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Research Article

TOOL FOR SUCCESS IN SERVICE QUALITIES IN BANKING SECTOR IN INDIA

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ABSTRACT

The Indian banking has seen momentous changes in the post-independence era. It has witnessed a remarkable shift in its operating environment during the last decade. Various reform measures, both qualitative and quantitative, were introduced with an objective to revitalize Indian banking sector and to meet the future challenges. Every aspect of the functioning of the Indian banking industry, be it a customer service, resource mobilization, credit management, asset - liability management, investments, human resource development, and forex management are undergoing dramatic changes with the reforms gathering the momentum and speed. Several innovative IT - based services such as Automated Teller Machines (ATMs), electronic fund transfer (EFT), anywhere - anytime banking, smart cards, internet banking etc. are no longer alien concepts to Indian banking customers (Rawani and Gupta, 2000). The market has changed drastically and has become largely customer centric. From sellers market the banks have been forced to operate in the buyer's market. The change has made the customer a king.

INTRODUCTION

Definitions of Service

According to Phillip Kotler *et al* (1999), service is any activity or benefit that one party can offer another that is essentially intangible and may not result in the ownership of anything. Cannon (1998), viewed services as those separately identified, essentially intangible activities which provide want satisfaction and which are not necessarily tied to the sales of a product or another service. In the option of Etzel, Walker, and Stanton (1997), service are the identifiable, intangible activities that are the main object of a transaction designed to provide want satisfaction to customers. Jobber (2001), viewed a service as any deed, performance or effort carried out for the customer. According to Palmer (2000), services are products which are essentially intangible and cannot be owned. McCarthy and Perreault (1993), defined service as a deed performed by one party for another. From the definitions as presented by the various authorities, it is clear that they all emphasis that service is essentially intangible. This means that a service cannot be seen physical but the customer experiences it. The idea of service therefore is focused on the intangibility element and which essentially provides want satisfaction to the customer.

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Kotler *et al* (1999), stated that a service has four major characteristics that greatly affect the design of marketing programs for it. These characteristics are as following:

Intangibility: A service is intangible and cannot be seen, tasted, felt, heard or smelled before it is bought. For example, a person receiving a haircut cannot see the result before purchase.

Inseparability: Services are produced and consumed at the same time. For instance, as it is in car hiring. The person rendering the service becomes part of the service as how he does it affect the quality of the service.

Heterogeneity of Variability: Services are highly variable as they depend on who provides them and when and where they are provided. For examples, although branches of a particular bank may be selling and delivering the same service, the quality may not be uniform or homogenous from branch to branch

Perishability or Fluctuating Demand: Services are highly perishable since they cannot be stored. For example, hours when cashiers are idle at the bank cannot be used to expand service on a busy day when long queues are formed.

Classification of Service In the option of Churchill and Peter (1995), service can be classified in several ways. These include the way the service is delivered, the type of organization providing the service and the type of customers they target.

Means of Delivering the Service: this may be equipment based. In other words, services may be delivered primarily by equipment, as in the case of movies theatres and airlines or they may be delivered primarily by people, as in the case of janitorial service and accounting.

The means of delivery influence where quality is most at stake in the product mix. For equipment based service, Marketers must be concerned that the equipment is of good enough quality to meet customers need.

They must ensure that the employees who keep the equipment operating or come into contact with users are skilled and interested in meeting customer needs. Thus, the quality of computer programming service depends on both the user and the programmers themselves.

Type of Providers: This is another way of classifying service and it is in term of the kind of organization providing them. Service providers may include businesses, government and non-government or not-for-profit making organizations. Business organizations offer goods and services in order to earn a profit.

Government organization also provides service; include mass transport, state lotteries and the military.

The not-for-profit making organizations also use marketing to help them identify needs and target services build support for causes and solicit contributions.

The Purchase Decision for Service: This describes the way in which consumers and organization buyers arrive at their purchasing decision.

Scope of Service

1. The wide range of services marketed by profit –making firms is reflected in the following classification by industry:
2. Housing Rentals of hotels, motels, apartment house and farms
3. Household operations like utilities, house repairs, repairs of equipment in the house, land scalping and household cleaning.
4. Recreation and entertainment such as theatres, spectator sports, amusement parks, rental and repairs of equipment used to participate in recreation and entertainment activities.
5. Personal care such as laundry, dry cleaning, beauty care
6. Medical and other health care including all medical services, dental nursing, hospitalization, optometry, and other health care
7. Private education like vocational school, nursery schools and some continuing education programs.
8. Business and other professional services such as legal, accountancy, and management consulting.
9. Insurance, banking and other financial services such as personal and business insurance, credit and loan services and investment
10. Transport including flight and passenger services
11. Communication as in telephone and computer and copying services.

