Service Quality in Banks: Gap Analysis of Customers' Perceptions and Expectations.

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Service quality has assumed great significance in banking operations in the competitive technology driven environment. The present study is based on a sample of 100 customers of four branches of State Bank of Patiala in Patiala District of Punjab. The banking services have been evaluated based on the perceptions as expectations of customers using SERVQUAL model. Gap analysis has been assessed for five major dimensions, namely, tangibility reliability, responsiveness, assurance and empathy. Findings of the study reveal that the expectations of customers exceed their perceptions in a majority statements that fall under the five dimensions analysed.

Introduction

The banking sector plays a crucial role in the economic development of a nation. A sound, efficient, effective, vibrant and innovative banking system stimulates economic growth by mobilizing savings on a massive scale and efficient allocation of resources for productive as well as consumption purposes. The Indian banking sector witnessed a remarkable transformation consequent to the implementation of banking sector reforms since early 90s. The banking industry is facing a rapid change such as new technology, tough competition, changing economic environment, demanding customers etc. Effectiveness and efficiency are the buzzwords for the success of banking operations and providing services to customers. Being a service provider industry, significance of customer service came to the fore to compete in the market driven environment. Due to intensive competitive situation, it is necessary for all banks to maintain improved service quality to the customers by providing technologically developed innovative instant services to satisfy them, customers often keep evaluating and comparing the entire range of services put forward by a bank in the customers and this may result in their switching over to other competing banks providing better services. competitive market. Any lack in services or in quality may cause dissatisfaction among them and may lead to switch over to competitors.

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Service quality

Service quality is an approach to manage business process in order to ensure full satisfaction of the customers, which will help to increase competitiveness and effectiveness of the industry. The customers have many expectations of services that can be determined by various factors such as recommendations, personal needs and past experiences. The expectations of services and perceived services may not equal, thus leaving a gap. There are seven major gaps in the service quality concept.

Gap1:   Customers' expectations versus management perceptions: This gap arises as a result of the lack of a marketing research orientation, inadequate upward communication and too many layers of management.

Gap2:   Management perceptions versus service specifications: It arises as a result of inadequate commitment to service quality, a perception of unfeasibility, inadequate task standardization and absence of goal setting.

Gap3:   Service specifications versus service delivery: It arises as a result of role ambiguity and conflict, poor employee-job fit and poor technology-job fit, inappropriate supervisory control systems, lack of perceived control and lack of teamwork.

Gap4:   Service delivery versus external communication: This gap arises as a result of inadequate horizontal communications and propensity to over-promise.

Gap5:   The discrepancy between customer expectations and their perceptions of the service delivered: It can be due to the result of the influences exerted from the customer side and the shortfalls (gaps) on the part of the service provider. In this case, customer expectations are influenced by the extent of personal needs, word of mouth recommendation and past service experiences.

Gap6:   The discrepancy between customer expectations and employees' perceptions: It can be due to the differences in the understanding of customer expectations by front-line service providers.

Gap7:   The discrepancy between employee's perceptions and management perceptions: This can be as a result of the differences in the understanding of customer expectations between managers and service providers.

The six gaps (Gap 1, Gap 2, Gap 3, Gap 4, Gap 6 and Gap 7) can be classified as the ways in which service is delivered, whereas Gap 5 pertains to the customers and as such is considered to be the true measure of service quality.

The SERVQUAL instrument has been the predominant method used to measure consumers' perceptions of service quality. It has five generic dimensions or factors and are stated as follows (Van Iwaarden *et al.* , 2003):

(1) *Tangiblity :* Physical facilities, equipment and appearance of personnel.

(2) *Reliability:* Ability to perform the promised service dependably and accurately.

(3) *Responsiveness:* Willingness to help customers and provide prompt service.

(4) *Assurance:* (including competence, courtesy, credibility and security). Knowledge and courtesy of employees and their ability to inspire trust and confidence.

(5) *Empathy:*(including access, communication, understanding the customer). Caring and individualized attention that the firm provides to the customers.

Literature Review

Munusamy, Shanker & Harwaimum (2010) assed the service delivery in banking sector in Malaysia. They found that assurance has a positive relationship with customer satisfaction whereas reliability does not have such impact. Rehaman,Abdullah & Rehman (2011) measured the service quality in private commercial banks' customers in Bangladesh. They found that dimensions of customer request, safe transactions, personal attention and understanding the needs of customers require more attention. Santhiyavalli (2011) analysed the quality of bank services of customers of state bank of India. She found that customers were satisfied with assurance whereas they were least satisfied on empathy. Mehta (2012) measured the service quality in banks of Gujarat. She found that reliability has highest shortfall and assurance has lowest when compared with customers expectations. Iiyas et al.(2013) measured the service quality in commercial banks in Pakistan. Results shows that the banking institutions are exceeding customer expectations in three dimensions i.e. tangiblity, reliability and responsiveness and lacking other two dimensions assurance and empathy. Munusamy, Jayaraman (et al.) (2013) measured the service quality in HSBC bank in Hong Kong. Study found that HSBC is evaluated positively by respondents in general, but continuous improvements are recommended to maintain a competitive edge. Banks should ensure that employees are able to provide professional services.

