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Measuring service quality and identifying hidden gaps in Iran's private banks

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ABSTRACT

Service quality has always been at utmost importance in marketing literature because of its influence on profit of firms. One aspect of measuring service quality is to see and compare the expectations of customers with realities. The difference which is called gap could be vital for analysis of the needs of customers and strength and weaknesses of the firm. The aim of this study is to find the gap in different dimensions of service quality for private banks in Iran. Results show that empathy is the dimension of service quality which has the biggest gap. Accessibility has the second large gap and the least gap has been found for responsiveness. Regarding these findings, conclusions have discussed and practical recommendations have been presented.

Keywords: service quality, private bank, quality gap, SERVQUAL

1. Introduction

In today increasingly competitive environment, quality service and customer satisfaction are critical to corporate organizations. Delivering high quality service is linked to increased profits, cost savings and corporate image. Customer satisfaction is the route to sustained high performance. Organizations should be aware of the fact that customer dissatisfaction leads to defection and long term losses. Ensuring quality customer service is everybody's business in the organization. However, it is the top management responsibility of creating an environment that fosters customer driven services in a customer oriented organization (Lovelock1984). Many companies have realized that profits can be made by satisfying customers. In many instances, this has meant a complete reorganization of the company from research and development and manufacturing to marketing and distribution, aimed at giving customers what they want, when they want it and how they want it. Behind the approach is a customer-focused philosophy aimed at delivering the services that customer seek, market share and profits are derived by keeping close remote customers (Bradley 1995). To be successful, a customer focus must start with a forceful commitment from senior executives. At the same time, it must be acknowledged that employees who deal directly with customers are in the key position to ensure that a marketing plan works. Innovative companies ensure high motivation among such employees by empowering them to solve customer problems on the spot. The performance of the company's products and services from the consumer's point of view is evaluated and a level of satisfaction determined. The greater the levels of satisfaction, the more consumers are expected to reward the company with their long-term loyalty, which should result in healthy profits over a long period of time (Bradley, 1995). Customer service is responding to customer needs and expectations in a way that will make them have a memorable experience and motivate them to come back and to tell others. In this, competitive world, business organizations must understand the importance of customer as its future or growth is concerned. It must understand that its existence lies in the hands of the customer and therefore the company should make many efforts at all costs to attract, maintain and capture customer's loyalty. It should seek first the needs and wants of the target market and deliver them in an efficient and effective way that satisfies the target market (Maxhand & plowman 1992).

2. Literature Review

Service quality: Perceived service quality has been defined as a global judgment or attitude relating to the superiority of a service (Zeithaml and Bitner, 2000). The majority of research on service quality has been built around the SERVQUAL (Parasuraman et al., 1988) methodology. The SERVQUAL model suggests that service quality can be measured by identifying the gaps between customers' expectation and perceptions of the performance of the service. Parasuraman et al. (1988) also suggested that service quality was a many-sided concept consisting of five dimensions: reliability, assurance, tangible, empathy, and responsiveness. Reliability refers to the ability to perform the promised service dependably and accurately; assurance refers to the knowledge and courtesy of employees and their ability to convey trust and confidence; tangible

