

## THE DIMENSIONS OF SERVICE QUALITY: A COMPARATIVE STUDY IN BANKING SECTOR

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### ABSTRACT

The real value of performance measurement comes from the action that it follows. A bank can have the best measurement system in the world, but until and unless appropriate and timely action is taken based on information provided, the impact of performance cannot be determined. The information provided by the performance measurement system allows the banks to underpin the strategies and practices. The transparency in the system helps the banks to frame and revise the strategies and programs as per the requirements. Measures of central tendency such as mean, standard deviation etc. were calculated to study the nature and distribution of items in the dimension of customer perspectives. Independent t-test was used to compare the mean perception of respondents for measuring employees' performance. Appropriate performance measures are integral part of the banking sector and of course essential for the employees too. Therefore, it is essential to understand the value of customers' perspective in service sector.

**Keywords:** Employees' performance, Empathy, Reliability, Tangibles, Responsiveness, Criteria, Service quality, SERVQUAL Model.

### INTRODUCTION

Different customers have different expectations. Ability of the employees to achieve higher overall customer satisfaction rating lies in knowledge and calibre of the employees in providing the products and services and the willingness to help customers in one or the other way by satisfying their needs and requirements. This dynamic triangular relationship must exist between customer needs, organizational goals and performance of employees. This means, as long as business has customers with an ongoing interest in patronizing its products and services, it will continue to thrive.

### REVIEW OF LITERATURE:

Israel, Sudhakar and Selvam<sup>1</sup> measured the service quality in banking sector. Based on the servqual image for the study, the instrument contained reliability, responsiveness, empathy, tangibility, treatment and other attributes. The study included SBI, Canara Bank, ICICI Bank, HDFC Banks. Chi-square test was used. 400 respondents were contacted i.e. 100 respondents from each of the selected banks. The analysis pointed out that SBI was closely related to security, reliability and credibility; still it was required to improve on aspects such as tangibility, accessibility and courteous behaviour of employees towards the customer. The

need of the private sector bank was focusing on reliability and security aspects. ICICI bank was closely attached to courteousness, communication and empathy. Further HDFC bank was dominant for its rating for accessibility, tangibility and responsiveness.

Kaul Subhashini<sup>2</sup> measured service quality of stores in Bangalore. 180 respondents were taken. Retail Service Quality Scale (RSQS) was used including physical aspects, reliability, personal interaction, problem solving and store policy. Population comprised retail shoppers. Quota was based on income, gender and age including 180 respondents. Correlation analysis was used. There was high degree of collinearity between the items in different dimensions. It was observed that Retail Service Quality Scale (RSQS) was inappropriate in Indian retail as several aspects mentioned by shoppers during interview were not included. However, physical aspects, problem solving and store policy were showing an affect on customer satisfaction.

Kumar, Smart, Maddern and Maul<sup>3</sup> investigated the linkages between Business Process Management and Customer Satisfaction in UK Bank. Structured Equation Modelling (SQM) tool was used for the purpose. It was Service Quality and Customer Satisfaction, The role of BPM”, International Journal of

Landrum, Prybutok, Zhang and Peak<sup>4</sup> investigated the service quality perceptions of professional information system users. Further, the relationship between the relative importances allocated by systems’ users to different dimensions was analyzed. Dimensions of Servperf instrument were used i.e. service quality, system quality, information quality, user involvement, usefulness, user self sufficiency and user satisfaction. Study was based on library information system. For the purpose, 385 responses were collected from a population of library users at the US Army Corps of Engineering Waterways experiment station in United States. On an average, respondents assigned more points to reliability (32.43), followed by responsiveness

(22.09), assurance, empathy and lastly tangibility, which shows that reliability is having dominant position for service quality perception of information system.

Mukherjee, Nath and Pal<sup>5</sup> measured the resource, service quality and performance triad to measure efficiency of banking services. It was a study of 27 public sector banks and their customers. For measuring efficiency, Data envelope analysis approach was used. Service quality scale was used to measure current services and expectations of customers. It was observed that the banks were delivering better services. Results confirm the linkages between resource, service quality and performance for services.

### **SCOPE OF THE STUDY:**

The present study is limited to measuring employees’ performance in banking sector. Therefore, research relates to customers’ perception regarding employees’ performance and their satisfaction by services offered in banks relating to different dimensions.

