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Service Quality Determinants Of Private Sector Banks

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ABSTRACT

In the present era, the success of every banking industry depends on a solid base of customers. The customer's support can be achieved and strengthened through better quality service to customers. It is essential to attract fresh customers as well as to maintain existing customers. Hence the quality and consistency in the provision of services is the barometer used to evaluate the efficiency of the service providers over the issue. Ignorance of these factors creates churn of customers and creates several havocs to the service providers. In a competitive and turbulent environment, it is highly challenging to create satisfied customers. Rendering quality services to customers is the only option available for banks to improve their customer base. Excellent customer service is the paramount way to retain the existing customers and attract new customers to guarantee long term triumph.

INTRODUCTION

Commercial banks play a considerable role in the economy by performing the task of mobilizing the surplus fund from society and in providing the surplus to the needy for satisfying their needs. In a competitive and turbulent environment, it is highly difficult to create satisfied customers. Several factors are individually and jointly responsible for service quality. An attempt has been made to recognize the significant determinants of customer service quality in the private sector banks The study is limited to Kerala, the first 'total banking state' with the distinctive characteristic of each household in all the 14 districts having at least one bank account and banking facilities accessible within the reach of people far and wide.The methodology used for the study is designed as descriptive and analytical.

One hundred and ninety fourbank customers were identified on a purposive basis from three different districts of Keralaviz Trivandrum, Ernakulum and Kozhikodeto collect primary data. The samples were collected from urban, semi –urban, and urban bank branches of The Federal Bank, South Indian Bank and Catholic Syrian Bank.In this study customer represent a person having an account in the private sector banks who walks into the door directly at least two times in a month for banking transactions.The tools used are KMO and Bartlett's test, Communalities, Total Variance Explained, Screen Plot, Rotated Component Matrix, Component Transformation Matrix, and ANOVA.

ISSN:0971-1260
Vol-22-Issue-14-December-2019

OBJECTIVE OF THE STUDY

- To identify the determinants of customer service quality in private sector banks of Kerala

HYPOTHESIS OF THE STUDY

- There is no significant difference among the major determinants of customer service quality in rural, semi- urban and urban branches of private sector banks of Kerala.

RESULTS AND DISCUSSION

Principal Component Analysis was used for explaining the variance-covariance structure of a set of variables used in the questionnaire for studying the opinion of private sector banks customers' concerning the determinants in the selection of a service provider. Here the study has used 22 variables for measuring the bank customers' opinion with regard to the determinants of service quality among public sector banks in Kerala.

Table 1: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.907
Bartlett's Test of Sphericity	Approx. Chi-Square	5910.515
	df	231
	Sig.	0 .000

Source: Field Survey

KMO test was used to measure the sampling adequacy, and the test result is justifying the Principal Component Analysis (PCA). Here the test output value (0.907) is very close to 1; this means that KMO index is very high; thus Principal Component Analysis can act efficiently.

Bartlett's Test output significant value (p-value) is less than the significance level (0.000<0.05). This depicts that there is a sufficient correlation between the variables.

Table 2: Communalities

Determinants	**Initial**	**Extraction**
Modern equipment	1.000	.876
Use of technology	1.000	.775
Visually appealing physical facilities	1.000	.837
Employees having neat and professional appearance	1.000	.723
Visually appealing materials associated with the service	1.000	.711
Providing services as promised	1.000	.773
Dependability on handling customers' service problems	1.000	.730
Performing services correctly at the first time	1.000	.777
Providing services at the promised time	1.000	.843
Maintaining error-free records	1.000	.603

ISSN:0971-1260
Vol-22-Issue-14-December-2019

Informing Customers about when services will be performed	1.000	.880
Prompt service to customers	1.000	.840
Willingness to help customers	1.000	.749
Readiness to respond to customers' requests	1.000	.710
Employees who instil confidence in customers	1.000	.768
Making customers feel safe in their transactions	1.000	.796
Employees who are consistently courteous	1.000	.764
Employees have the knowledge to answer customer questions	1.000	.895
Giving customers individual attention	1.000	.831
Employees who deal with customers in a caring fashion	1.000	.859
Having the customer's best interest at heart	1.000	.884
Employee understands customer needs and serves accordingly.	1.000	.811

Source: Field Survey

Note: Extraction Method- Principal Component Analysis

Communality coefficient table shows the high coefficient and lower coefficient of variables used in the study. Here all the variables have a high coefficient value (Above 0.70), this depicts that all the variables used in the study are very powerful.

