Banking Service Quality Assessment in Major Cities in Tamil Nadu

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Abstract:

After demonetization, the Indian Government has greatly focuses and encourages digital transactions. Most of the banks were adapting information technology enabled services to upgrade their process and make transactions easy, Banking Industry has undergone great changes currently. Paytm and other mobile wallets have faced tremendous growth which induced a keen competition in the banking industry. This study tried to measure the service quality of banking services as perceived by customers of public, private and foreign banks across various cities in Tamil Nadu. This study explores the customer perception towards banking service quality attributes, moreover, how customer's expectations and perceptions of banking services are match with.

Quality of a service is an outcome of performance of service. It has become greater importance on the part of the service rendering organizations to derive methods to provide excellent service in order to become a market leader with major market share in their hands. The service rendering organizations are struggling hard to assess and practice the techniques to retain their service quality. Service quality is not only an instrument to hold competitive advantage; it has become a fundamental core of service concept in satisfying and delighting customer's expectation among the service providing organization. Banking services is no exception.

An excellent method to assess the quality of service is using SERVQUAL tool, which was established by Parasuraman et al. This tool measures the quality of any kind of services based on the attributes of services which are otherwise called as dimensions of quality of service. This study on banking service quality assessment gives priority to indentify the gap between perceptions of customer's and expectations of customer's of public, private and foreign banks across various cities in Tamil Nadu. This study is basically analytical and descriptive in nature. Based on the data collected, the quality of banking service is assessed by computing the gap score for the expectations and perceptions towards the servqual attributes. The service quality gaps for service quality dimensions associated with different types of banks are compared across the cities. The findings of this research suggest the area of focus or the critical gaps to maintain competitive edge in banking service sector..

Keywords: *Service quality, SERVQUAL, Commercial Banks.*

I. INTRODUCTION

Indian banking industry reformed into digitization and has undergone a metamorphosis of all its conventional banking activities. Previously the banking products and services were accessible to customers only they have a direct contact with the bank premises with their physical presence, at present most of the banks products and services can be accessed by any customer by using their finger tips. Introduction of information and communication technologies, up gradation in infrastructure and improvement in service processes and delivery of services made the banks to become super-efficient economic power houses.

The Indian banking industry exhibited the practice of inclusion and implementation advanced and costly innovative global technologies to satisfy the changing demands of global customer groups. Numerous fintech firms have playing a competitive role in Indian banking system. This resulted in stiff competition among public, private and global banks. Providing better quality service with friendly and easy processes is the only major strategy available to the banking industry not only to face the competition but also to retain and increase their customer base by attracting new customers groups.

Retail banks are very well understood that it's very difficult to differentiate themselves from other providers on the basis of product, schemes and service offerings. The new innovative services offerings are immediately matched by the other banking service providers, so the customers see almost no differences among the services offered by retail commercial banks. Obviously the buyer gained much power in banking industry. The one and only survival and differentiating strategy is differentiation by better quality service offerings.

II BACKGROUND OF THE STUDY

Quality reflects the way by which the banks are performing and delivering the service to match with the demanding requirement of diverse customer group. Quality in service is an elusive concept because of the intangibles nature of the service offering and the definition of quality may vary from person to person and from situation to situation. Quality of any services is a comparison between expectations for the services and the actual perception of customer's about the service offered. Both subjective and objective attributes are given due weightage in measuring quality of a service. The expectations of a service can be influenced by numerous factors such as opinion of other, word of mouth, previous experience and

personal need Customer's perception is a concept about how an organization or its offerings can create an impression in the minds of potential customers. Knowing what influences customer perception towards the banking service quality allows the banking companies to secure organization's perceived identity.

III METHODOLOGY

The study titled "Banking Service Quality Assessment in Major Cities in Tamil Nadu" is an attempt to assess and compare the quality of service provided by three sector banks across various cities in Tamil Nadu. Among the three sector banks, ten branches from each sector banks were selected. Ten customers from each branch were targeted to collect Primary data collect primary data through SERVQUAL questionnaire by using stratified random sampling method. Part-I of the questionnaire was aimed to collect personal information (gender, age, education Level, income, occupation and location of Bank) of the customers. Part-II of the questionnaire consisted of 22 questions to assess the key attributes of perceived and expected quality of service.

