

Customer Perception of Banking Service Quality: A Study on Jamuna Bank Limited in Sylhet City

Sanjay Chandra Roy

Lecturer, Department of Economics, University of Chittagong, Chittagong-4331, Bangladesh.

Pronab Kumer Saha

Lecturer, Department of Business Administration, Sylhet International University, Sylhet, Bangladesh

Abstract

The purpose of the study is to investigate customer perception of service quality of a private bank. In this study five dimensions are used namely responsiveness, reliability, assurance, empathy and tangibles based on SERVPERF (Service Performance) model to investigate the service quality perceptions of customers of a commercial bank. The study reveals that Tangibility is having a highest mean score of SERVPERF (P) score and the bank should concentrate on Empathy as it has the lowest mean score of SERVPERF as well as Reliability. Regarding the association between the demographic variables and the service quality factors, it is seen that there is a significant association. The research provides valuable insights to manager of the bank on the need to continuously enhance service quality.

Keywords: Service Quality, SERVPERF, Commercial bank, Perceptions, Responsiveness, Reliability, Assurance, Empathy and Tangibility.

1. Introduction

Banks play an important role in economic development of a country. Service quality affects the Performance of a bank which then contribute to the economic growth of a country. So measuring service quality is crucial. Service quality can be defined as the difference between customers' expectations of service and their perceptions of the actual service performance. Service quality is the core concept for ensuring a successful supply of services in general. This holds in particular for the private banking sector, which is a clean service industry in which the service is performed almost completely in the attendance of the customer. Product and service diversification of a bank attract more customers. In such a setting, bank services aim to optimize the service quality in order to attain a superior outcome level. The outcome of service quality, what firms expand by delivering a high-quality service, is the return on quality concept, and service profit chain.

Nowadays, service quality has received much attention because of its obvious relationship with costs, financial performance, customer satisfaction, and customer retention. Jamuna Bank Limited (JBL) is a Banking Company registered under the Companies Act, 1994 of Bangladesh. The Bank started its operation from 3rd June 2001. Jamuna bank wants to become a leading banking institution and to play a significant role in the development of the country. The Bank is committed for satisfying diverse needs of its customers through an array of products by using appropriate technology and providing timely service so that a sustainable growth, reasonable return and contribution to the development of the country can be ensured with a motivated and professional work-force.

The Bank has an array of financial products and services. Such, products are Monthly Savings Schemes, Consumer Credit Scheme, Lease Finance, and Personal Loan for Women, and Shop Finance Scheme etc. JBL also introduced Q-cash ATM cards for its valued customers giving 24 hours banking services through Debit Cards. The officers of this bank have high educational backgrounds, with a minimum master degree. Recruitment of quality officer enables this bank to deliver the promised services.

Different meaning could be attached to the word quality under different circumstances. It has been defined in a different ways by various scholars. Some of the prominent definitions include "Quality is predictability" (Deming, 1982), "conformance to specification or requirement" (Crosby, 1984), "fitness for use" (Juran, 1988) and "customer's opinion" (Feigenbaum, 1945). A solid foundation in defining and measuring service quality was emanated in the mid-eighties by Gronroos (1984) and Parasuraman et al. (1985). Defining service quality is difficult as compared to product quality due to some features unique to services including intangibility, inseparability, heterogeneity and perishability (Chang and Yeh, 2002). In presence of these limitations, Parasuraman come up with a comprehensive way of defining service quality.

Service quality has been defined in different ways by researchers. Gronroos (1978) suggests that service quality is made of two components- technical quality and functional quality. Technical quality refers to what the service provider delivers during the service provision while functional quality is how the service employee provides the service. Parasuraman et al. (1988) define service quality as a difference between customer's expectations of service and customer's perceptions of the actual service. According to these definitions, customers are the sole judges of service quality. If they perceive it to be good service, then it is. They

assess the quality of service by comparing their expectation with perception. The quality of services offered will determine customer satisfaction and attitudinal loyalty (Ravichandran et al. 2010).