Table3: Total Variance Explained

Sl. No.	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	Percentage of Variance	Cumulative Percentage	Total	Percentage of Variance	Cumulative Percentage	Total	Percentage of Variance	Cumulative Percentage
1	9.023	41.012	41.012	9.023	41.012	41.012	4.108	18.673	18.673
2	2.981	13.549	54.560	2.981	13.549	54.560	3.793	17.239	35.912
3	1.558	7.081	61.642	1.558	7.081	61.642	3.683	16.740	52.652
4	1.219	5.542	67.183	1.219	5.542	67.183	3.068	13.946	66.598
5	.956	4.344	71.527	.956	4.344	71.527	1.084	4.929	71.527
6	.784	3.565	75.092						
7	.712	3.235	78.327						
8	.587	2.667	80.994						
9	.563	2.559	83.553						
10	.486	2.209	85.762						
11	.438	1.991	87.753						
12	.413	1.878	89.631						
13	.337	1.531	91.162						
14	.305	1.387	92.549						
15	.284	1.293	93.842						

ISSN:0971-1260
Vol-22-Issue-14-December-2019

16	.264	1.200	95.042
17	.259	1.178	96.220
18	.214	.971	97.191
19	.187	.852	98.043
20	.166	.753	98.796
21	.163	.739	99.536
22	.102	.464	100.000

Source: Field Survey
Note: Extraction Method- Principal Component Analysis

Table 3 explains the total variance of 22 variables. Result shows that first five have eigenvalue close to 1 or above 1 and then told over 71.5 percent of the total variability in the data. This depicts that five factor solution will probably be adequate to measure the opinion of bank customers' with regards to the determinants of service quality to select banks by the customers.