### **RATIONALE OF THE STUDY:**

Appropriate performance measures are integral part of the banking sector and of course essential for the employees too. The problem is “Measuring the wrong things and things will

go wrong". The need is to answer the question, „To whom the customer first contacts in the bank? The answer is “The employee”. Therefore, employees’ performance is to be measured through “Customer perspective”.

## **OBJECTIVES OF THE STUDY**

The main objectives of the present study are:

1. To evaluate customer satisfaction on the basis of demographic factors and customer perspectives vis. a vis. Tangibles, Responsiveness, Reliability, Assurance and Empathy.
2. To find out the areas of improvement and make suggestions to improve employees’ performance in the selected banks

## **HYPOTHESES WITH RESPECT TO ‘CUSTOMER PERSPECTIVE’:**

H01: There exists no significant difference between perception of employee performance in SBI and ICICI bank with respect to age.

H02: There exists no significant difference between perception of employee performance in SBI and ICICI bank with respect to gender.

H03: There exists no significant difference between perception of employee performance in SBI and ICICI bank with respect to spatial background.

H04: There exists no significant difference between perception of employee performance in SBI and ICICI bank with respect to ‘Reliability’, ‘Tangibles’, ‘Responsiveness’, ‘Assurance’ and ‘Empathy’.

## **RESEARCH METHODOLOGY**

### **RESEARCH PROBLEM AND FOCUS**

The study is to measure the employees’ performance in banks. In the present study customers of banks are taken into account to measure the employees’ performance for “Customer perspective”.

### **Sample Selection**

Sample for the present study involves banking sector i.e. SBI and ICICI bank. For the customer perspective, research instrument was used. Through primary survey and interviews of customers, an attempt was made to measure employees’ performance in both the banks under study.

### **Sample Size**

For the customers’ perception regarding employees’ performance, 100 customers from each bank are taken into account.

## **CUSTOMER PERSPECTIVE**

Keeping in mind the theoretical construct relating to services rendered by employees to the customers and keeping in view the employees’ performance measurement in SBI and ICICI bank, Service Quality: SERVQUAL (Parasuraman, Zeithaml and Berry, 1988)<sup>38</sup> was used.

The construct of the quality as measured by this scale involves customers' judgment of an entity's performance (employees' performance in this context) relating to the quality of services and overall excellence of superiority provided by it. Originally the scale is composed of a set of 22 items. While doing work on the instrument the researcher:

- i. Included items that represent the five dimensions of service quality relating to banking industry keeping in view the dimensions described by Parasuraman et al., (1988) and measurement of employees' performance for services.
- ii. Added items that sought to capture dimensions of quality specific to the banking industry. It was essential due to the existence of cultural differences between countries, religions, which reinforces the importance of building additional items in the dimensions of service quality in the Indian banking industry.

Actually, service quality is to be provided by the employees so the dimensions of services quality themselves speak about employees' performance. The five dimensions that are used to measure employees' performance for service quality/ services rendered in the banks are:-

1. Tangibles: It is the appearance of the bank's physical facilities, equipments and employees.
2. Responsiveness: It is the willingness of the bank employees to help customers and provide prompt services.
3. Reliability: It is defined as the ability of the bank employees to perform promised services dependably and accurately.
4. Assurance: It is defined as the employees' knowledge, courtesy and ability to inspire the customers to have trust and confidence for their Assurance: It is defined as the employee's knowledge, courtesy and ability to inspire the customers to have trust and confidence for their Bank.
5. Empathy; It refers to the caring and individualized attention the bank provides to its customers.

#### **RESEARCH INSTRUMENT USED:**

Five point scale: In total, twenty-five items in all the five dimensions are selected to measure employees' performance through customers' views. All items were measured on five-point Likert Scale from (Strongly disagree) to 5 (strongly agree). Customer satisfaction: Satisfaction was operationalized by satisfaction score of perception of service quality rendered to each and every customer by the employees of the bank. The measurement is denoted by the scores from 1 (being highly dissatisfied) to 10 (being highly satisfied). It was essential to measure employees' performance from the viewpoint of customer satisfaction. Pre testing of the preliminary draft: Pretesting of the research instrument was done on a sample of 35 respondents to identify and eliminate potential problems. All items and aspects of the questionnaire were tested, including difficulty in understanding the questions and instructions. Prior to analysis of the results, research instrument was tested for its reliability. For reliability testing, internal consistency method was adopted. The Cronbach alpha values 0.95 for all the five dimensions namely, "Tangibles", "Responsiveness", "Reliability", "Assurance" and "Empathy". It depicts that the value exceeded the minimum requirements of

alpha as 0.50, thereby demonstrating that all the five dimensions are internally consistent and have acceptable reliability values in their original form. The following limitations were observed by the researcher:

