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A CONCEPTUAL FRAMEWORK OF SERVICE QUALITY, CUSTOMER SATISFACTION AND PROFILE OF BANKING INDUSTRY

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Abstract

In banking industry clients are more immediately connected with the banks' personnel for any sort of services or merchandise. Therefore, Banks should always concentrate on training its front desk staffs provide quality service. The theoretical framework of this research is centered to service quality created by satisfied employee to meet up customers' expectations. The study employs Gap Model of Customer Satisfaction to find out the gap between customers' perception and outlook.

Keywords: Conceptual Framework, Service Quality, Customer Satisfaction.

INTRODUCTION

The banking system in India is in a country of significant change that led off with the economic liberalization policies that were built in 1991. Fundamentally, the strategies allowed for privatization of banking through changes in regulation that provided to thin out the barricade to entry in the organization.

While the process began in 1991, it was in 1993 when the Reserve Bank of India presented new entrants into the banking markets. Despite this, the movement towards letting the new private banks to enter has been slow with nine new banks being formed them fewer than 10% with the remainder being state owned. Although banks in India have slowly been incorporating technology, the difference of technology has been pretty slow with relatively greater usage occurring primarily among the young.(Talwar, S.P.,1999)

The new banks in India are characterized by a hard emphasis on the traffic side of banking as well as their usage of engineering. In other words, their mode of operation is not dissimilar from the ones witnessed not different from the ones seen in the US or Europe. Although the bearing of these private banks has helped to increase competitive pressure on the state-owned banks currently, efforts to foster competition among the nationalized banks have, in general, not been very efficacious. Withal, the Reserve Bank of India continues to move toward greater economic liberalization. The Indian financial and credit policy has assumed in early 1997 as the broader economic significance.

The banking industry is the mainstay of our Indian economy and is the key indicator to examine and examine the level of maturation of a nation. The first bank in India, called The General Bank of India was picked out in the yr 1786. The Bank of Bombay (1840), Bank of Bengal/Calcutta (1809) and Bank of Madras (1843) established by the East India Company. The following bank was the Bank of Hindustan which was known in 1870. These three entity units (Bank of Calcutta, Bank of Bombay, and Bank of Madras) were called as Presidency Banks. Allahabad Bank, which was recognized in 1865 was for the first time totally sprints by Indians. Punjab National Bank Ltd was set up in 1894 with headquarters in Lahore.

Between 1906 and 1913, Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were associated. In 1921, all presidency banks were combined for 22 from the Imperial Bank of India, which was lapped by European Shareholders. Afterward that the Reserve Bank of India was recognized in April 1935. At the time of beginning stage the expansion of the banking sector was really careful. Between 1913 and 1948 there were approximately 1100 small banks in India. To develop the operation and behavior of commercial banks, the Government of India came up with the Banking Companies Act, 1949 which was later on altered to Banking Regulation Act 1949 as per modifying Act of 1965 (Act No.23 of 1965). Reserve Bank of India was vested with widespread powers for the governance of banking in India as a Central Banking Authority.

After self- governance, the Government has taken most imperative steps in respect of Indian Banking Sector reforms. In 1955, the Imperial Bank of India was publicly owned and was made the name "State Bank of India", to act as the major agent of RBI and to handle banking dealings all over the nation. It was reputable under the State Bank of India Act, 1955. Seven banks forming subsidiary of State Bank of India was publicly owned in 1960. On 19th July, 1969, major procedures of nationalization were passed away. At the same time 14 major Indian commercial banks of the land were nationalized. In 1980, an extra six banks were publicly owned, and thus increase the number of nationalized banks to 20. Till the year 1980 about 80% of the banking department in India were under government's ownership. On the implication of Narsimhan Committee, the Banking Regulation Act was amended in 1993 and hence the gates for the new private sector banks were unlocked.

MAJOR PRODUCTS AND SERVICES OF BANKING INDUSTRY

DEPOSIT PRODUCTS

Banks offer broad varieties of deposit products that cater to customers' requirement. They take the convenience of networked branches/ATMs and facility of E-channels like the Internet, and Mobile Banking. They brought out different sets of deposit systems to help the different income level costumers. The bank has introduced different fixed deposit schemes targeting different income class people with attractive interest rates. Nevertheless, customers should open this type of account with certain starting amounts.

LOAN PRODUCTS

The bank provides a full scope of corporate and business loan to different large and little fellowships, institutional customer as well as to the public sectors. The loan product has been gainful to many fellowships for their elaboration. The bank has introduced different sets of loan schemes under different names to ease its customers in high grade. SME Loan is generally introduced to small and medium sized business enterprises to fulfill their financial requirement in a convenient way.