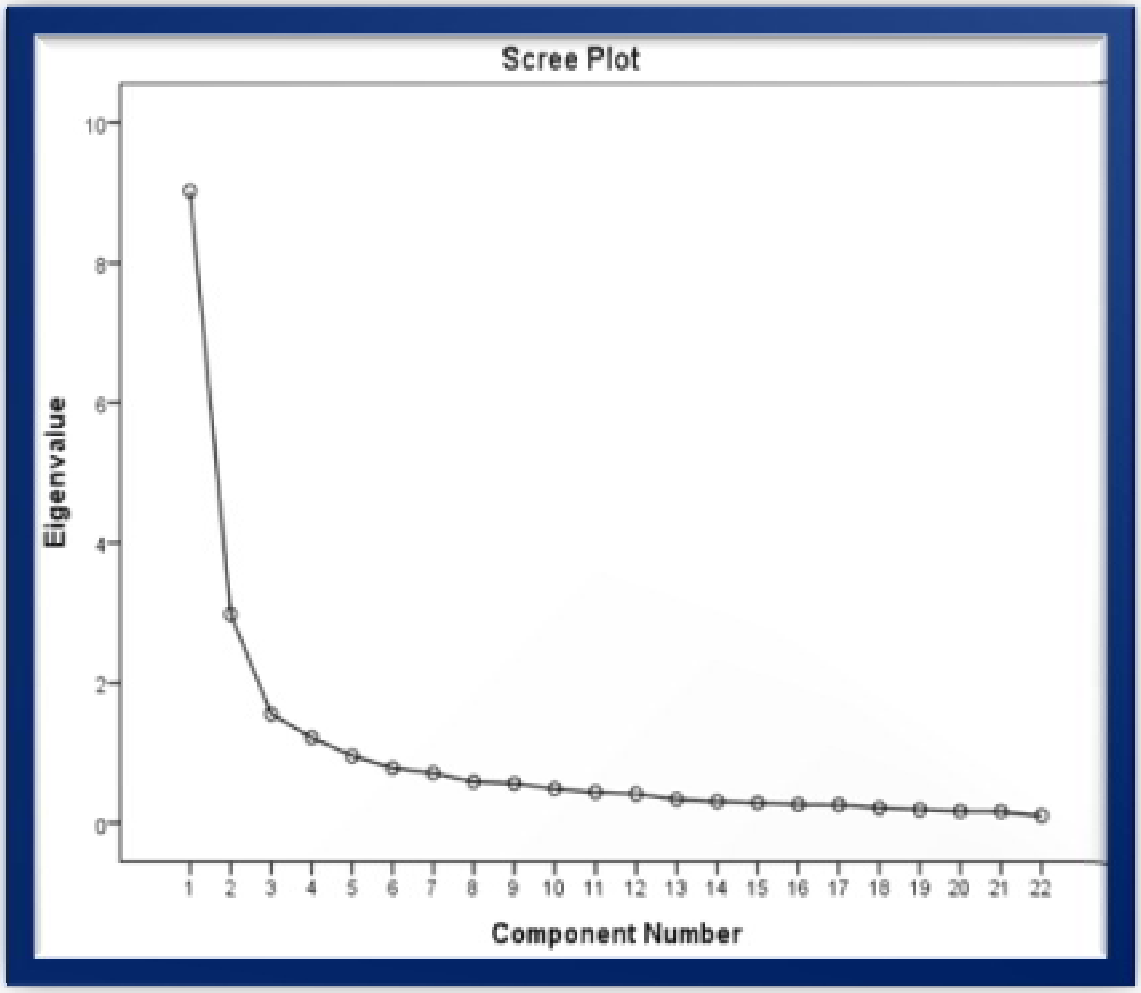

Chart 1

ISSN:0971-1260
Vol-22-Issue-14-December-2019

Scree Plot

Scree plot illustrates the eigenvalues associated with factors. The lower line indicates the proportion of variance for each component. Here the upper line shows the cumulative variance explained by the first five components. Most importantly, five components which are having eigen values greater than or equal to value one were demonstrated in the scree plot.

Table 4: Rotated Component Matrix[a]

Determinants	Component				
	1	2	3	4	5
Modern equipment	.801				
Use of technology	.747				
Visually appealing physical facilities	.728				
Employees having neat and professional appearance	.660				
Visually appealing materials associated with the service	.581				
Providing services as promised		.567			
Dependability on handling customers' service problems		.544			
Performing services correctly at the first time		.803			
Providing services at the promised time		.795			
Maintaining error-free records		.745			
Informing Customers about when services will be performed			.745		
Prompt service to customers			.703		
Willingness to help customers			.898		
Readiness to respond to customers' requests			.892		
Employees who instil confidence in customers				.888	
Making customers feel safe in their transactions				.879	
Employees who are consistently courteous				.551	
Employees have the knowledge to answer customer questions				.819	
Giving customers individual attention					.793
Employees who deal with customers in a caring fashion					.734
Having the customer's best interest at heart					.582
Employee understands customer needs and serves accordingly.					.924

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

Source: Field Survey

Note: a. Rotation converged in 5iterations.

Rotated component matrix is used to reduce the number of factors on which the variables have high loadings. Table4 shows that first five variables were loaded on the factor one (component one), then another five of them loaded on factor two and next four variables

ISSN:0971-1260
Vol-22-Issue-14-December-2019

were loaded on the third factor, then next four of them loaded on the fourth factor and the last four of them loaded on the fifth factor. Total five factors were extracted based on the correlation between the variables. The five factors identified are Tangibles, Reliability, Responsiveness, Assurance and Empathy.