2. Literature review

Service quality, satisfaction and loyalty are strongly and positively related to each other (Akter, 2011). Service quality is considered very important because it leads to higher customer satisfaction, profitability, reduced cost (Saraswathi, 2011). Service quality is about meeting customer needs adequately by matching to his expectations. Service quality in banking implies every time anticipating and satisfying the needs and expectations of customers. The significance of service quality in Banks has been emphasized in studies and perceived quality advantage leads them to higher profit. Service quality is a concept that has aroused considerable interest & debate in research literature because of the difficulties in both defining it and measuring it with no overall consensus emerging on either (Wisniewski, 2001).

The speedy growth and intensified competition in service industries has made it considerably important for the companies to calculate and evaluate service quality. Organizations operating in service sector know that their consumers' service quality is one of key input factors for victory at local as well as global level. Parasuraman SERVQUAL model (1988) is widely used to measure perceived service quality. Consumer's evaluation about service quality depends on size and direction of the gap between the service the customer expects to receive and what he or she perceives to have been received. Service quality is defined as the difference between the consumer's expectation about service and insight of the service experience. A service quality gap exists when there is a shortfall in which the service provider would like to close. Service quality is well-known as a multi-dimensional construct. Its dimensions often differ from one researcher to other researcher, but still there is some agreement that service quality mainly consists of three main features: "outcome quality", "interaction quality", and "physical service environment quality". Numerous researchers elaborated sub aspects of these three extensive dimensions e.g., the most popular construct of service quality —SERVQUAL — have five dimensions: "tangibles", "responsiveness", "empathy", "reliability", and "assurance". The tangibles dimension contact with a physical environment aspect, the reliability dimensions corresponds with the service outcome aspect and remaining three signify interaction quality aspect.

The SERVPERF (Service Performance) model was carved out of SERVQUAL by Cronin and Taylor in 1992. SERVPERF measures service quality by using the perceptions of customers. Cronin and Taylor argued that only perception was sufficient for measuring service quality and therefore expectations should not be included as suggested by SERVQUAL (Baumann et al, 2007). Along with other researchers in 1994, Parasuraman et al. also mentioned that measurement method using SERVPERF is better than using SERVQUAL, though SERVQUAL can provide better diagnostic results of service quality. The SERVPERF scale is found to be superior not only as the efficient scale but also more efficient in reducing the number of items to be measured by 50% (Hartline and Ferrel, 1996; Babakus and Boller, 1992; Bolton and Drew, 1991). The study is conducted because there are not available studies on measuring service quality of private commercial banks by using SERVPERF model in Bangladesh especially in Sylhet city.

3. Objectives of the study

The main objective of this study is to measure service quality of private commercial banks in Sylhet city.

The other objectives are:

- To monitor and track service performance of JBL, Sylhet branch.
- To study the customers' perception on Tangibility, Reliability, Responsiveness, Assurance, and Empathy in Bangladeshi Banking sector using SERVPERF model.
- To recommend some strategies and policies based on the results so that the bank can improve its performance.

4. Data

The data used for this study are from primary and secondary sources. 102 customers were surveyed for collecting primary data. The selection of the samples were based on convenience sampling. By convenience sampling we mean, a statistical method of drawing representative data by selecting people because of the ease of their volunteering or selecting units because of their availability or easy access. The advantages of this type of sampling are the availability and the quickness with which data can be gathered. More specifically structured questionnaire was used for collecting data through personal interview with clients of JBL, Sylhet Branch based on SERVPERF model, consisting two parts: Part A, demographic information of respondents such as name, age, gender, occupation, income, education, and Part B, eighteen variables were designed in five- point Likert Scale ranging from strongly disagree= 1 to strongly agree=5.

5. Methodology

Microsoft office & Statistical Package for Social Science (SPSS). Package was used to analyze the data set. A frequency distribution was used to describe the sample. The mean and standard deviations of the attributes were also computed. Finally, The Multivariate Analysis of variance (MANOVA) was used to analyze data.

