INTEGRATING TOTAL SERVICE QUALITY IN BANKS FOR BEST PRACTICE

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ABSTRACT

Consumer behavior has always been an interesting subject for marketers. This study examines the satisfaction level of consumer with major National Banks, Private Banks and Foreign Banks in India and services provided by them. It also provides a functional comparison of the two different approaches in terms of SERVQUAL model. The study also analyzes the relationship between deliverance of services and actual customer expectation with the help of factor analysis. The findings of the study indicate that total service quality is a significant determinant of customer satisfaction in Indian banking industry. This study will provide important insights to banks in redefining their corporate image to one that is customer-focused and driven by service quality.

Key Words – Consumer Behavior, Total Service Quality, Banking Sector

INTRODUCTION

Quality management is a system of establishing a defect prevention action program in the production process of any company. Total Quality Management is a technique which seeks to decrease the defect of a product, service or process. Latest dimensions of TQM applied in any service industry are identified by Saravanan and Rao (2007). They are - top management commitment and leadership, benchmarking, customer focus and satisfaction, service marketing, social responsibility, human resource management employee satisfaction, service culture, continuous improvement, and Information analysis.

According to a study done by Milakovich (2005) & Sureshchander et al. (2001), the Total Quality Service (TQS) model is designed for continuous quality improvement in the service industries. TQS movement is a mix of various American and Japanese philosophies and strategies which are further linked to the global search for better quality and lower cost. Initially more Japanese firms succeeded in applying the strategy. But later on it was labeled as Total Quality Management (TQM) in the United States of America. The (TQS) model was derived from the older Total Quality Management (TQM) model and serves to fill in the gaps for measuring intangible dimensions of quality. The success of ''TQS movement largely depends on how synergically the various dimensions are espoused

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in an ambience of continuous improvement''.

Services have been defined in many ways but with no general agreement as to what really constitutes services. The American Marketing Association's definition of services is: activities, benefits or satisfactions, which are offered for sale, or are provided in connection with the sale of goods.

According to Stanton (1986), "services are those separately identified, and essentially intangible, activities that provide want of satisfaction and that are not necessarily tied to the sale of a product or another service. To produce service may or may not require the use of tangible goods. However, when such use is required, there is no transfer of the title to these tangible goods".

Gummerson suggested that "Services are something that can be bought and sold but which you cannot drop on your foot". Kotler, defines services as any kind of performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Thus, through different definitions it is understood that services have four important characteristics. They are intangibility, perishability, inseparability and heterogeneity The service system, therefore, is an integration of all these components, involving a large number of white-collar staff working with a purpose to satisfy the varying needs of customers.

Service system exists because it helps client in meeting their own needs, it offers alternatives that are superior to self-service in cost, time and convenience, and it meets a wide variety of psychological and physiological needs.

The concept of quality has always given rise to controversies in trying to explain a variety of phenomena. Thus, today different viewpoints regarding the definition of quality in service exist (Logothetis, 1992). However, the most widely used definition is "Quality is meeting or exceeding customer expectations" (Evans & Lindsay, 1996). In the field of banking, TQM refers to a management process and a set of disciplines that are coordinated to ensure that the organization consistently meets and exceeds customer requirements. TQM engages all divisions, departments, and levels of organization. The goal is to deliver the highest value for the customer at the lowest cost, while achieving reasonable profit and economic stability for the bank (Morehouse, 1996). This management approach and theory has been strongly influenced by the ideas of a few American and Japanese practitioners. Among the most widely credited founding fathers are Crosby, Ishikawa, and others. Armand Fiegenbaum first introduced the term TQM in 1956. His original exploration was what he referred to as a way out of dilemma imposed on businessmen by increasingly demanding customers and by ever-spiraling costs of quality (Costin, 1994). Among the different quality approaches, a clear preference has been observed, at a universal level, for the adoption of quality assurance principles in the field of banking. The term means the assessment of the actual level of quality rendered plus the effort to modify, when necessary, the provisions of those services (Logothetis, 1992).

For the successful implementation of a quality approach that will eventually lead to quality improvement of the provided services, the following factors are necessary:

1. Trustworthy: the bank must have a good, trustworthy staff that's able to work properly and on time.

2. Eagerness of staff: the staff must be eager and have the desire to work anytime.

3. Proficiency and Capability: the staff must be professional and capable of doing the job they are doing in order to be able to help their clients.