Private Sector Banks Rural, Urban and Semi Urban Branch Determinants

In the quarter- century since nationalisation, banks have witnessed phenomenal growth and widened their reach. Customer care and satisfaction has been engaging the attention of banks as expectations and demands of the customers rise at a much faster pace than banks are equipped to deal with. The opinion of rural, urban and semi urban branch customers regarding the determinants of quality of service which in turn leads to the selection of private sector banks by their location are exhibited in the following tables.

Table 5: ANOVA result on Private Sector Banks Rural, Urban and Semi Urban Branch Determinants of the Component Tangibles

Component 1- Tangibles		Sum of Squares	df	Mean Square	F	Sig.
Q1Modern equipment	Between Groups	.241	2	.121	.428	.653
	Within Groups	53.929	191	.282		
	Total	54.170	193			
Q2Use of technology	Between Groups	1.738	2	.869	2.873	.059
	Within Groups	57.752	191	.302		
	Total	59.490	193			
Q3Visually appealing physical facilities	Between Groups	.244	2	.122	.422	.656
	Within Groups	55.246	191	.289		
	Total	55.490	193			
Q4Employees having neat and professional appearance	Between Groups	.424	2	.212	.914	.403
	Within Groups	44.318	191	.232		
	Total	44.742	193			
Q5Visually appealing materials associated with the service	Between Groups	.186	2	.093	.212	.809
	Within Groups	83.690	191	.438		
	Total	83.876	193			

Source: Computed Values

Table 5 shows the result of One way ANOVA, whether there is any significant difference among private sector banks rural, urban and semi urban branch customer's perception regarding the determinants of service quality to select a bank based on their location with respect to the determinant tangibles. Table result shows that there is no statistically significant difference in the service quality perceived by private sector banks rural, urban and semi urban branch customers. The customers opinion regarding the tangible variables like modern equipment (0.653>0.05), use of technology (0.059>0.05), visually

ISSN:0971-1260
Vol-22-Issue-14-December-2019

appealing physical facilities (0.656>0.05), employees having neat and professional appearance (0.403>0.05), visually appealing materials associated with the service (0.809>0.05) shows no statistically significant difference.

Table 6: ANOVA result on Private Sector Banks Rural, Urban and Semi Urban Branch Determinants of the Component Reliability

Component 2- Reliability		Sum of Squares	df	Mean Square	F	Sig.
Q6Providing services as promised	Between Groups	.278	2	.139	.498	.609
	Within Groups	53.351	191	.279		
	Total	53.629	193			
Q7Dependability on handling customers' service problems	Between Groups	.463	2	.232	.885	.414
	Within Groups	49.975	191	.262		
	Total	50.438	193			
Q8Performing services correctly at the first time	Between Groups	.032	2	.016	.064	.938
	Within Groups	47.597	191	.249		
	Total	47.629	193			
Q9Providing services at the promised time	Between Groups	.001	2	.000	.001	.999
	Within Groups	53.876	191	.282		
	Total	53.876	193			
Q10 Maintaining error-free records	Between Groups	.164	2	.082	.304	.738
	Within Groups	51.593	191	.270		
	Total	51.758	193			

Source: Computed Values

Table 6 shows the result of One way ANOVA, as to whether there is any significant difference among private sector banks rural, urban and semi urban branch customer's perception regarding the determinants of service quality to select a bank with respect to the determinant reliability. The result shows that there is no statistically significant difference in the service quality perceived by private sector banks rural, urban and semi urban branch customers. The customers perception regarding the reliability factors like providing services as promised (0.609>0.05), dependability on handling customers' service problems (0.414>0.05), performing services correctly at the first time (0.938>0.05), providing services at the promised time (0.999>0.05), maintaining error-free records (0.738>0.05) shows no statistically significant difference.