Multivariate analysis of variance or multiple analysis of variance (MANOVA) is a statistical test procedure for comparing multivariate (population) means of several groups. As a multivariate procedure, it is used when there are two or more dependent variables and is typically followed by significance tests involving individual dependent variables separately. MANOVA is a generalized form of univariate analysis of variance (ANOVA).

SERVPERF model derived from famous model that introduced by Parasoarman in 1985 for the first time. This model used to measure services quality through recognize gap between which services that customer expect from organization to offer them and which quality that they perceive actually (Buttle, 1994). Parasoarman and his colleagues in their primary study in 1985 recognized ten dimensions for services quality that include reliability, responsibility, competency, accessibility, employee's civility, communications, validity, customer's perception and awareness, customer facilities, physical facilities, and finally superficial condition of organization. They summarized these ten dimensions in five dimensions in their next studies that offered in following section:

Reliability: this dimension includes ability of doing committed services in sound and reliable manner.

Assurance: this dimension refers to knowledge and civility of employees and their ability to transmit reliability and validity.

Tangibles: this includes superficial conditions of physical facilities, equipment, employees, and communicational instruments

Empathy: this dimension refers to providing individual attention toward every customer.

Responsiveness: willing to help customers and offer rapidly services for them.

6. Hypotheses

The following hypothesis is framed in tune with the objectives:

- **H1**: There is no significant difference between the Gender of the respondents and the level of perception.
- **H2**: There is no significant difference between the Age of the respondents and the level of perception.
- **H3**: There is no significant difference between the Education of the respondents and the level of perception.
- **H4**: There is no significant difference between the Occupation of the respondents and the level of perception.
- **H5**: There is no significant difference between the Income of the respondents and the level of perception.

This model uses a scale with 22 questions for assessment of services quality. With respect to this fact that customers satisfaction refers to differences between customer's expectations and their perception of offered services quality, each of these 22 questions used to assess extend of customer's satisfaction and then used to assess their perceptions of received services. SERVPERF model is one of the models that derived this method and introduced by Cronin and Taylor for the first time. This method offered because of crisis that offered for past model. Main difference between these two methods is that there are set of questions in Parasoarman unlike the SERVPERF model that measure customer's expectations and perception of services received by customers. In revised SERVPERF model that used in present study to gather information in term of assessing services quality in Isfahan Sepah bank from customer's perspective, addition to two aspects that there are in SERVPERF (including human and superficial facilities aspects) and indeed, 22 questions of SERVPERF summarized in these two dimension and then three other dimensions added it that include main services, systematization of services, and social responsibilities in services.

7. Findings and Discussion:

7.1 Analysis of Demographic Profiles of Respondents:

Demographic profile of the respondents is presented in Table 1 to Table 5.

Table 1: Gender of clients

		gender			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	70	68.6	68.6	68.6
	Female	32	31.4	31.4	100.0
	Total	102	100.0	100.0	

Table 2: Age Group of Clients

		age			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 20	15	14.7	14.7	14.7
	20-30	53	52.0	52.0	66.7
	31-40	32	31.4	31.4	98.0
	41-50	1	1.0	1.0	99.0
	Above 50	1	1.0	1.0	100.0
	Total	102	100.0	100.0	

Table 3: Education of Clients

		education			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SSC	3	2.9	2.9	2.9
	HSC	42	41.2	41.2	44.1
	Graduate	48	47.1	47.1	91.2
	Post Graduate	9	8.8	8.8	100.0
	Total	102	100.0	100.0	

Table 4: Occupation of Clients

		occupation			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Employee	18	17.6	17.6	17.6
	Business	71	69.6	69.6	87.3
	Student	10	9.8	9.8	97.1
	Homemaker	3	2.9	2.9	100.0
	Total	102	100.0	100.0	

Table 5: Income of Clients

		income			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-20000	4	3.9	3.9	3.9
	21000-30000	7	6.9	6.9	10.8
	31000-40000	19	18.6	18.6	29.4
	41000-50000	17	16.7	16.7	46.1
	51000-60000	10	9.8	9.8	55.9
	61000-70000	9	8.8	8.8	64.7
	71000-80000	15	14.7	14.7	79.4
	81000-90000	15	14.7	14.7	94.1
	91000-100000	4	3.9	3.9	98.0
	More than 100000	2	2.0	2.0	100.0
	Total	102	100.0	100.0	

Source: Field data

It is observed from the Table 1 that the sample of the clients of the bank consisted of more males (69%) than females (45%).