1. In the service industry, the product is not tangible, so the productivity depends on the quality rather than quantity of services. This limitation makes the measurement difficult.
2. The analysis was based on the perception of the customers and employees. Therefore, the probability of data inaccuracies due to item misinterpretation or predisposition to certain responses does exist.
3. Responses from primary data collection (employees and customers both) had been solicited from banks in Chandigarh. The perception of people in Chandigarh may vary from respondents of rest of India.
4. The respondents for „Internal business process perspective“ were less in number because it was technical in nature and could not be filled by all the respondents.
5. One public sector and one private sector bank were included in the study, whose customers and employees were participating for research purpose. As a result, the generalization of the findings of this research should be considered carefully.

## DATA ANALYSIS AND INTERPRETATION

Section I: Respondents' (customers') profile of SBI vs. ICICI bank.

Section II: Statistics of customers' perception towards employees' performance in SBI and ICICI bank.

Section III: Independent t-test comparing the customers' perception towards employees' performance in SBI vs. ICICI bank

### Section I: Respondents' (customers') profile of SBI vs. ICICI bank

**Table 1: Age profile of customers in SBI vs. ICICI bank**

Age (years)	SBI N(%)	ICICI N(%)	Total N(%)
Less than 25 years	21(10.5)	7(3.5)	28(14.0)
26-35 years	33(16.5)	23(11.5)	56(28.0)
36-45 years	13(6.5)	47(23.5)	60(30.0)
46-55 years	15(7.5)	21(10.5)	36(18.0)
More than 55 years	18(9.0)	2(1.0)	20(10.0)
Total	100(50.0)	100(50.0)	200(100.0)

Table 1 depicts that in SBI, 10.5% of the respondents are falling in the age less than 25 years, 16.5% between 26-35 years; 6.5% between 36-45 years, 7.5% lie between 46-55 years and 9.0% having age more than 55 years. Where as, in ICICI bank, 3.5% of the respondents are

having the age less than 25 years; 11.5% between 26-35 years; 23.5% between 36-45 years, 10.5% between 46-55 years and 1.0% are having age more than 55 years.

**Table 2: Gender-wise profile of customers in SBI vs. ICICI bank**

Gender	SBI N (%)	ICICI N (%)	TOTAL N (%)
Male	49 (24.5)	53 (26.5)	102(51)
Female	51(25.5)	47(23.5)	98(49.0)
Total	100(50.0)	100(50.0)	200(100.0)

Table 2 shows that the respondents at SBI comprise 24.5% males and 25.5% females; In ICICI bank, the ratio comprises 26.5% males and 23.5% females. Figure 7 shows distribution based on their gender.

**Table 3: Spatial background wise profile of customers in SBI and ICICI bank**

Spatial Background	SBI	ICICI	Total N (%)
Urban	56(28.0)	72(36.0)	128(64.0)
Rural	15(7.5)	8(4.0)	23(11.5)
Semi urban	29(14.5)	20(10.0)	49(24.5)
Total	100 (50)	100 (50)	200 (100)

Table 3 displays at SBI, 28.0% respondents belong to urban area, 7.5% rural background and 14.5% belong to semi-urban area. In ICICI bank, 36.0% respondents are from urban area, 4.0% from rural area and 10.0 % from semi urban area.

## SECTION II - Statistics of customers' perception towards employees' performance in SBI and ICICI bank

The mean scores and standard deviation of various items in all the dimensions measuring employees' performance are shown in Table 5.

