability Analysis

	No of items	Category	Mean	Std. Deviation	Cronbach's alpha
Tangibility	4	Expectation	4.1475	.50764	.884
		Perception	3.8075	.54571	.886
Reliability	5	Expectation	4.3580	.42668	.893
		Perception	3.9560	.66215	.886
Responsiveness	4	Expectation	4.2350	.46982	.848
		Perception	4.1950	.41375	.837
Assurance	4	Expectation	4.4725	.50614	.914
		Perception	4.1575	.55579	.933
Empathy	5	Expectation	4.2660	.36521	.735
		Perception	3.9540	.49225	.758

To get overall SERVQUAL score, expectations score is reduced from perceptions score. In this case mean perception score obtained in 3.813 and average expectations score is 4.294. The gap obtained has a negative score of -0.481. As a conclusion, perception of the banks in study found short of customer expectations.

Table no IV- Service Quality

Perception (Mean)	Expectation (Mean)	SERVQUAL gap
3.813	4.294	-0.481

All the dimensions produce a negative Service quality (SERVQUAL) score in the Table V below. Below table no V we can see that the gap is surpassed 1 whole point. The maximum gap we can identify in the SERVQUAL score of quality dimensions is reliability (-0.726) and the minimum gap is stand in the tangibility dimension (-0.29). If we look at the data in Table V, customers are receiving poor service quality.

Table no V- Various dimensions of quality as per scale

Dimension	Perception	Expectation	SERVQUALGap
Tangibility	3.8	4.09	-0.29
Reliability	3.712	4.438	-0.726
Responsiveness	3.532	4.2	-0.668
Assurance	4.13	4.537	-0.407
Empathy	3.896	4.194	-0.298

To find out what are the precise items, banks need to pay close attention, and dimensions should have been divided into one item (table 5) the maximum gap found in Empathy item namely "Excellent banks will have employees who give customers personal service." i.e. followed by responsiveness item namely "Excellent banks will have employees who give customers personal service" in case of alternate banking channel services. If we see from the finding only two items (Empathy and Responsiveness) and its two dimensions are found to have a gap score. All the other items and their dimensions are within the limit of service quality. The banking authorities must focus on founded dimensions so that maximum customer satisfaction would be granted.

Table no VI- SERVQUAL items and gaps

Dimensions	Item	Perception	Expectation	Gap
Tangibility	1. Excellent banks have modern equipment.	3.78	4.04	-0.26
	2. The physical facilities at best banks will be visually appealing.	3.61	4.00	-0.39
	3. Employees at excellent banks will be clean in their appearance.	3.88	4.17	-0.29
	4. Materials (pamphlets or statements) will be visually appealing at an excellent bank.	3.93	4.15	-0.22
Reliability	5. Excellent banks promise and they do.	3.74	4.75	-1.01
	6. When a customer has a problem, excellent banks show deep interest in solving it.	3.94	4.33	-0.39

	7. Excellent banks perform the service right always.	3.76	4.31	-0.55
	8. Excellent banks provide the service as they promise to do so.	3.08	4.51	-1.43
	9. Excellent banks insist on error-free records.	4.04	4.29	-0.25
Responsiveness	10. Employees of excellent banks provide honest service to customers.	2.99	4.15	-1.16
	11. Employees of excellent banks give prompt service to customers.	4.24	4.18	0.06
	12. Employees of excellent banks always be willing to help customers.	4.08	4.26	-0.18
	13. Employees of excellent banks never late to respond to customers' requests.	2.82	4.21	-1.39
Assurance	14. The behavior of employees in excellent banks increase confidence in customers	4.15	4.57	-0.42
	15. Customers of excellent banks feel safe while transacting	4.13	4.53	-0.4
	16. Employees of excellent banks are courteous.	4.10	4.54	-0.44
	17. Employees of excellent banks have answer to all questions.	4.14	4.51	-0.37
Empathy	18. Excellent banks give individual attention.	4.14	4.38	-0.24
	19. Excellent banks have convenient operating hours	4.10	4.29	-0.19
	20. Excellent banks give customers personal service.	3.89	3.96	-0.07
	21. Excellent banks keep customers' best interest at heart.	3.61	4.08	-0.47
	22. The employees of excellent banks know specific needs of their customers to service them best	3.74	4.26	-0.52

V. FINDINGS

The research revealed several important deficits. Though the presence of alternate banking channels

services reducing the footfalls of customers in the branches even while using these channels the employees and bank branches are approached by several customers in demand of service.

Considering all five RATER service quality dimensions negative gap lead to customer dissatisfaction regarding service quality. The gaps are identified and evident in all service parameters.

(Key findings) table no. VII

Dimensions	Areas
Reliability	The study identified gaps in the areas such as performing excellent services when promised, meeting service demands of customers by the bank, willingness to solve customer problems, error-free records and service at first attempt
Assurance	The gaps are identified in parameters such as courteousness, using knowledge to address customer's problems, showing courtesies and feeling safe while dealing with banks.
Tangibility	The study found the gap in dimensions such as visual appeal of a bank branch on their visit, neatness of employees, visual appeal of pamphlets and information shared in the branch and availability of modern equipment for the first dimension.
Empathy	Understanding the specific needs of customers, showing interest in their needs, convenient contact hours are the areas where gaps were seen.
Responsiveness	Immediate response to customer's demand or requirements, willingness to help customers is some key areas identified wherein the gap was seen.

More the service quality gap more the dissatisfaction among the customers. The customer expectation is

higher than the perception in most of the cases as shown above.

The research revealed that there seems a gap between customer perception and expectation in the case of alternative banking channel services offered by the excellent banks use by the customers. The study suggests the banks that they should regularly focus on the service quality dimensions so that they can keep satisfying their customers.

SERVQUAL tool for measuring the perception and expectation regarding the service quality of any service industry having lots of potentials and this measurement tool can be modified by the author as per the service setting and market condition.

1. Include the questions related to the safety, accuracy, efficiency, security of the alternate banking channel services
2. To increase the number of respondents for getting more accurate results

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