ISSN:0971-1260
Vol-22-Issue-14-December-2019

Table 7: ANOVA result on Private Sector Banks Rural, Urban and Semi Urban Branch Determinants of the Component Responsiveness

Component 3- Responsiveness		Sum of Squares	df	Mean Square	F	Sig.
Q11 Informing Customers about when services will be performed	Between Groups	.305	2	.153	.539	.585
	Within Groups	54.148	191	.283		
	Total	54.454	193			
Q12 Prompt service to customers	Between Groups	.013	2	.006	.025	.975
	Within Groups	49.477	191	.259		
	Total	49.490	193			
Q13 Willingness to help customers	Between Groups	.810	2	.405	1.569	.211
	Within Groups	49.273	191	.258		
	Total	50.082	193			
Q14 Readiness to respond to customers' requests	Between Groups	.288	2	.144	.559	.573
	Within Groups	49.202	191	.258		
	Total	49.490	193			

Source: Computed Values

Table 7 shows the result of One way ANOVA, as to whether there is any significant difference among private sector banks rural, urban, and semi urban branch customer's perception regarding the determinants of service quality to select a bank with respect to the determinant responsiveness. Result shows that there is no statistically significant difference in the service quality perceived by private sector banks rural, urban and semi urban branch customers. The customers opinion regarding the variables of responsiveness like informing Customers about when services will be performed (0.585>0.05), prompt service to customers (0.975>0.05), willingness to help customers (0.211>0.05), readiness to respond to customers' requests (0.573>0.05), shows no statistically significant difference.

Table 8 shows One way ANOVA results indicating as to whether there is any significant difference among private sector banks rural, urban and semi urban branch customer's opinion regarding the determinants of service quality to select a bank with respect to the determinant assurance. Table result shows that there is a statistically significant difference between the major determinants to select a bank for service in rural, urban and semi urban branch customers of private sector bank with respect to the variable -- knowledge of employees to answer customer questions (0.023<0.05).

ISSN:0971-1260
Vol-22-Issue-14-December-2019

Table 8: ANOVA result on Private Sector Banks Rural, Urban and Semi Urban Branch Determinants of the Component Assurance

Component 4- Assurance		Sum of Squares	df	Mean Square	F	Sig.
Q15 Employees who instil confidence in customers	Between Groups	1.141	2	.571	2.217	.112
	Within Groups	49.173	191	.257		
	Total	50.314	193			
Q16 Making customers feel safe in their transactions	Between Groups	.003	2	.002	.005	.995
	Within Groups	56.414	191	.295		
	Total	56.418	193			
Q17 Employees who are consistently courteous	Between Groups	1.003	2	.502	1.863	.158
	Within Groups	51.450	191	.269		
	Total	52.454	193			
Q18Employees have the knowledge to answer customer questions	Between Groups	1.847	2	.923	3.832	.023
	Within Groups	46.014	191	.241		
	Total	47.861	193			

Source: Computed Values

The other statements, i.e., employees who instil confidence in customers (0.112>0.05), making customers feel safe in their transactions (0.995>0.05) and employees who are consistently courteous (0.158>0.05), shows no statistically significant difference. In this context, the researcher had to do further analysis for identifying which of the groups' perception was significantly different regarding the variable -- employees have the knowledge to answer customer questions. Table 18 shows the results in this regard.

Table 9: Multiple Comparison of Private Sector Banks Rural, Urban and Semi Urban Branch Determinants of the Component Assurance

Tukey HSD

Independent Variable	(I) Location	(J) Location	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Employees have the knowledge to answer customer questions	Rural	Urban	.049	.129	.923	-.26	.35
		Semi Urban	.239	.107	.048	-.01	.49
	Urban	Rural	-.049	.129	.923	-.35	.26
		Semi Urban	.189	.094	.113	-.03	.41
	Semi Urban	Rural	-.239	.107	.048	-.49	.01
		Urban	-.189	.094	.113	-.41	.03

Source: Computed Values

ISSN:0971-1260
Vol-22-Issue-14-December-2019

Multiple comparison test result indicates that rural and semi urban branch customers opinion shows statistically significant difference regarding employees knowledge to answer the customers' questions (0.048<0.05). Different group combinations opinion does not show statistically significant difference regarding the variables of the determinant assurance.