**Table 4: Statistics of customers' perception towards employees' performance in SBI and ICICI Bank**

S.No.	Dimensions during employees' performance	Mean	SD
	Tangibles		
1.	Good furnishing inside the bank	3.76	0.95
2.	Update equipments like computers/information technology	3.80	0.75
3.	Good sitting facility for waiting inside the bank	3.76	1.00
4.	Active and well groomed employees	3.45	0.85
5.	Convenient location of the branch (close to home/work)	3.50	1.00
	Responsiveness		
6.	Quick responses from employees to customers' request	3.87	0.85
7.	Fast redressal of complaints	3.85	0.75
8.	Prompt services from the employees	3.35	0.90
9.	Willingness of the employees to help customers	3.25	0.95
10.	Fast transactions (Opening of new account, balance information, deposits, drafts, cheque clearance etc.)	3.85	0.85
	Reliability		
11.	A Cooperative reception counter	3.80	0.95

12.	Availability of the employees at respective counters	3.75	0.85
13.	Availability of top officials in case of need	3.45	0.75
14.	Lack of mistakes and error free records	3.75	0.90
15.	Dependable services from the employees on time	3.65	0.85
	Assurance		
16.	Employees show sincere interest in solving customers' Problems	3.55	0.97
17.	Courtesy of counter employees and branch manager	3.65	0.90
18.	Trustworthiness of employees	3.70	0.85
19.	Safety inside the bank and confidentiality in transactions	3.50	0.90
20.	Knowledge of employees to handle customers' questions	3.80	0.90
21.	Ability of the employees to give advice on investments/Tax Benefits	3.40	0.70
	Empathy		
22.	Convenient operating hours	3.73	0.86
23.	Employees give priority to customers' interests	3.40	0.84
24.	Employees take care to explain the banking rules to the Customers	3.45	0.80
25.	Attentiveness of employees to customers' specific banking Needs	3.55	0.86

Table 4 shows the perception of customers towards employees' performance. Customers perceive for 'Tangibles' that they are more comfortable if branch is nearly located to their home/work (having highest mean score). They also prefer that update equipments like computers/ information technology satisfy their needs. Dimension „Responsiveness' indicate that customers are happy, if employees are willing to help them. Satisfaction also increase if fast transactions like opening of new accounts, balance information etc. are operated by the employees. While scoring 'Reliability', it is observed that customers prefer to have availability of employees at their counters. Customers find the bank reliable, if employees provide services on time. Results of 'Assurance' show that customers demand safety inside the bank and confidentiality in their transactions. Further trustworthiness of employees is also demanded. Facts relating to 'Empathy' examine that customers desire empathetic employees by having convenient operating hours and attentiveness of employees towards their banking needs.

### Section III: Independent t-test comparing the customers' perception towards employees' performance in SBI vs. ICICI bank

**Table 5: Independent t-test comparing the customers' perception towards employees' performance in SBI vs. ICICI bank**

Dimensions	SBI N=100		ICICI N =100		t value	df	P value
	Mean	SD	Mean	SD			
Tangibles	3.44	0.83	4.09	0.56	- 6.45	198	0.00**
Responsiveness	3.18	0.89	3.74	0.52	-5.43	198	0.00**
Reliability	3.48	0.69	3.38	0.58	1.09	198	0.28
Assurance	3.38	0.81	3.85	0.59	- 4.65	198	0.00**
Empathy	3.21	0.96	3.90	0.52	-6.32	198	0.00**



***\*\* Significant at 0.01 level***

#### **H04: Hypothesis accepted for ‘Reliability’.**

Table 5 shows that there is no significant difference between perception of employee performance with respect to dimension “Reliability”. Thus the hypothesis H04 is accepted. However, there is a significant difference between perception of employee performance with respect to dimensions ‘Tangibles’, ‘Responsiveness’, ‘Assurance’ and ‘Empathy’. The mean perception of customers of ICICI bank is more than SBI for the dimensions ‘Tangibles’, ‘Responsiveness’, ‘Assurance’ and ‘Empathy’. Mean perception of customers in SBI for the dimension ‘Reliability’ is more than ICICI bank. The analysis describes that employees’ performance for ‘Customer perspective’ in ICICI bank is better than SBI.

#### **CONCLUSION AND SUGGESTION**

Banks need to identify the customers and market segments in which they have chosen to compete. The perspective helps to identify and measure the value propositions to be delivered to the targeted customers and market segments by offering products or services better aligned as per customer preferences. To conclude, banking sector is a knowledge intensive industry. Therefore, knowledge regarding customer services are very important. In a nutshell, it is essential to understand the changing world and update the work force as per the requirements to have fruitful results for the benefit of individuals and the organizations as well.

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