refers to the appearance of the physical facilities, equipment, personnel and communication materials; empathy refers to the provision of caring, individualized attention to customers; and responsiveness refers to the willingness to help customers and to provide prompt services. The SERVQUAL instrument has been widely used in the marketing literature in a variety of sectors, including leisure related organizations, such as hotels (Ingram and Daskalakis, 1999; Oh, 1999), travel agencies (Luk, 1997), parks and recreation (McKay and Crompton 1990), tourism attractions / resorts (Bigne et al. 2001), and leisure/sport centers (Howatet al., 1999; Lentell, 2000). The value of the SERVQUAL instrument as an assessment and management tool has been well documented. However, the model has also been criticized on a theoretical and operational level (Buttle, 1995). On the theoretical level it has been criticized as being based on the disconfirmation paradigm, which has been widely adopted in the satisfaction literature (Oliver, 1996) rather than on the attitudinal one. Furthermore, researchers (e.g. Cronin and Taylor, 1992; Teas, 1993) have questioned the validity and reliability than measuring the difference between expectations and perceptions. Finally, some researchers have suggested that the service quality dimensions are contextual and not universally applicable (Ekinici and Riley, 1999; Williams, 1998). The operational criticism has focused on the difficulties in conceptualizing expectations, the limited number of items within each dimension, the problems related to the double administration of the instrument (customer confusion and boredom), and the limited proportion of variance extracted by the five factors (Buttle, 1995). The issue of service quality dimensions being contextual is an important impetus for adapting and replicating the instrument across several services and offers some future research directions such as testing the model in different environment, services sector, and scenario.

DIMENSIONS OF SERVICE QUALITY

The SERVQUAL scale is the principal instrument widely utilized to assess service quality for a variety of services. Parasuraman et al., (1988) have conceptualized a five dimensional model of service quality such as: reliability, responsiveness, empathy, assurance and tangibility. Their measurement instrument is known as SERVQUAL, which has become almost the standard way of measuring service quality. Further, each item of SERVQUAL has been used twice: to measure expectations and perceptions of service quality. The central idea in this model is that service quality is a function of difference scores or gap between expectations and perceptions. The five dimensions of SERVQUAL Includes:

Tangibles: Physical facilities, equipment and appearance of personnel. Reliability: Ability to perform the promised service dependably and accurately.

Responsiveness: Willingness to help customers and provide prompt service. Assurance: Knowledge and courtesy of employees and their ability to inspire trust and confidence.

Empathy: Caring and individualized attention that the firm provides to its customers. 1. Koushiki Choudhury (2007) in his study suggests that customers distinguish four dimensions of service quality in the case of the retail banking industry in India, namely, attitude, competence, tangibles and convenience. Identifying the underlying dimensions of the service quality construct in the Indian retail banking industry is the first step in the definition and hence provision of quality

service. The paper has drawn upon the findings of the service quality dimensions to contend the initiatives that bank managers can take to enhance their employees' skills and attitudes and instill a customer-service culture.

2. Sandip Gosh Hasra and BL Srivastava (2009) in their study indicated that the bank should pay attention to these dimension of service quality and pay more attention to dimension of assurance-empathy to increase loyalty to a company, willingness to pay, customer commitment and customer trust.

3. Sudesh (2007) revealed that poor service quality in public sector banks is mainly because of deficiency in tangibility, lack of responsiveness and empathy. Private sector banks, on the other hand, were found to be more reformed in this regards. Above all, the foreign banks were relatively close to the expectations of their customers with regard to various dimensions of service quality. Further, the study revealed that there existed service quality variation across demographic variables and suggested that management of banks should pay attention to potential failure points and should be responsive to customer problems.

4. Joshua A J and Moli.P.Koshi(2005) in their study on „Expectation and perception of service quality in old and new generation banks“, observed that the performance of the new generation banks across all the service quality dimensions are better than those of old generation banks.

5. Al-Fazwan (2005) in his study found that the bank should concentrate on accessibility dimension. He stated that the particular bank should take maximum efforts to raise the level of services to meet out the customer expectations.

3. Methodology

The table 2 represents the gap scores for private sector banks. The difference between the customer's expectation and perception of service is the gap score which is then averaged for each dimension. The un weight gap score was presented in the table 2 Average gap score for six dimensions as calculated in table 2 is averaged to compute the unweight gap score.