Table 2: depicts 52 percent of the respondents were in the age group between 20-30 years, 32 percent between 31-40 years and 15 percent below 20.

With regard to the educational background (Table 3), 47 percent of the respondents had graduate, 41 percent Higher Secondary Certificate (HSC), 9 percent post graduate.

In terms of respondents' occupation (Table 4) 70 percent are businessmen, 18 percent are employees, and 10 percent are students.

Table 5 shows 19 percent of the respondents have a monthly income between tk.31000-40000, 15 percent of the respondents have monthly income tk.71000-80000, and 15 percent of the respondents have monthly income tk.81000-90000, 10 percent of the respondents have monthly income tk.51000-60000, 9 percent of the respondents have monthly income tk.61000-70000, 7 percent of the respondents have monthly income tk.21000-30000.

7.2 Analysis of Mean Performance of Service Quality dimensions (SERVPERF):

Performance measure of the JBL bank from different perspectives are presented in Table 6.

There are five variables on which the performance of this bank is measured. These are: The gender of the customers, their age group, education, occupation and income. From the Table 6, it can be seen that in most of the intra-group categories there are little differences in the performance measures. For example, male and females have average scores of 4.20 and 4.11 respectively.

However, in some cases customers have different opinion about the service quality of the bank. Younger people, less than twenty years old, have average scores of 9.13 while people of age group 31-40 have average scores of 4.22 on the tangibility scale.

Other figures in the table can be described similarly. Since our scale has the highest score of five and the average scores flocks around four, performance of JBL can be taken as satisfactory.

Table 6: Performance of mean score of service quality factors (SERVPERF) & standard deviation

Report					
	Tangibility	Reliability	Responsiveness	Assurance	Empathy
Mean	4.17451	3.96078	4.02614	4.10784	3.88562
N	102	102	102	102	102
Std. Deviation	.282382	.444640	.429102	.478726	.323264

Notable that, In Table 6, Tangibility is having the highest score of SERVPERF (4.17) next to this, Assurance (4.11) then Responsiveness (4.03), Reliability (3.96) and Empathy (3.89). By empathy we mean, how individual customers are cared for by the bank officials. From the assessment of the score, SERVPERF shows the factor Empathy dimensions need to be concentrated and require more resources as it is having lowest performance score (P).

7.3 The Impact of demographic variables on the factors' SERVPERF (P) score:

The SERVPERF (P) scores of five dimensions according to demographic wise are presented in Table 7. To determine whether the mean score vary among the different demographic characteristics; F-test has been calculated.

Table 8: The Impact of demographic variables on service quality dimensions

Demographic Variable	N	Service Quality Dimensions					F-Test (Wilks' Lambda)	Sig.
		TAN	REL	RES	ASS	EMP		
1. Gender								
Male	70	4.20 (0.26)	3.92 (0.49)	3.99 (0.43)	4.06 (0.47)	3.81 (0.33)	2.96	S (0.016)
Female	32	4.11 (0.30)	4.04 (0.28)	4.10 (0.41)	4.20 (0.46)	4.03 (0.24)		
2. Age(years)								
Less than 20	15	3.93 (0.29)	3.917 (0.22)	3.82 (0.37)	3.91 (0.44)	4.0 (0.25)	1.61	S (0.049)
20-30	53	4.21 (0.24)	3.93 (0.47)	4.04 (0.43)	4.15 (0.49)	3.86 (0.34)		
31-40	32	4.22 (0.29)	4.00 (0.47)	4.07 (0.43)	4.08 (0.45)	3.88 (0.31)		
41-50	1	4.20 ()	4.25 ()	4.33 ()	4.66 ()	3.66 ()		
Above 50	1	4.20 ()	4.25 ()	4.33 ()	4.66 ()	3.66 ()		
3. Education								
SSC or below	03	4.00 (0.00)	3.75 (0.00)	3.66 (0.00)	3.66 (0.00)	3.66 (0.00)	1.61	S
HSC	42	4.23 (0.26)	3.96 (0.53)	4.02 (0.42)	4.04 (0.52)	3.88 (0.33)		