Personal Loans are basically retail loans designed to facilitate the guests with their basic demands. Car finance, home loan, credit for consumer durables are the basic sets of loan introduced under personal loans. Training Loan is introduced to the students in low interest rates who want to receive their higher training. Students working for a broad subject field are likely to be gained from this product.

INTERNATIONAL BANKING (LC)

At once a day's bank has set up different sets of service for International Banking to facilitate its customers in high grade. It has SWIFT and a draft arrangement with banks around the Earth. The Bank ensures the safe and secured online and efficient remittance service which help clients to remove funds from different regions of the world in cheap rates.

SAFE DEPOSIT LOCKER

Counting at the various needs and wants of the Customers banks offer locker facilities with sizes of our Customer's preference. Customers availing of this facility enjoys not only peace of mind in terms of protection of their valuable belongings, but also one of the most attractive rates and ease of placement.

NET BANKING

It is simply getting along many of your banking transactions using your PC and the Internet (subject to minimum browser restrictions). The advantages are no banking hours, no queues, etc. Just banking from wherever you are connected, safely and securely.

OTHER AUXILIARY SERVICES

The bank has many other auxiliary services designed to meet the customers' expectation in high level. The diverse services such as SMS/Mobile banking have been a service of outstanding benefit to its clients. Clients can find out their account transaction, exchange rates and banking hours simply sending SMS through mobile wherever and whenever they desire. The customers can pay their utility bills (Electricity, water and school fees) in free of accusation from any branch offices or from Internet. (Nepal SBI Bank, Annual report, Nepal SBI Bank, 2010-2011)

CUSTOMER SATISFACTION IN INDIAN BANKING SYSTEM

The economic development and development of India has been influenced and accelerated by the expansion of the banking system. The Indian banking industry has demonstrated enormous development during the past two to three decades. Retail banking is a service industry and delivers its services to the consumer. A satisfied customer is the best somebody to generate positive word of mouth for a retail bank.

The banking industry in India has undergone a number of major changes in the post-independence era. Likewise, any other financial services, the banking industry, likewise, are facing a marketplace that is shifting rapidly. New technologies are being inserted and there is always a fear of economic uncertainties. Fierce competition, more demanding customers and the changing climate have contributed an unparalleled set of challenges (Lovelock, 2001). This has led the Indian banking industry to get through tough times. In such a competitive scenario, it is exceedingly important that banks are able to maintain a steady base of customers. To achieve this and to improve their market and profit positions, banks in India have to devise their strategies and policies towards increasing customer satisfaction levels.

Banking institutions all over the world have recognized the importance of customer satisfaction and of developing and maintaining enduring relationship with their customers as two crucial parameters leading to increased business performance. At the same time, several banking institutions are experiencing increasing levels of retail customer dissatisfaction. Inquiry indicates that customer dissatisfaction is still the major reason for bank customers' switch to other banks (Manrai & Manrai, 2007). This dissatisfaction could be because of a sort of reasons like access, services, products, prices, image, personnel skills, treatment credibility, responsiveness, waiting time, location and technology.

The importance of measurement of customer satisfaction rests in the fact that one key to client retention is customer satisfaction (Seiders, Voss, Grewal,

& Godfrey, 2005). A highly satisfied customer generally stays longer, buys more as the company introduces new products and services and upgrades existing products and services, talks favorably to others near the company, pays less attention to competing brands, offers product or service ideas to the troupe, and costs less to attend to than new customers because transactions can become routine (Homburg, Koschate, & Hoyer, 2005). Greater customer satisfaction has also been linked to higher returns and faster company growth (Fornell, mites, Morgeson, & Krishnan, 2006). The measurement of customer satisfaction is not possible unless the factors leading to customer satisfaction are found out. In this case, the genes leading to customer satisfaction need to be found away.

CONCEPT OF CUSTOMER SATISFACTION

Client satisfaction is one of the significant results of marketing activity (Oliver, 1980; Mick & Fournier, 1999; Spreng, Mackenzie, & Olshavsky, 1996; Surprenant & Churchill, 1982). It links processes, resulting in purchase and consume with post-purchase phenomena such as attitude change, repeat purchase, and brand loyalty (Surprenant & Churchill, 1982). This view has also been supported by Jamal and Naser (2003) and Mishra (2009).

Significant research has been performed in the area of client satisfaction. Several researchers have defined customer satisfaction in different ways.