4. Good location: a bank that can be reached quickly, contacted by phone easily is always recommended.

5. Well-mannered staff: polite and smiling face staff can always be close to their clients.

6. Communication: the level of discussion between the employee and the customers must be understandable.

7. Persuasive: employees, while working, must persuade that they work happily.

8. Safety, security: customers will always prefer to work with the bank with low risks.

9. Physical value: the decoration, number of branches, ATM machines, etc., are also factors that help in improving the quality of a bank.

10. Understanding staff: the working staff must understand their clients' needs (Takan, 2001, pp. 94-97).

ELEMENTS OF TQM IN BANKING

Producing a defective product is certainly antithetical to quality. However, preventing defects has not captured the strategic interests of top managers. By focusing on the customers, managers view quality as a means of achieving competitive advantage by providing value to customers.

Customer value has been defined as a combination of benefits and sacrifices occurring when a customer uses a service to meet certain needs.

Certainly, managers must ensure quality through conformance to design specifications. But quality of conformance should be a secondary issue, pursued only after they have seen that design conforms to the needs of the customers. Thus managers should regard quality as an important element to strategy formulation and planning, deciding which customer to serve, which services to offer, and how to provide value to customers and to outperform competitors in doing so. Once top managers decide to compete on the basis of particular dimensions of quality, they enter the realm of strategic planning. This means assuming personal responsibility for continuously improving the systems and processes that provide valued service for customers (Bound, Adams & Ranney, 1994). A popular slogan of the quality movement is "quality begins with the customer." The premise being if customers are the people who receive our work then only they can tell us what they want and how they want it. The quality that comes out of a process is affected by the quality of what goes in and what happens at every step along the way. It follows that we must build quality into every step, process, and system to produce quality in the outcome. To do this, we must collaborate with internal and external customers to determine their needs.

PROBLEMS FACED BY THE BANKS IN APPLYING TQM

While using TQM strategies in banking sector, some problems can occur that limit the TQM's success. The most important problems are:

1. The employees must be supported and given good service from the entire bank such as machines, information, etc. This will affect the quality of services rendered to clients. These elements do not have direct contact with clients but they affect the service quality the employees will work on. The employees are the representatives of the bank. The clients will blame the employees for any mistake that may take place during any banking operation.

2. The reached quality level can be affected by another factor and this is: always adding new working systems, machines, etc., to the operating strategies.

3. Following the technology and changing the machines (computers) in very short periods of time will cause difficulties to the staff to get used to the new system which will make their work more complicated and take more time which will decrease the quality of the service. No doubt changing and improving the system will make the firm more successful in the long run, but when done in short periods, the time needed to operate the system will be long.

4. The last factor is: having the staff working in the same position for long time which will cause the quality of service to decrease by time. For this reason, the employees feel bored from always doing the same operations and same job which will lead to a working staff without job satisfaction or motivation (Takan, 2001, pp. 97-100).

RESEARCH METHODOLOGY

Hypotheses

The study is based on the performance of public sector banks and private sector banks and foreign banks in the Indian market. There may be a number of underlying reasons which may impact the valuation of services by consumers. Specifically, we examine the effect of quality on customer retention in banking industry. According to the conceptual framework discussed previously, it can be concluded that service quality leads to customer retention. However, effective service quality leads to both customer acquisition and retention. Following hypotheses stem from the question areas that are based on the earlier research findings as:

H01: Banks are well aware of the operations and benefits of TQM.

H02: Banks are aware of the terminology of Total Quality Service.

H03: Banks apply some sort of quality management in their customer service.

QUESTIONNAIRE DEVELOPMENT

The survey instrument was self-administered consisting of a screening question i.e. "Deals with parameters of service quality in relation to customer satisfaction" This question helped to identify and analyze the customer perceived service of bank. The target group consisted of customers of public sector banks and private sectors banks. The research developed service quality criteria for customers of public sector banks and reflected the image of banks in the eyes of an average customer. Finally all information was obtained by 29 item index. For each item respondents used a 5 point Likert scale extending from "Strongly Disagree" to "Strongly Agree". Twenty nine items for service quality and service performance index were developed by the researchers keeping in view the past studies on SERVQUAL and SERVPERF model. Questionnaire responses were collected from professors and professionals from various industries availing services of public sector banks, private sector banks and foreign banks.