Graduate(G)	48	4.13 (0.30)	3.95 (0.41)	3.98 (0.44)	4.10 (0.43)	3.88 (0.32)	2.48	(0.00)
Post G.	09	4.15 (0.24)	4.02 (0.15)	4.37 (0.20)	4.55 (0.10)	3.96 (0.30)		
4.Occupation								
Employee	18	4.02 (0.22)	3.94 (0.16)	4.07 (0.49)	4.24 (0.59)	3.98 (0.21)	3.243	S (0.00)
Business	71	4.23 (0.26)	3.96 (0.51)	3.99 (0.43)	4.06 (0.47)	3.83 (0.34)		
Student	10	4.0 (0.36)	4.0 (0.23)	4.66 (0.14)	4.20 (0.17)	4.0 (0.31)		
Homemaker	03	4.26 (0.23)	3.75 (0.43)	4.33 (0.57)	4.0 (0.57)	4.11 (0.19)		
5.Income								
0-20k	4	4.00 (0.00)	4.00 (0.00)	4.33 (0.00)	4.66 (0.00)	4.00 (0.00)	3.58	S (0.00)
21-30k	7	3.97 (0.29)	3.82 (0.12)	3.61 (0.48)	3.61 (0.48)	4.00 (0.00)		
31-40k	19	4.10 (0.32)	4.03 (0.30)	4.19 (0.30)	4.35 (0.36)	4.05 (0.29)		
41-50k	17	4.18 (0.19)	4.17 (0.39)	4.23 (0.32)	4.25 (0.38)	3.90 (0.30)		
51-60k	10	4.08 (0.36)	3.95 (0.48)	3.83 (0.52)	3.93 (0.30)	4.03 (0.39)		
61-70k	9	4.11 (0.10)	3.41 (0.33)	3.81 (0.50)	3.55 (0.28)	3.66 (0.23)		
71-80k	15	4.32 (0.29)	3.95 (0.51)	3.93 (0.33)	3.97 (0.54)	3.84 (0.30)		
81-90k	15	4.26 (0.27)	3.91 (0.58)	3.91 (0.47)	4.11 (0.41)	3.73 (0.40)		
91-100k	4	4.45 (0.10)	4.18 (0.23)	4.33 (0.00)	4.50 (0.19)	3.66 (0.00)		
More than 100k	2	4.20 (0.00)	4.25 (0.00)	4.33 (0.00)	4.66 (0.00)	3.66 (0.00)		

TAN=Tangibility, REL=Reliability, RES=Responsibility, ASS=Assurance, EMP=Empathy.

Standard Deviations are in parentheses. S= Significant, k=1000.

Table 8 indicates that demographic variables-Gender, Age, Education, Occupation, and Income yield significant differences at the 5 percent level. Hence Hypothesis 1, 2, 3, 4, 5 are rejected. Regarding the association between the demographic variables and the service quality factors, it is seen that there is a significant association.

9. Concluding remarks:

Although the research findings provide some new insights to the researcher, these findings should be viewed in light of some limitations. 102 samples from JBL, Sylhet branch may not be large enough to represent accurately the whole populations' attitude towards customer satisfaction in the service quality provided by all branches of JBL as well as other commercial banks in Sylhet.

It can be concluded from the study that the manger and decision makers of JBL, Sylhet branch are avidly looking for ways to improve the ability to perform the promised service delivery dependably and accurately. The management is paying attention to the employees' knowledge, courtesy and their ability to inspire trust and confidence among the clients.

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