Table 10: ANOVA result on Private Sector Banks Rural, Urban and Semi Urban Branch Determinants of the Component Empathy

Component 5- Empathy		Sum of Squares	df	Mean Square	F	Sig.
Q19 Giving customers individual attention	Between Groups	2.628	2	1.314	4.904	.008
	Within Groups	51.186	191	.268		
	Total	53.814	193			
Q20 Employees who deal with customers in a caring fashion	Between Groups	.289	2	.144	.579	.562
	Within Groups	47.649	191	.249		
	Total	47.938	193			
Q21 Having the customer's best interest at heart	Between Groups	.143	2	.071	.359	.699
	Within Groups	37.986	191	.199		
	Total	38.129	193			
Q22 Employee understands customer needs and serves accordingly	Between Groups	.086	2	.043	.216	.806
	Within Groups	38.243	191	.200		
	Total	38.330	193			

Source: Computed Values

Table 10 shows that there is a significant difference in the opinion of private sector banks rural, urban and semi urban branch customers' regarding the determinants of service quality to select a bank with respect to the determinant empathy. Table result shows that there is a statistically significant difference between the major determinants to select a bank for service in rural, urban and semi urban branch customers of private sector banks with regard to getting individual attention from the banks (0.008<0.05). Whereas rural, urban and semi urban groups of customers' opinion did not show any statistically significant difference with regard to the other three services -- employees who deal with customers in a caring fashion (0.562>0.05), having the customer's best interest at heart (0.699>0.05),employee understands customer needs and serves accordingly (0.806>0.05).

From the above results, it was concluded that the customer's opinion with respect to determinants of service quality to select a bank for service shows statistically significant differences based on their location with regard to giving customers individual attention. Hence, the researcher had to do further analysis for identifying which of the groups show a statistically significant differences.

ISSN:0971-1260
Vol-22-Issue-14-December-2019

Table 11: Multiple Comparison of Private Sector Banks Rural, Urban and Semi Urban Branch Determinants of the Component Empathy

TukeyHSD

Independent Variable	(I) Location	(J) Location	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Giving customers individual attention	Rural	Urban	.427*	.136	.006	.10	.75
		Semi Urban	.250	.113	.070	-.02	.52
	Urban	Rural	-.427*	.136	.006	-.75	-.10
		Semi Urban	-.177	.099	.179	-.41	.06
	Semi Urban	Rural	-.250	.113	.070	-.52	.02
		Urban	.177	.099	.179	-.06	.41

Source: Computed Values

Note: *The mean difference is significant at the 0.05 level

Table 11 illustrates that rural and urban branch customers' opinions show a statistically significant difference concerning getting individual attention from bank employees (0.006<0.05). Other group combinations opinion does not showa significant difference regarding the statement.

Private sector banks' rural, urban and semi urban branch customers' opinions with regard to the determinants of service quality to select a bank for service were analysed with the help of factor analysis and One way Anova. Multiple Comparison (Tukey HSD) test was used to identify which of the groups were significantly different from each other. It can be inferred that the null hypothesis-"There is no significant difference among the major determinants of customer service quality in rural, semi urban and urban branches of private sector banks of Kerala" fails to reject.

CONCLUSION

Customer service is practiced in the banking sector of Kerala. It was inferred that the determinants of employees having the knowledge to answer customer questions and giving customers individual attention is having a difference in the opinion among customers with respect to selecting a private sector bank for service. It was concrete that all the determinants were important to customers; this depicts that bank should be more careful with these determinants; otherwise they will lose their customer base. The determinants to select a bank for service are more seriously considered by customers of private sector banks. This result is very helpful to private sector bank authorities to maintain a healthy relationship with customers, which in turn will generate more business opportunities.

ISSN:0971-1260
Vol-22-Issue-14-December-2019

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