Client satisfaction is a person's impression of joy or disappointment that result from comparing a product's perceived performance (or outcome) to their expectations. (Oliver, 1980)

Atonement is the consumer's response to and evaluation of the perceived discrepancy between prior expectations (or some other norm of performance) and the actual functioning of the product as perceived after its use. (Tse & Wilton, 1988)

Atonement can be broadly characterized as a post-purchase evaluation of product quality given pre-purchase expectations. (Anderson & Sullivan, 1993)

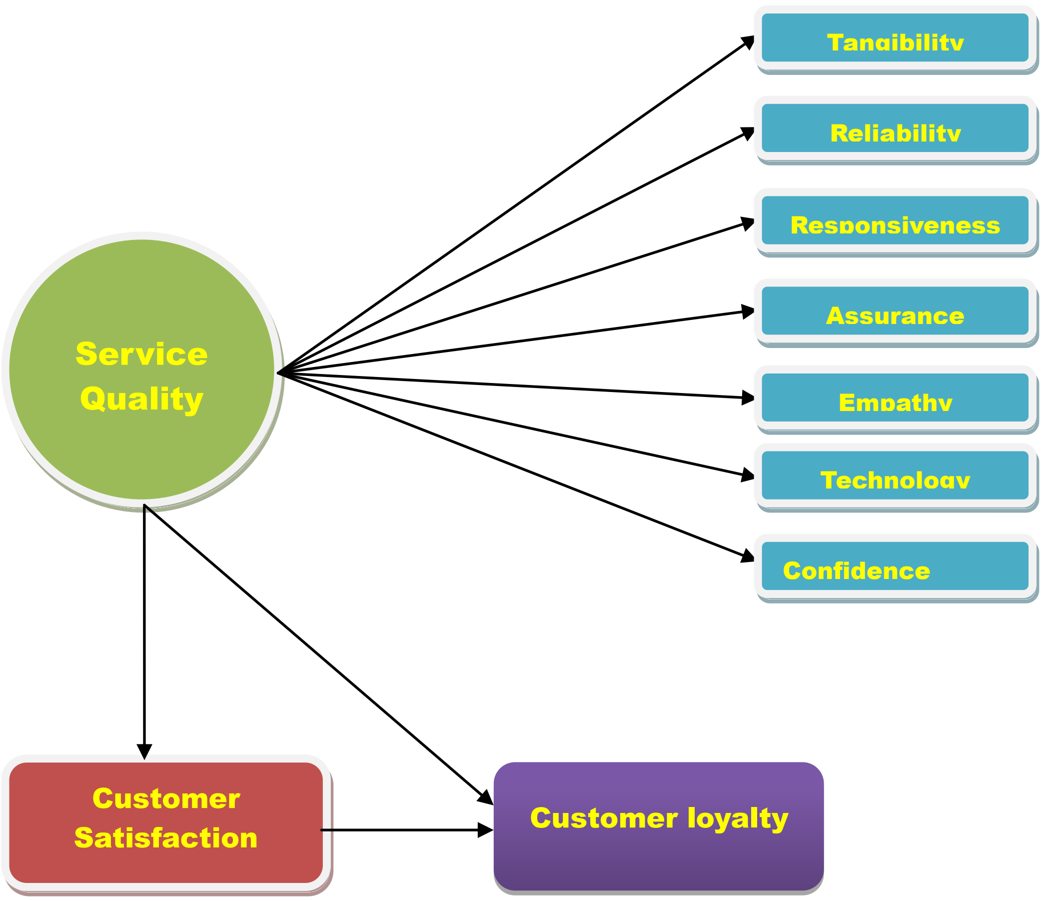
As apparent from the above definitions of customer satisfaction, in society to assess satisfaction, it is necessary to measure both expectations at the time of purchase and reactions at some time after purchase. If actual consequences equal or exceed expected consequences, the customer is satisfied, but if actual results fall short of expected consequences, the customer is dissatisfied. From the above, satisfaction by their definition seems to be the position. For that it is necessary to evaluate the customer expectations and their effects. It is significant to see the ranges of customer expectations and issues which require to be evaluated.