Service Quality

Johansson (1997), spelt out that the intangibility of service is typically assumed to make consumers evaluations of quality more difficult than for tangible products. This views based on the natural hesitation of people to evaluate things they cannot touch. The intangibility of services make them much more subjective product. Quality is a matter of how we feel and of our particular taste. This dependence on subjective feelings means that what is perceived as high quality service may differ between individuals.

The Need for Service Quality

Ennew, Watkins and Wright (1993), mentions that the need for service quality is driven by customers, employees and a changing business environment. Customers, be the individuals, households or organizations are increasingly aware of alternatives of the financial services on offer, provider organizations and also of rising standard for service. Consequently, expectations rise and consumers become more critical of quality of service received and so companies can be complacent.

Furthermore, knowledge of the cost and benefits of keeping existing customers relative to attracting new ones draws companies’ attentions to looking after present customers, responding to their needs and problem developing long-term relationships.

Benefits of services Quality

Without the focus on service quality, financial service organizations may face complaints from customers. Further, a proportion of dissatisfied customers will complain and tell a number of others, generally it is stated that, if a financial company gives a service to one customer, it gain three, and loses nine when give poor service to one customer, hence it is better to gains three than looing nine, generating adverse word of monthly publicity and some may switch to companies. However, with focus on service quality, an organization can expect a number of benefits. Customer loyalty through satisfaction increased business and this may lead to attract new customers; hence customer retention is more cost effective than trying to attract new customers. Customer satisfaction lead to increase in opportunities for cross-selling, comprehensive and up to date service knowledge and sales techniques among employee, combined with developing relationships. Good service quality enhance corporate image and may provide insulation from price competition.

Definitions of Customer Satisfaction

Customer Satisfaction is to degree at which the product or services rich the standard of the buyer in his or her expectations. It deals with what people called as surprise quotient. This is to extend at which firms give out unexpected technical characteristics or personal service to a customer. The above definition talks about the degree at which a firms performance or it goods and services rich the standard expectation of the customer requirements.

Themes in the Financial Services Sector

The fact that a service is intangible means that people who supply the service, the process by which it is supplied and the associated physical evidence will be the key factors in creating satisfaction. The heterogeneity features of a services required that considerable emphasis is attach to the service providers and the process to ensure customer satisfaction

Understanding the Service Environment

The economic competitive, regulatory, social and technological elements generally affect the marketing of goods and services. However, there are a few special considerations that apply only to service as the following section points out:

Economic Element: as national and global economies grow more complex the demand for services continues to increase. For examples, a manufacturing firm that wants to expand its market by selling in other countries may need the services of international freight handlers, export consultants, translators and government lobbyists.

Competitive Element: Service providers can find themselves competing with companies that are outside the service sector. A common source of competition is from goods. Movies theatres compete with VCRs for consumer's entertainments budget.

Regulatory Element: Internationals marketers have to observe laws in each of the countries in which they operate. Services providers are particularly affected by regulation because governments regulate many services to ensure consistency and reliability. The regulation can be as simple as licensing services providers or as invasive as controlling prices and professional practices throughout an entire industry e.g. insurances.

Social Element: Social forces can play a big role in service marketing. To start with the public's acceptance, skepticism or rejection of a profession affects demand.

Technological Element: Companies that provides these services have responded to changes in their technological environment. Advancement in science and technology create many opportunities to improve services quality and productivity.

Service Quality in Banks

An Introduction In the days of intense competition, the banks are no different from any other consumer markeing company. It has become essential for the service firms in general and banks in particular to identify what the customer's requirements are and how those customer requirements can be met effectively. In the days where product and price differences are blurred, superior service by the service provider is the only differentiator left before the banks to attract, retain and partner with the customers. Superior service quality enables a firm to differentiate itself from its competition, gain a sustainable competitive advantage, and enhance efficiency of service quality include increased customer satisfaction, improved customer retention, positive word of mouth, reduced staff turnover, decreased operating costs, enlarged market share, increased profitability, and improved financial performance . The construct of service quality has therefore been a subject of great interest to service marketing researchers.