DATA COLLECTION AND SAMPLES

The present study was aimed at understanding the impact of service quality on customer satisfaction, acquisition and retention in case of public sector banks, private sectors bank and foreign banks. For this purpose, 271 respondents were selected from Indore, Gwalior, Mumbai, Pune, Bangalore and Hyderabad (M.P., Maharashtra and South India). The respondents were screened as customers who met the following criterions:

- The respondents were randomly stopped in the area where banks were located and asked if they had maintained account with any of the banks under study and have availed the services of their bank for at least past one year from the same place.

As the study was exploratory in nature, the sample of the study was non-probabilistic convenience sample comprising of 271

respondents. Respondents from 6 cities in (India) were requested to respond to the questionnaire. The demographic profile of the sample is given in Table 1.

Table 1

Characteristic	Frequency	Percent
Age		
18-25	74	27.30%
26-35	130	47.97%
36-45	40	14.76%
46-55	16	5.9%
Above 55	11	4.05%
Gender		
Male	143	53%
Female	128	47%
Bank		
SBI	140	51%
Bank of India	05	1.8%
UCO Bank	02	0.7%
PNB	03	1.1%
ICICI	60	22.1%
Axis	08	2.95%
IDBI	03	1.1%
HDFC	27	9.96%
Yes Bank	05	1.8%
Citi Bank	18	6.64%

Statistical Analysis

Data on service quality was first analyzed by factor analysis KMO and Bartlett Test. Bartlett (1938), Bartlett (1951) as factor analysis is a means of examining and describing the internal structures of variables (Lawley and Maxwell, 1926).

RESULTS, FINDING AND ANALYSIS

Factor Analysis

The Kaiser Mayer- Olkin (Table 2) measure of sampling adequacy was 0.934and the Bartlett tests of sphericity were found to be significant at $p< 0.001$.

Table 2: Showing values of KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.934
Bartlett's Test of Sphericity	Approx. Chi-Square	3.297E3
	Df	406
	Sig	0.000

Table -3: Showing 27-Items for Service Quality with their Mean and Standard Deviation (SD)

		Mean	SD
1	Bank is very prompt in solving all problems instantly as they emerge.	3.6840	.89389
2	Banks provide prompt services to the customer.	3.5948	.89949
3	Bank employees are very helpful to customers and ready to resolve their request.	3.4572	.97498
4	Extent to which the customers' feedback is considered to improve bank's service standard.	3.2156	1.07810
5	Banks are always concerned about updating the customers' information, services used, quality delivered and actual output.	3.3494	1.03150
6	Bank always notifies their customers' about several types of account, balance maintenance, account security and loan processes.	3.4164	.96074
7	Banks possess advanced technology and clarified processes so that services are delivered without delays.	3.6840	.96224
8	Banks excel in delivering services quickly at all times.	3.4572	.94387
9	Bank updates its technology regularly to improve the capability to provide service to customers in a more effective manner.	3.5242	.95631
10	Bank promotional activities like advertisement, publicity, website, brochures are worth the information.	3.4312	.96192
11	Bank has convenient operating hours and working days.	3.5167	1.06360

12	The bank employees hold necessary skills and abilities to act for when required in a critical problem's solution.	3.3680	1.02681
13	Employees are decent and neatly dressed.	3.5911	.96006
14	Employees are always able to keep the customer by proper behavior.	3.5204	.97188
15	The services available in most of the banks are efficient and up to the quality mark.	3.5019	.91270
16	Bank provides quality services and maintains schedule as promised.	3.6543	2.03225
17	Bank providing facilities like A.T.M., Debit Card, Credit Card, Mobile banking, Internet Banking, etc are convenient to the customers.	3.9517	1.00812
18	The ambiance such as air ventilation, outside noise, room temperature, layout of desks and other furnishing are comfortable for customers to interact.	3.5985	1.04138
19	Having bank's branches and A.T.M.'s at those locations which are convenient to all sections of the society.	3.8030	.96691
20	To make customer realize their safety, security, satisfaction and pleasure felt in their bank transaction.	3.6691	.95721
21	Equal treatment to all customers without any partiality by bank employees.	3.4572	.99017
22	Bank giving good services in reasonable time and minimum cost but not compensating with quality.	3.4944	.99108
23	A sense of public responsibility among bank employees in terms of being punctual, regular and sincere.	3.4349	.99272
24	Bank employees are good in understanding customer grievances and processes.	3.4164	.97232
25	Bank procedures and processes are without error (flawless).	3.3717	1.08728
26	Banks keep their records accurate and presentable.	3.4647	.97145
27	Bank employees are consistently generous and courteous.	3.4387	.96242
28	Bank Employees are having the knowledge and caliber to answer customer's specific query and request.	3.4164	1.00255
29	Bank employees deliver caring and individual attention to customers by knowing the customer's best interest at heart.	3.3755	.96791