IV LITERATURE REVIEW

Anas Salman Alabboodi (2019), the effect of customer satisfaction on service quality: The case of Iraqi banks revealed that the service quality attributes has a strong influence on customer satisfaction.

Bindu K. Nambiar et al. (2019), Perceived Service Quality and Customer Satisfaction: A Missing Link in Indian Banking Sector concluded that the customer perception of service quality is positively influence the customer value evaluation.

Yogesh U Gaikwad (2019) "Assessment of Service Quality in Public Sector Banks in Nashik City with reference to SERVQUAL Model"

revealed that there was a prevalence of service quality gaps between expectations and perceptions among customers about public sector banks. This research recommended that the short fall of the public sector banks to be given due consideration for quality improvement of public sector banks compared to private sector banks.

Hamzah, Zulfadli et al. (2019) Quality improvement strategy of Islamic banking services in Indonesia through the integration of Servqual and Importance Performance Analysis (IPA), This research emphasized the role of employees in service delivery attributes like, not showing favoritisms to serve clients, responding correctly to all customer questions about banking products; diligently serve customers in order to reduce customer waiting time plays a vital role in determining service quality.

V SERVQUAL MODEL

The SERVQUAL tool has been greatly used for measuring service quality of any kind of services. It was developed by Parasuraman et al. (1988, 1991), and is based on the concept of the disconfirmation paradigm. This tool consist of 22 pairs of items representing five service quality attributes —tangibles, reliability, responsibility, assurance, and empathy these attributes are used to evaluate the level of the customer's perceptions and expectations over a service delivered by a service provider. This tool enumerate that the quality of a service is an outcome of deviations between expectation and perception. This tool can be applied across a wide range of services. An important merit of this tool is that it gives emphasis on diverse attributes of service encounter and also it has

been proven valid and reliable tool. The criterion and construct validity of this tool is high. The tool has a potential to identify service quality problems and improving service.

VI. OBJECTIVES

Primary Objective:

1. To examine quality of service rendered by public, private and foreign banks across various cities in Tamil Nadu.

Secondary Objectives:

1. To bring out the impact of demographic variables on customer's perception on quality.

2. To bring out significant relationship among service quality attributes within public, private and foreign banks.

3. To measure overall quality of service provided by three sector banks across various cities in Tamil Nadu.

VII. DATA ANALYSIS AND INTERPRETATION

 A. Reliability and Validity:

Table 7.1: Cronbach's Alpha

Attributes	Perception	Expectation
22 Items	.814	.881
Reliability	.815	.822
Responsiveness	.884	.861
Assurance	.808	.831
Empathy	.802	.832
Tangibility	.851	.825

The internal consistency of the data can be tested by the Cronbach's Alpha coefficient. It is noted that the calculated coefficient has exceeded 0.8 and appears to be consistently high across the entire variables. It ensures the reliability and validity of the data collected.

B. Demographic Profile of Customers:
Table 7.2: Demographic Factors

Demographic Factors	Public Banks		Private Banks		Foreign Banks		All banks	
	No of cus	%	No of cus	%	No of cus	%	No of cus	%
Gender								
Male	55	55	43	43	58	58	156	52
female	45	45	57	57	42	42	144	48
Total	100	100	100	100	100	100	300	100
Age group								
19-25	15	15	9	9	26	26	50	17
26-35	18	18	22	22	24	24	64	21
36-50	28	28	22	22	20	20	70	23
51-60	18	18	23	23	9	9	50	17
Above 61	21	21	24	24	21	21	66	22
Total	100	100	100	100	100	100	300	100
Educational level								
Secondary level	17	17	24	24	23	23	64	21
Higher Secondary	26	26	28	28	21	21	75	25
UG Degree	29	29	18	18	26	26	73	24
PG Degree	28	28	30	30	30	30	88	29
Total	100	100	100	100	100	100	300	100
Monthly Income in Rs								
0-10000	18	18	22	22	17	17	57	19
10001-20000	22	22	18	18	24	24	64	21
20001-30000	28	28	30	30	21	21	79	26
Above 30000	32	32	30	30	38	38	100	33
Total	100	100	100	100	100	100	300	100
Occupation								
Employed	18	18	14	14	19	19	51	17
Professional	16	16	18	18	18	18	52	17
Business	20	20	22	22	17	17	59	20
Student	14	14	14	14	22	22	50	17
Home maker	15	15	14	14	11	11	40	13
Retired	17	17	18	18	13	13	48	16
Total	100	100	100	100	100	100	300	100
City								
Chennai	23	23	15	15	17	17	55	18
Coimbatore	14	14	16	16	19	19	49	16
Trichy	18	18	18	18	18	18	54	18
Madurai	16	16	20	20	21	21	57	19
Salem	13	13	18	18	16	16	47	16
Tirunelveli	16	16	13	13	9	9	38	13
Total	100	100	100	100	100	100	300	100