Table 1: gap analysis score

Service gap	perception	expectation	Statements
0.5	6.1	6.6	Tangibles
0.4	6.1	6.5	Modern looking equipment
0.7	5.9	6.6	Physical facility
0.6	6.1	6.7	Employee are well dressed Materials are visually appealing
1	5.7	6.7	Reliability
1	5.6	6.6	Delivers service at promised time
0.9	5.7	6.6	Interest in solving problem Perform service right first time
0.9	5.7	6.6	Follows the promised time
0.5	6.4	6.9	Maintain error free records
0.8	5.9	6.7	Responsiveness
0.8	5.6	6.4	Tell you about performance of service Gives prompt service
0.9	5.6	6.5	Willingness to help
0.95	5.1	6.4	Not busy to respond queries
0.9	5.9	6.8	Assurance Instills confidence
0.4	6.3	6.7	Safe transactions Employees are consistently courteous
1.1	5.3	6.4	Employee have enough knowledge
0.5	6.1	6.6	
1.6	4.8	6.4	Empathy
0.9	5.7	6.6	Gives individual attention
1.4	4.9	6.3	Convenient operating hours
0.9	5.7	6.6	Gives personal attention Best interest in heart
1.4	5.2	6.6	Understand customers specific needs
1	5.7	6.7	Accessibility Convenient
1.5	4.9	6.4	branch locations
1.1	5.7	6.8	ATM network
0.5	5.8	6.3	Safe net banking and mobile banking

Table 2: average gap score of private sector banks

Gap scores	Dimensions	No
	Average score for tangibles	1
	Average score for reliability	2
	Average score for responsiveness	3
	Average score for assurance	4
	Average score for empathy	5
	Average score for accessibility	6
5.36	Total	
0.893	Average score	

The table 3 represents the attributes having the highest gap scores observed from the table 1. There exist highest gap between customer expectations and perceptions of bank services in these attributes. This indicates that the customers are not satisfied with the service in these attributes. These includes: giving individual attentions (1.6) [empathy], extended working hours to meet

customer needs (1.5) [accessibility], employees give customer personal attention (1.4) [empathy], employees understand the specific needs of the customers (1.4) [empathy], employees are never too busy to respond to customer's request (1.3) [responsiveness]. Hence it was observed that the more gaps are identified in empathy dimension.

Table 3: highest gap scores of private sectors banks

Gap score	dimensions	attributes	Number
1.6	Empathy	Banks will give customers individuals attentions	1
1.5	Accessibility	Banks has extended working hours to meet customers'" needs Banks has	2
1.4	Empathy	employees to give customer's personal attention The employees of banks will	3
1.4	Empathy	understand the specific needs of their customers	4
1.3	Responsiveness	Employees of banks will never be too busy to respond to customers'" request	5

4. Finding

The gap analysis shows that empathy is having more gap between customer expectation and perception of service quality. The bank has to reduce this gap giving individual personal attention to understand the customer specific needs. Next to empathy more gap was observed in accessibility dimension. The customers of the banks expect to extend the working hours in Saturday for their convenience. And also some of the customers are dissatisfied with ATM maintenance. So the bank management should concentrate on proper maintenance of ATM. In responsiveness dimension, there is more gap in attribute responding customer queries in busy time. The employees willingly come forward to solve the customer problem. The Multi regression analysis shows that dimension Empathy-Reliability-Assurance positively influences the banking service quality.

5. Discussion & Conclusion

Banks have to understand the changing needs of customers, their aspirations and expectations to create value. Banks should also have a strong customer relationship management system that would indicate the worth of the customer and be able to understand his needs while interacting with him, so as to cross sell their products. To manage growth and continuity in business, human resources play an important role. The new generation private sector banks and foreign banks enjoy a lead in this regard when compared to PSBs and old generation private sector banks. Skill sets of employees need up gradation so as to make them more comfortable with the latest technology that will increase their comfort level while educating customers to use the same in their day to day dealings. Banks may follow a feedback system to know the customer expectations for improving the level of customer satisfaction to maximum level. Remarks on service reliability should be continuously obtained from customers. This will enhance their service quality to a large extent.

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