

A Service Quality Assessment of banks with special reference to State Bank of India (SBI) and HDFC Bank

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Abstract:

The service quality assessment of the banking sector has been an area of interest among many of the researchers worldwide. The present research aims to enrich the existing body of literature on the said subject. The research has used the SERVQUAL model by Parsuraman et al. 1990. The findings have been made with respect to two of the best banks in India—The State Bank of India (SBI) and the HDFC Bank.

The findings of the study highlight the need and importance of focus on the elements of responsiveness and friendliness in the service delivery so that the customer is satisfied with the banking service.

Key words: SERVQUAL, Service Quality, Banking Service

Introduction:

Most firms provide the necessities that customers require. This applies to companies dealing in products as well as services. If they do not provide they would not be in business for long. Most businesses have customers who are satisfied with their overall experience. Marketing as a concept was generally associated with tangible goods like consumer and manufactured goods. Gradually the principles of marketing were applied to the business of intangible goods like financial services. Banks as providers of financial services had a monopoly in providing services to the customers, in the early years of the banking business. Even though banks had used one or two components of marketing at that time, principally they were engaged in selling of banking services. The act of selling focuses on the need of the buyer.

Before the mid 1950s bankers had little understanding or regard for marketing. Bankers did not have to make a case for checking accounts, savings, loans or safe deposit boxes. The bank buildings were created in the image of a Greek temple primarily to impress the public with the bank's importance and solidarity. The interior was austere and the tellers rarely smiled (Kotler, 1984). Marketing came into banks in the late 1950s not in the form of "marketing concept" but in the form of "advertising and promotion concept". Banks and other financial institutions were experiencing increased competition for savings (Ibid).

In India, banks started integrating components of marketing into its operation since 1950s when it introduced itself to its customers through advertisement. Market development and market penetration were the focus in 1970s when banks expanded their area of operation by opening more branches. Banks developed new products and services in the 1980s to cater to the various needs of increasing number of customers.

With the advent of banking sector reforms, the scenario of banking since the 1990s has totally changed. In order to bring efficiency, accountability and high degree of customer service, competition had been induced by granting license for banking business to new operators like private banks, local area banks, foreign banks, regional rural banks and cooperative banks. In such competitive environment, the ability of a bank to achieve growth rate depends on how well the needs of the customer are identified and effective marketing strategies are evolved. This involves developing new improved products and services, providing better amenities and facilities, exploring new distribution channels and evolving effective marketing strategies so as to continuously meet the changing customer needs (Nair, 2004).

Literature Review:

Customer satisfaction is one of the key factors in modern marketing and customers' behavior analysis. Generally speaking, if the customers are satisfied with the provided goods or services, the probability that they use the services again increases (East, 1997). Also, satisfied customers will most probably talk enthusiastically about their buying or the use of a particular service; which will lead to positive advertising (File and Prince, 1992) and (Richens, 1983). On the other hand, dissatisfied customers will most probably switch over to a different brand and; this will lead to negative advertising. The importance of satisfying and keeping a customer in establishing strategies for a market and customer oriented organization cannot be neglected (Kohli and Jaworski, 1990). Customer satisfaction is often considered the most important factor for thriving in today's highly competitive business world. Services have unique characteristics that distinguish them from the physical goods

(Zeithmal,1996). Services are often characterized by intangibility, inseparability, heterogeneity, and perishability (Lovell,1996).Because of the quality of services being intangible, understanding how the customers would evaluate the quality of the organization's services is often very hard (Zeithmal,1996). In addition, the services are real time, i.e. they are used by the customers as soon as they are offered. They cannot be stored and quality passed like physical goods. Therefore any bad service will most probably be experienced by a customer, which results in customer's dissatisfaction while using the service (East ,1997).

Researchers have studied customer satisfaction in different contexts, e.g. Chen and Ko (2007) proposed fuzzy linear programming models to determine the fulfillment levels of parts characteristics under the requirement to achieve the determined contribution levels of design requirements for customer satisfaction. Grigoroudis et al.(2008), considered the problem of measuring user satisfaction in order to analyze user perceptions and preferences to assess website quality. Hsu (2008) proposed an index for online customer satisfaction, which is adapted from an American Customer Satisfaction Index (ACSI). Bodet (2008) explored the satisfaction–loyalty relationships according to an empirical analysis in a sports-service context. Yang and Peng (2008) developed a novel customer satisfaction evaluation model for construction project management services with the help of a questionnaire based survey and statistical analysis. Deng (2008) presented a Fuzzy Neural based Importance-Performance Analysis (FN-IPA) which integrates fuzzy set theory, back-propagation neural network and three-factor theory to effectively and adequately assist practitioners in identifying critical service attributes for customer satisfaction.