*No of cus- Number of customers

From the above table it is noticed that, in public sector banks, 55% of the customers are male, 28% of the customers are from 36 – 50 years of age, there are 29% are under graduates customers, 32% of the customers earning above Rs.30000 as their monthly income, 20% of the customers are doing business as their occupation. 23% of the customers are from Chennai city.

In the private sector banks, 57% are female customers, there are 24% of the customers fall under the category of above 61 years of age, 30% of the customers are having their post graduation degree. Each 30% of the customers having an income greater than Rs.30000 per month and between Rs.20001-30000 per month, 22% of the customers are doing business. 20% of the customers belong to Madurai city.

In foreign sector banks, male customers are 58%, 26% of the customers are beteen19 – 25 years of age, 30% of the customers did their post graduation, there are 38% of customers earning above Rs.30000 as their monthly income, 22% of the customers are students, 21% of the customers belong to Madurai city.

In all three banks together, 52% of the customers are male, 23% of the customers are fall under 36 – 50 years of age, 29 % of the customers did their post graduation, 33% of the customers having an income greater than Rs.30000 per month, 20% of the customers are doing business,19% of the customers belong to Madurai city.

C. Service Quality Rating and Demographic Variables:

H_0: No significance between the rating of service quality and demographic factors.
H_1: Significance between the rating of service quality and demographic factors.

7.3 Test independence of rating of service quality and demographic factors

Demographic factor	F value	P Value	Accept or reject H_0
Age	0.877	0.392	Accept H_0
Gender	0.782	0.417	Accept H_0
Educational level	6.92	0.047	Reject H_0
Monthly Income in Rs	7.05	0.045	Reject H_0
Occupation	8.21	0.035	Reject H_0
City	7.89	0.038	Reject H_0

It is inferred that quality rating on banking services given by the customers are greatly related with the demographic factors like educational level, rupee monthly income, occupation and city in which the bank has located.

However, quality rating of banking services doesn't have any significance impact with age, gender of the customers.

D. Assessment of Service - Quality Gaps:

Customer's banking service quality gaps (Expectation vs. Perception) on various service attributes (Reliability, Assurance, Empathy, Responsiveness and Tangibility) are assessed and analyzed.

7.4 Mean Score and Gap of Expected Service Quality and Perceived Service Quality

service quality dimensions	Public Banks			Private Banks			Foreign Banks		
	EM	PM	Gap	EM	PM	Gap	EM	PM	Gap
Reliability	4.21	3.36	0.85	4.51	3.06	1.45	4.28	3.33	0.95
Responsiveness	4.55	3.48	1.07	4.87	3.89	0.98	4.07	2.89	1.18
Assurance	4.08	3.15	0.93	4.29	3.83	0.46	4.59	3.06	1.53
Empathy	4.18	3.62	0.56	4.28	3.84	0.44	4.38	3.26	1.12
Tangibility	4.28	3.73	0.55	4.12	4	0.12	4.12	3.67	0.45
Mean Score	4.26	3.47	0.79	4.41	3.72	0.69	4.29	3.24	1.05
EM *Expected Mean									
PM * Perceived Mean									
Gap = Expected Mean - Perceived Mean									

Reliability:

In Public Banks, the gap score for "Reliability" is 0.85, for private Banks, it is 1.45, in Foreign Banks it is 0.95.

Responsiveness:

In Public Banks, the gap score for "Responsiveness" is 1.07, in private Banks it is 0.98, in foreign Banks it is 1.18

Assurance:

In Public Banks, the gap score for "Assurance" is 0.93, in private Banks it is 0.46, in foreign Banks it is 1.53.