PROPOSED RESEARCH MODEL

It is apparently hard to treat with the customers' expectation. Because it comes to intangible nature. One of the difficulties in interpreting the exact and true requirement of customer is that the customer can and will change the provided services without excuse or notifications. Delivering a superior recovery process and the scientific research mechanism would serve any organization in large extent to get loyal customers. (Tery G. Vavra, 2002). The study of retail banks has been tested to evaluate the degree of customer satisfaction being based on the attributes of customer satisfaction

The customer gap is the difference between customer perceptions and anticipations. Perceptions and expectations are two interrelated elements equally important to render quality service. Customer expectations are the desires and wishes that customers make prior to the service. Whereas perceptions are the assessments of the services received. Expectations are generally beliefs of what should be and perceptions are shaped based on the experienced services. (Zeithaml et al. 2006, 33-34) believes, the smaller the gap between expectations and perceptions are, the more beneficial the service quality will be. The elements that affect customer satisfaction are courteous employees, friendly employees, billing timeliness, helpful employees, knowledgeable employees, billing clarity and service quality, honest value, service quality, accuracy in billing, competitive pricing, good value, fast service and billing clarity (Hokanson, 1995, 16). In this study the attributes of customer satisfaction can be summarized as Tangibility, Reliability, Responsiveness, Assurance, Empathy, Technology and Confidence building.The image below gives a clear image about the factors that has a direct effect on customer satisfaction.

FIGURE 1
CONCEPTUAL FRAMEWORK OF SERVICE QUALITY AND CUSTOMER SATISFACTION



A MODEL OF SERVICE QUALITY DIMENSIONS OF RETAIL BANKS

After reviewing national and international literature pertaining to service quality dimensions of different services sector. The researcher identified the development of service quality dimensions from Parasuraman, Berry and Zeithaml model 1988. These authors coined five service quality dimensions tangibility, reliability, empathy, responsiveness and assurance to measure the service quality of the banking sectors in the United States. The customers expressed their opinion within the bounded conditions of banking systems in USA. Since the researcher conducted the study in the Indian Banking Senario and the customer perceptions in this domain are completely different from the USA.So the duty of the researcher to systematically transform and coined the service quality dimensions more appropriate for customers of the Indian Banking System. As the preliminary pilot study level the researcher identified two more dimensions which are very important to determine the service quality of the Indian Banking System. Besides the five quality dimensions of Parasuraman, Berry and Zeithaml, these two dimensions are called technology and confidence building. At this junction, it is the duty of the researcher to validate all the seven dimensions tangibility, reliability, empathy, responsiveness, assurance, technology and confidence building of service quality of the Indian banking system. The validation is done through the confirmatory factor analysis suggested by Parasuraman, Berry and Zeithaml model 1988. These confirmations of the factors validate the service quality dimensions at the same time the researcher hypotheses this respective relationship with customers satisfaction and loyalty. The relationship between service quality and customer satisfaction, customer satisfaction and loyalty can be achieved through Linear multiple regression analysis. So the model consists of two tools, namely confirmatory factor analysis and Linear multiple regression analysis. The combination of these two models otherwise known as Structured Equation Model (SEM). So this model is applied for the seven dimensions of service quality, customer satisfaction and loyalty. In order to verify the model fit the researcher used the following fit indices.

Chi square value	2.194
P value	0.419
Comparative fit index value	0.957
Goodness of fit index value	0.947
Normal fit index value	0.942
Root mean square error of appropriation value	0.08

The above mentioned fit indices have the following benchmark value for the best fit. The probability of Chi square value must be greater than 0.05. Other three fit indices CFI, GFI & NFI must be greater than 0.9. RESEA must be less than equal to 0.08. The above is derived values of model FIT indices satisfied the benchmark and validated the service quality dimensions and its respective relationship with customer satisfaction and loyalty. This leads to the verification of hypothesis framed by the researcher. The hypothesis are

1. There is no significant difference among the dimensions of service quality of retail banks.
2. There is no relationship between service quality dimension and customer satisfaction.
3. There is no relationship between service quality dimension and customer loyalty.

Since the Structured Equation Model exactly fitting among the three constructs service quality dimension, customer satisfaction and loyalty with the strong indicators. Therefore the above mentioned three hypotheses were rejected at the 5% level and concluded that

1. There is a significant difference among the dimensions of service quality of retail banks.
2. There is a relationship between service quality dimension and customer satisfaction.
3. There is a relationship between service quality dimension and customer loyalty.

CONCLUSION

Customer satisfaction has long been found as playing an essential role for success in today's competitive environment. The findings of the study reveal that customers are highly satisfied with their respective bank. The findings indicate that the bank should improve in their infrastructure and facilities. It founds that the customers are strongly satisfied with safe and secured services, update the technology, cost and value added services, counter services, transparent services, friendly approaches, good staff-customer relationship, effective grievance mechanism and also satisfied with customer centric approach followed by the bank.

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