Customer Satisfaction in Banking Sector: As discussed in previous section, customer satisfaction is a popular research topic among researchers of different areas. Banking industry is not an exception to this. Banking is one of the numero uno services in which the customer satisfaction has had an ever increasing importance in the corresponding research areas. This is essentially because the banking sector is becoming more and more competitive (Lindenmeier and Tscheulin,2008). Retail banks are pursuing this strategy, in part, because of the difficulty in differentiating based on the service offering. Typically, customers perceive very little difference in the services offered by retail banks and any new offering is quickly matched by competitors (Devlin et al.,1995). Other economic systems are also experiencing the same changes occurring in their external environments. In such systems, moving toward privatization and economic liberalization have increased the rivalry and have prepared the system for foreign rivals. The outcome of this increasing rivalry is that a lot of financial institutions are focusing on increasing the customer satisfaction and trying to keep them by any possible means (Lindenmeier and Tscheulin, 2008). Customer satisfaction in banking has not been neglected by researchers. Kearsley (1985) in his study discussed the types and uses of computer-based training (CBT) in bank training to achieve better customer satisfaction. Rust and Zahorik (1993) provided a mathematical framework for assessing the value of customer satisfaction. The framework enables managers to determine which customer satisfaction elements have the greatest impact, and how much money should be spent to improve particular customer satisfaction elements. They demonstrated the application of their Customer Satisfaction using Fuzzy Cognitive Map. Athanassopoulos (2000) performed a complete survey on customer satisfaction in retail banking services in Greece. The study proposed an instrument of customer satisfaction that contains service quality and other attributes. The performance implications of the customer satisfaction instrument are also explored. (Manrai and Manrai,2007) developed and tested some hypotheses regarding the relationship between customer satisfaction and bank service switching behavior as it is mediated by the importance of a particular bank service to a particular customer and by the nature of competitive offerings for different types of banking services available from other banks. Gil et al.(2007), in their research exhibited that services encountered directly and significantly affect perceived service value which is the final antecedent to customer satisfaction in banking industry. Finally, Sweeney and Swait (2008) investigated the important role of brand of banks in managing the churn of current customers and improving their satisfaction.

For the present research we have used the SERVQUAL Model of measurement of service quality provided by two of the best known banks in India—State bank of India (SBI) and HDFC Bank.

Objectives:

1. Analyse the customer's perception with respect to service quality of State Bank of India and HDFC bank.
2. Identify the Service quality variable that has the greatest and the least impact on the customer's satisfaction level in service assessment.

Data Analysis:

For the current research analysis, at first the specification of statistical sample, its distribution, percentage and average of the relevant questions of five dimensions of the SERVQUAL model are determined and discussed through explanatory statistics.

Analysis of dimension wise descriptive statistics of the banks under study

Table 1 Descriptive statistics of State Bank of India.							
Dimensions of Service Quality							
Statistical Parameters	Tangibility	Reliability	Responsiveness	Assurance	Empathy	Timeliness	Friendliness
Sum	3629	4106	3570	3631	5316	4241	4449
Mean	12.96	14.66	12.75	12.97	18.99	15.15	15.89
Minimum	4	12	4	10	15	12	13
Maximum	16	20	16	16	25	20	20
StdDev	2.84	2.4	3.74	2.29	3.22	2.7	2.26
Kurtosis	2.19	0.42	1.03	-1.49	-0.34	-0.49	-1.4
Variance	8.09	5.76	13.99	5.23	10.35	7.27	5.12
Skewness	-1.25	1	-1.37	0.14	0.84	0.74	0.35