Service Quality

REVIEW OF LITERATURE

Service quality is 'the delivery of excellent or superior service relative to customer expectations' (Zeithaml and Bitner 1996:117). Service quality is recognized as a multidimensional construct. While the number of dimensions often varies from researcher to researcher, there is some consensus that service quality consists of three primary aspects: outcome quality, interaction quality, and physical service environment quality (Rust and Oliver 1994; Brady and Cronin 2001). Outcome quality refers to the customer's assessment of the core service which is the prime motivating factor for obtaining the services (e.g. hair cut, money received from ATM).Interaction quality refers to the customer's assessment of the service delivery process, which is typically rendered via a physical interface between the service provider, in person, or via technical equipment, and the customer (Gronroos 1984). It includes, for instance, the consumer's evaluation of the attitude of the service providing staff. The physical service environment quality dimension refers to the consumer's evaluation of any tangible aspect associated with the facilities or equipment that the service is provided in/ with. It includes, for example, the architectural design features of a hair salon or the physical conditions of an ATM machine.
A number of researchers further elaborate on sub-aspects of these three broad dimensions. For example, the most popular conceptualization of service quality--SERVQUAL--features five dimensions: tangibles, reliability, responsiveness, empathy, and assurance (Parasuraman *et al*. 1988). The tangibles dimension corresponds to the aforementioned physical environment aspect, the reliability dimension corresponds to the service outcome aspect, and the remaining three represent aspects of interaction quality. The behavioural intentions of customers are recognized in the literature as an important predictor of the profitability of service firms. Both the costs and the revenue of firms are affected by repeat purchases, positive word-of-mouth recommendation, and customer feedback. Moreover, there is strong evidence that service quality has either a direct influence on the behavioural intentions of customers and/or an indirect influence on such intentions, mediated through customer satisfaction. Given these established relationships, it is imperative that service firm's measure and monitor service quality and satisfaction with a view to influencing the behavioural intentions of their customers.

Conceptual Framework

Service quality has been defined by various experts in various ways. Defines it as: 'Service Quality is the difference between customers' expectations for service performance prior to the service encounter and their perceptions of the service received.' According to Gefan (2002) 'Service quality is the subjective comparison that customers make between the quality of service that they want to receive and what they actually get 'Service quality is determined by the differences between customer's expectations of services provider's performance and their evaluation of the services they received.'

The bankers offer equal service quality to their customers. They don't make discrimination on nationality, religion, financial and social status and gender. However, differentiation was arising from determination of target market, organizational structures and product ranges or different approaches to high-risk customers, should not be constructed as an evidence of prejudice or categorizations among customers. Banks serve as intermediaries in mobilizing public savings and channelizing the flow of funds for productive purposes, keeping on the process of the economic growth of the country. Realizing the important role of banks in economic development, government of India/reserve bank of India took several major initiatives after independence to gear the banking system to serve the national objectives. Recent developments in information technology have led to major changes in service providing organizations such as banks. Every bank realizes that they must use information technology to survive in this era. Through information technology, banks can better maintain the relationship with customers as customers tend to interact more with provided services through information technology.

Banks began to use technology to provide better quality of services at greater speed. Internet banking and mobile banking made it convenient for customers to do their banking from geographically diverse places. Delivering high quality services is a prerequisite for achieving customer satisfaction and only through customer satisfaction can any organization gain customer retention.

With years, banks are adding services to their customers. The Indian banking industry is passing through a phase of customers market. The customers have more choices in choosing their banks. A competition has been established within the banks operating in India. The new age IT (Information Technology) is bringing about sweeping changes in the banking industry, forcing them to re-engineer many of their basic processes and systems. Few of the technology-driven electronic banking services being offered are viz. Automated Teller Machines (ATM), Electronic Clearing Service (ECS), Electronic Funds Transfer (EFT), Tele-Banking, Internet Banking etc. New technological capabilities could be effectively used to create value and to better manage customer relationship.

CONCLUSION

Customer retention is the need of the hour of every bank. Even in a mid-sized bank, having atleast 50,000 customers, in the middle income bracket, at the beginning of their career, the bank has got a potential business over the customers‟ life cycle. They can be retained if and only if the bank tries to measure and improve customer service offered to them on a continuous basis. This would also result in gaining a competitive advantage. There is a strong link between customers‟ satisfaction and customer retention. Customers‟ perception of service will determine the success of the product or service in the market. With better understanding of customers‟ perception, the banks can determine the actions required to meet the customers‟ needs. They can identify their own strengths and weaknesses, where they stand in comparison to their competitors, chart out path for future progress and improvement. Customer satisfaction measurement helps to promote an increased focus on customer outcomes and stimulate improvements in the work practices and processes used within the bank.

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