Empathy:

In Public Banks, the gap score for "Empathy" is 0.56, in private Banks it is 0.44, in foreign Banks it is 1.12.

Tangibility:

In public Banks, the gap score for "Tangibility" is 0.55, in private Banks it is 0.12, in foreign Banks it is 0.45.

Overall Service Quality:

In Public Banks, the gap score for "Overall Service Quality" is 0.79; in Private Banks it is 0.69. In foreign Banks it is 1.05.

E. Service quality attributes gap score with respect to six cities in Tamil Nadu

The service quality attributes gaps score were computed and analyzed across the following six cities, Chennai, Coimbatore, Trichy, Madurai, Salem and Tirunelveli. he findings of this part of analysis definitely gives a better understanding about in which service quality attributes a particular city is lagging behind and which service quality attributes a bank in a particular locality is delivering an excellent quality of service ahead of other providers.

7.5 Service quality attributes gap score of banks across cities in Tamil Nadu

service quality attributes	Chennai	Coimbatore	Trichy	Madurai	Salem	Tirunelveli
Reliability	0.67	0.46	0.78	0.44	0.44	0.34
Responsiveness	0.49	0.47	0.79	0.43	0.60	0.32
Assurance	0.65	0.42	0.55	0.33	0.21	0.22
Empathy	0.60	0.27	0.57	0.33	0.31	0.49
Tangibility	0.15	0.32	0.33	0.21	0.56	0.67
Mean Score	**0.51**	**0.39**	**0.60**	**0.35**	**0.42**	**0.41**

The gap score for reliability is high in banks located in Trichy and it is low for banks located in Tirunelveli, The gap score for the service quality attribute responsive is high for the banks located in Trichy and it is very low for banks in Tirunelveli city, attribute gap score for assurance and empathy are high for the banks in Chennai, the attribute gap score for tangibility s high for the banks in Tirunelveli.

It is evident from the above table 7.5, the overall mean banking service quality gap score is high for the banks located in the city Trichy (0.60). The banking service quality gap is moderately high for the banks located in Chennai city (0.51).

F. Findings, Suggestions and Conclusion:

Quality rating on banking services given by the customers is having a significant relationship with the demographic factors like education, rupee monthly income, occupation and city in which the bank has located.

Service quality rating on banking services attributes are not significantly differ with age, gender of the customers.

Customer's expectations towards all the service quality attributes are high in case of private sector banks than that of the public sector banks and foreign banks. Since the level of expectations from customers of private sector banks is very high compared to other service provider, private sector banks should always put a step ahead to meet the expectations of demanding customer segments.

In case of reliability attribute, the private banks are lagging behind. Private sector banks should give much emphasis on performing the service right the first time; they should show their sincere interest in solving customer problem. In this aspect public sector banks serves in a better way with less service gap.

With respect to responsiveness attribute, the foreign banks are lagging behind; foreign sector banks should give much focus on, the ability of employee's performance in providing service as promised, dependably and accurately. In this aspect private sector banks serves in a better way with less service gap.

With respect to assurance and empathy attributes, the foreign banks are lagging behind; foreign sector banks should instill confidence and make the customer to feel safe during transactions. Moreover the foreign sector banks should understand the specific needs of their customers with their customer's best interest at heart the only they can deliver a better quality service. In this aspect private sector banks serves in a better way with less service gap.

In case of tangibility attribute, the public banks are slightly lagging; availability of modern and visual appealing equipments, clear guidance signs, materials and website associated with the service should be given much consideration by public sector bank to compete with other providers.

From this study it can be concluded that, overall service quality gap is greater for foreign banks. The private banks serve better in meeting the expectations of customer than the public banks.

The gap score for Trichy is high. The Madurai city has secured a least gap service score. With respect to reliability, assurance and empathy attributes, the quality gap is high for Chennai city.

In today's competitive global market, it is essential for the banks to take first mover advantage by delivering better quality service to their customers. Better quality service is a decisive factor that decide, who wins in future. The foreign sector banks should try to give focus on responsiveness, assurance and empathy attributes. Private sector banks, even though they are serving in a better way in meeting the expectations of their customers, they should give a focus towards reliability and responsiveness. The public sector banks playing a excellent role in satisfying customer's expectations, they should

give little concern towards assurance parameter of the banking service quality.

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