The table 1 depicts the descriptive statistics details of the service quality dimensions for State Bank of India. The mean row shows the average answers to the questions. The study has taken five point Likert method with “1” signifying to a very little extent and “5” implying to the most extent. In case of State Bank of India, the respondents felt particularly strong about the questions on Empathy which has got the highest mean score of 18.99. On the other hand the, respondents did not feel strongly about the questions on ‘Responsiveness’ with the lowest mean score of 12.75. The variance and standard deviation indicate the spread of the answers. It means that if we have a high mean number and also high variance, it does not mean that the questions have been answered properly. It means that something was wrong with the questions that have to be found out. A low variance is a good symptom, because it shows that the questions were designed in such a way that the respondents understood them fully. The friendliness dimension had the lowest variance 5.12 and lowest standard deviation of 2.26. It was found from the table that the dimensions ‘Responsiveness’ and ‘Empathy’ had high variance and standard deviation with values of 13.99 and 3.74 respectively for ‘Responsiveness’ dimension; and the values of 10.35 and 3.22, respectively for ‘Empathy’ dimension. The skewness in the various dimensions suggests that ‘Reliability’, ‘Assurance’, ‘Empathy’, ‘Timeliness’ and ‘Friendliness’ are positively skewed while ‘Tangibility’ and ‘Responsiveness’ are negatively skewed. The kurtosis of the dimensions suggests that ‘Reliability’ is mesokurtic, ‘Tangibility’ and ‘Responsiveness’ are leptokurtic while ‘Assurance’, ‘Empathy’, ‘Timeliness’ and ‘Friendliness’ are platykurtic.

Table 2 Descriptive statistics of HDFC Bank							
Dimensions of Service Quality							
Statistical Parameters	Tangibility	Reliability	Respon- siveness	Assurance	Empathy	Timeliness	Friendliness
Mean	15.46	15.49	15.45	13.32	18.92	15.14	17.1
Minimum	11	12	12	10	15	12	13
Maximum	20	20	20	16	25	20	20
StdDev	2.76	2.8	2.57	2.34	3.3	2.68	2.31
Kurtosis	-0.97	-0.9	-0.64	-1.56	-0.45	-0.46	-1.37
Variance	7.6	7.81	6.61	5.49	10.86	7.18	5.31
Skewness	0.56	0.55	0.73	-0.1	0.78	0.75	-0.19

The table 2 depicts the descriptive statistics of HDFC Bank In the case of HDFC the respondents felt particularly strong about the questions on Empathy which has got the highest mean score of 18.97. On the other hand the respondents did not feel strongly about the questions on assurance with the lowest mean score 13.32. The table also shows the variance and standard deviation which shows the spread ness of the answers. The ‘Friendliness’ dimension had the lowest variance 5.31 and lowest standard deviation of 2.31. It was found from the table that the dimension of ‘Empathy’ had highest variance 10.86 and highest standard deviation of 3.30. The skewness of the distribution reveals that the dimensions of ‘Tangibility’, ‘Reliability’, ‘Responsiveness’, ‘Empathy’ and ‘Timeliness’ are positively skewed while the dimensions of ‘Assurance ’ and ‘Friendliness’ are negatively skewed. The kurtosis of the distribution reveals that all the dimensions are platykurtic (i.e too flat) distributions.

Findings and Conclusion:

The descriptive statistics of the variables and dimensions have been described in this chapter. It has been found that for the SBI the mean of empathy dimension is consistently high and the dimension of responsiveness and empathy are low. For the HDFC banks empathy has got consistently high mean in all the dimensions and assurance has low mean. The standard deviation of the various dimensions of the SBI shows that responsiveness has the highest deviation while friendliness has the lowest. In case of HDFC banks it is seen that empathy has the highest standard deviation and friendliness has the lowest. A high mean and low standard deviation signifies that the respondents feel strongly for that dimension while a low mean and high standard deviation signifies otherwise. A look at the skewness of the distribution for the various dimensions for the SBI shows that tangibility and responsiveness are negatively skewed while responsiveness, empathy and assurance are positively skewed. In case of HDFC bank responsiveness and assurance are dimensions which are negatively skewed and responsiveness, empathy and timeliness are positively skewed. Finally, for the kurtosis of the various dimensions it was seen that for both SBI and HDFC the dimensions of reliability, empathy, timeliness and friendliness were platykurtic (i.e too tall) and tangible, responsiveness and assurance were leptokurtic(i.e too flat).

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