Analysis

According to the scale used the maximum score to be received is 145 if all the 29 items were rated at 5. However the mean score 101.8586 indicated that 70% of the constructs are explained by items. It indicates that service quality in performing better as per customer aspect in banking is decent in industry. **(Refer Table 3)**

Table 4: Showing Results of Factor Analysis

Factors

1. Responsiveness
2. Communication
3. Empathy
4. Tangibility
5. Assurance
6. Reliability
7. Courtesy

S. N.	Question	Responsiveness	Communication	Empathy	Tangibility	Assurance	Reliability	Courtesy
1	Employees having knowledge and caliber to answer customer's query							.708
2	Employees are always able to keep the customer by proper behavior.			.701				
3	Employees helpful to customers and ready to resolve their request.	.700						
4	Employees are good in understanding customer grievances and processes.						.696	
5	Banks excel in delivering services quickly at all times.		.670					
6	Banks provide prompt services to customer.	.651						
7	The services available in most of the banks are efficient and up to the quality mark.				.649			
8	Bank employees are consistently generous and courteous.							.646
9	Customers' feedback is considered to improve bank's standard.	.644						
10	Bank updates its technology regularly to improve the capability to provide service to customers in a more effective manner.		.644					
11	The bank employees hold necessary skills and abilities to act for when required in a critical problem's solution.			.633				
12	Bank is very prompt in solving all problems instantly as they emerge.	.631						
13	Banks are always concerned about updating the customers' information, services used, quality delivered and actual output.	.627						
14	Bank giving good services in reasonable time and minimum cost but not compensating with quality.					.627		
15	A sense of public responsibility among bank employees in terms of being punctual, regular and sincere.					.624		
16	Banks possess advanced technology and clarified processes so that services are delivered without delays.		.618					
17	The ambiance such as air ventilation, outside noise, room temperature, layout of desks and other furnishing are comfortable for customers to interact.				.595			
18	Bank promotional activities like advertisement, publicity, website, brochures are worth the information.		.589					
19	Banks keep their records accurate and presentable.						.582	
20	Bank employees deliver caring and individual attention to customers by knowing the customer's best interest at heart.							.580
21	Bank has convenient operating hours and working days.			.574				
22	To make customer realize their safety, security, satisfaction and pleasure felt in their bank transaction.					.566		
23	Bank always notifies their customers' about several types of account, balance maintenance, account security and loan processes.	.551						
24	Bank providing facilities like A.T.M., Debit Card, Credit Card, Mobile banking, Internet Banking, etc are convenient to the customers.				.549			
25	Equal treatment to all customers without any partiality by bank employees.					.546		
26	Employees are decent and neatly dressed.			.522				
27	Bank procedures and processes are without error (flawless).						.515	
28	Having bank's branches and A.T.M.'s at those locations which are convenient to all sections of the society.				.508			
29	Bank provides quality services and maintains schedule as promised.				.411			

F1: Responsiveness

This is the most important factor explaining 13.174% of the total variance. The scale reliability for this factor is 0.5 and loadings range from 0.700 to 0.551. The factors covered here are:

Bank is very prompt in solving all problems instantly as they emerge, Banks provide prompt services to the customer, Bank employees are very helpful to customers and ready to resolve their request, Extent to which the customers' feedback is considered to improve bank's service standard, Banks are always concerned about updating the customers' information, services used, quality delivered and actual output, Bank always notifies their customers' about several types of account, balance maintenance, account security and loan processes. These are the components which affect the overall service quality in banking industry and it gives gap between expectation and performance in terms of Responsiveness, because it can reduce and increase the gap between expectation and performance.