Scope and methodology

The present paper aims to study the perceptions and expectations of customers regarding bank services using SERVQUAL model. Perceptions mean 'what they get' and expectations are 'what they want'. For the purpose of

the study, customers of State bank of Patiala have been selected. A sample of 100 customers has been selected from Patiala district of Punjab. In total customers of four branches have been surveyed by selecting 25 customers from each branch. T test has been used to analyze the significant mean difference between perception and expectation of customers.

Results and Discussion

Table 1. Gap Analysis between perceptions and expectations of customers on Tangiblity

Tangiblity:	P mean	E mean	GAP (P-E)	t-value	p-value
Up to date equipment and instrument facilities of bank	3.20	3.22	-0.02	-0.238	0.812
Bank's physical facilities visually appealing	3.17	3.30	-0.130	-1.401	0.163
Employees of bank are well dressed and appear neat.	3.36	4.04	-0.68	5.224	0.000
The appearances of physical facilities of bank are in keeping with the type of services provided.	3.38	3.24	0.140	1.752	0.081

Table 1 reveals that in case of tangibility, gap score is negative in three out of the four dimensions of tangibility. Only one item i.e. the appearance of physical facilities of bank is in keeping with the type of services provided has a positive score which indicates that bank is doing well upon infrastructural facilities. Further there is a significant difference in perception and expectations of customers with regard to the item "employees of bank are well dressed and appear neat".

Table 2. Gap Analysis between perceptions and expectations of customers on Reliability

Reliability	P mean	E mean	GAP (P-E)	t-value	p-value
Bank shows a sincere interest in solving problem	3.49	4.00	-0.51	4.274	.000
Bank promises to do something by a certain time, it does.	3.70	3.97	-0.27	4.645	.000
Bank performs the service correctly at first instance	3.29	3.85	-0.34	4.510	.000
Bank provides its services at the time it promises to do so	3.33	3.64	-0.310	-3.082	.002
Bank maintains error free records	3.40	3.94	-0.54	4.375	.000

It is evident from table 2 that there is a negative gap score of all items relating to reliability. More importantly, there is a significant difference in gap score pertaining to all items, which shows that bank is lacking in ability to perform the promised services dependably and accurately.

Table3. **Gap Analysis between perceptions and expectations of customers on Responsiveness**

Responsiveness:	P mean	E mean	GAP (P-E)	t-value	p-value
Bank provides prompt services to the customers	3.71	4.04	-0.33	3.538	.001
Employees of the bank are always willing to help customers	3.59	4.22	-0.63	5.311	.000
Bank replies to any query of the customers	3.44	3.39	0.05	0.612	0.541
Bank takes special care of customers	3.08	3.45	-0.37	3.342	0.001

Table 3 shows the gap analysis in case of responsiveness. Under this dimension there is a negative gap score in three out of four items. In case of statement i.e. bank replies to any query of customers has a positive gap score which shows seriousness of bank in dealing with queries of customers. Further in other statements, where gap score is negative, a significant difference has been found between perceptions and expectations which clearly indicates that the bank should show more interest in improving services under the dimension of responsiveness.

Table 4. **Gap Analysis between perceptions and expectations of customers on Assurance**

Assurance	P mean	E mean	GAP (P-E)	t-value	p-value
When customers have problems, bank is sympathetic and reassuring.	3.65	4.23	-.58	5.761	.000
Customers feel safe while doing transactions with bank.	3.76	3.67	.09	.612	.542
Customers trust the employees of the bank.	3.61	3.90	-.29	1.697	.095
Employees of the bank are polite.	3.59	4.22	-0.6	5.311	.000

Assurance relates with knowledge and courtesy of employees and their ability to inspire trust and confidence among customers. Table 4 shows that there is a positive gap score pertaining to the item 'customers feel safe in their transactions'. All other items under this dimension witnessed negative

gap score. Two items 'when customers have problems, bank is sympathetic and reassuring' and 'Employees of the bank are polite' have a significant gap between perceptions and expectations.

Table 5. Gap Analysis between perceptions and expectations of customers on Empathy

Empathy:	P mean	E mean	GAP (P-E)	t-value	p-value
Employees get adequate support from the bank to do their jobs well	3.32	3.92	-0.6	2.505	.14
Bank gives individual attention to customers.	3.45	4.08	-0.63	4.728	.000
Bank has operating hours convenient to customers.	3.08	3.45	-0.37	3.342	.000
Bank tries to know what your needs are	3.27	3.80	-0.53	5.007	.000
Receive complaints and criticism from customers and respond to them positively	3.58	3.89	-0.31	.182	.000

All items falling under empathy dimension have witnessed negative gap score. This gap is significantly different in four out of five items. Only one item, i.e., Employees get adequate support from the bank to do their jobs well has insignificant gap. This suggests that bank is required to do a lot in terms of caring and individual attention to be paid to its customers.

Conclusion

Banking industry has witnessed a large number of players after the reforms of 1990s. As a result,customers have greater awareness and choices in terms of services. There is a continuous increase in Customers' expectations. To survive in the market, service quality becomes the most critical component for competitiveness. Findings of the current study show that expectations of the customers exceed the perceptions in a majority of the statements which fall under five dimensions of service quality. State bank of Patiala should focus upon what the customers want, rather than what it is delivering.

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