F2: Communication

This is the second most important factor explaining 10.233 % of the total variance. The scale reliability for this factor is 0.5 and loadings range from 0.680 to 0.589. The factors covered here are:

Banks possess advanced technology and clarified processes so that services are delivered without delays, Banks excel in delivering services quickly at all times, Bank updates its technology regularly to improve the capability to provide service to customers in a more effective manner, Bank promotional activities like advertisement, publicity, website, brochures are worth the information. These are the components which affect the overall service quality in banking industry and it gives gap between expectation and performance in terms of reliable parameter. Communication is a very important parameter of expectation and performance gap between customer aspects.

F3: Empathy

This is the third most important factor explaining 9.869% of the total variance. The scale reliability for this factor is 0.5 and loadings range from 0.701 to 0.522. The factors covered here are- Bank has convenient operating hours and working days, the bank employees hold necessary skills and abilities to act when required in a critical problem's solution, Employees are decent and

neatly dressed, Employees are always able to retain the customer by proper behavior. These are the components which affect on overall service quality in banking industry and it gives gap between expectation and performance in terms of reliable parameter. Empathy is very important parameter of performance gap between customer aspects.

F4: Tangibility

This is the fourth most important factor explaining 9.106 % of the total variance. The scale reliability for this factor is 0.5 and loadings range from 0.649 to 0.411. The factors covered here are:

The services available in most of the banks are efficient and up to the quality mark, Bank provides quality services and maintains schedule as promised, Bank providing facilities like A.T.M., Debit Card, Credit Card, Mobile banking, Internet Banking, etc are convenient to the customers etc. These are the components which affect the overall service quality in banking industry and it gives gap between expectation and performance in terms of tangibles parameter. Tangible will cover some extra feature in current scenario as competition level in market is high, so apart from basic expectation banks should provide some other services also which cover tangibles parameters.

F5: Assurance

This is the fifth most important factor explaining 8.523% of the total variance. The scale reliability for this factor is 0.5 and loadings range from 0.627 to 0.546. The factors covered here are:

To make customer realize their safety, security, satisfaction and pleasure felt in their bank transaction, Equal treatment to all customers without any partiality by bank employees, Bank giving good services in reasonable time and minimum cost but not compensating with quality etc. These are the components which affect the overall service quality in banking industry and it gives gap between expectation and performance in terms of reliable assurance parameter. Assurance is very important parameter of expectation and performance gap between customer aspects.

F6: Reliability & Courtesy

This is the last but one of the most important factors explaining 6.428% of the total variance. The scale reliability for this factor is 0.5 and loadings range from 0.627 to 0.546. The factors covered here are - Bank employees are good in

understanding customer grievances and processes, Bank procedures and processes are without error (flawless), Bank employees are consistently generous and courteous, Bank Employees have the knowledge and caliber to answer customer's specific query and request etc. These are the components which affect the overall service quality in banking industry and it gives gap between expectation and performance in terms of reliable assurance parameter. Tangibility & Courtesy is very important parameter of expectation and performance gap between customer aspects.

DISCUSSION AND CONCLUSION

With the help of seven factors all hypotheses have been accepted. However, lack of sufficient research in India on this account, encouraged this research. The purpose of this study was to advance the understanding about service quality in public banks in India. This was done by assessing: (1) whether persons with different occupations differ in their perception and attributes about public banks, private bank & foreign bank in India; (2) whether persons from different age groups differ in their perception about performance of public banks in terms of total service quality. The results suggest that the highest factor affecting customer satisfaction is service quality. The bankers cannot afford the risk of losing "service quality". Further, the results are in tone with the finding of Triplett, Ted. (2009) who also suggests that ATM facility and fast cash deposit by card are very important aspects of service quality. From a customer satisfaction perspective, level of service provider and products is very essential for quality (Goyal, Parul, 2005).

The nature and frequency of studies in India concerning total service quality / customer service in banks is extremely limited. These limited studies of academicians and practitioners have reported very poor service quality mostly in public sector banks (Brahmanandam and Narayana, 1990; Elias, 1982; Nageshwar and Promod, 1990; Nageswar, 1987; Sesha Sai, 1999; Sundaram, 1984). The present study confirms such findings. However, it brings to light that poor service quality among Indian banks is mostly because of deficiency in tangibility and responsiveness. Public sector banks meet nearly 90% banking needs of the country and retail banking constitutes eighty percent of their total banking business. Investment in relevant banking technology particularly ATMs and internet facility will take care of most of their retail banking Committee Report (1989) stressed mechanization of Indian banks. Many other researchers have suggested banking technology as a means to improve customer service.

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