

# Customer's perception of service quality of State Bank of India - A Factor Analysis

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## Abstract

Customer service is an integral part of any organization. It is necessary to identify the key success factors in terms of customer satisfaction so as to survive in intense competition and increase the market share. Today, the concept of core banking has made 'Any where and any time' banking a reality. Along with technology, banking services have also evolved and the delivery of various banking products are carried out through the medium of high technology at a fraction of the cost to the customer. In this scenario the present study was conducted to evaluate the service quality of State Bank of India by identifying the major factors responsible for customer satisfaction. To support the objective of the study, SERVQUAL technique based on the model developed by A. Parasuraman et al (1988) was adopted. The factor analysis clearly indicates that among five dimensions 'Reliability', 'Responsiveness', 'Empathy' and 'Tangibility' are the major factors responsible for customer satisfaction which stood at 90 percent regarding the services provided by State Bank of India.

## Keywords

Service quality, empathy, reliability, tangibility

## I. Introduction

Technology has now brought in E-banking, which is gradually replacing the traditional branch banking. The customers are able to choose their banker from a number of banks offering wide range of services and delivering quality service. The commercial banks in India are now becoming more market oriented and customer friendly. Efforts are being taken to improve their competitiveness through enhanced service quality, which is vital for keeping their customers well contented and satisfied. Satisfied customers are central to optimal performance and financial returns. In many places in the world, business organizations have been elevating the role of the customer to that of a key stakeholder over the past twenty years. Customers are viewed as a group whose satisfaction with the enterprise must be incorporated in strategic planning efforts. Forward-looking companies are finding value in directly measuring and tracking customer satisfaction (CS) as an important strategic success indicator. Evidence is mounting on placing a high priority on customer satisfaction which is critical to improved organizational performance in a global market scenario. With better understanding of customers' perception, companies can determine the actions required to meet their customers' needs. They can identify their own strengths and weaknesses, where they stand in comparison to their competitors and they can chart out path for future progress and improvement.

## II. Service Quality and its dimensions

Quality in service is an elusive concept because of the intangibles nature of the service offering and the definition of quality may vary from person to person and from situation to situation. Even though a universally accepted definition of quality does not exist till now, most writers on service quality supports a customers-centered definition with the reservation

that customer expectations are not necessarily consistent or predictable.

It is now a fact that consumers of all products and services tend to become more demanding due to the current marketplace which is becoming more competitive. As a result, there is a continuous increase in customer expectations and customers' successive demands within the improvement of the quality of service (Parasuraman et. al., 1988). Thus, banks as service organizations should always be able to meet the needs and demands of those sophisticated customers effectively and efficiently in order to retain them. Eventually, one of the strategies that would enhance customer loyalty is through service quality and it has been related to success in service organizations (Wong & Sohal, 2003). Service quality is a significant indicator to differentiate an organization among the rest of the competitors (Parasuraman et al., 1988). The emergence of service quality and its assessment has attracted the attention of numerous researchers in the past two decades or so. In this sense, there are two main lines of thoughts on measuring service quality (Kang and James, 2004): an American and European perspective. Brady and Cronin (2001) suggest that the researchers generally adopt one of the two conceptualisations in their work. The focus on functional quality attributes is referred to as the American perspective of service quality while the European perspective suggests that service quality considers two more components which include functional and technical (see Fig. 1) The following table presents the definition of service quality that will give us clear concepts of service quality.

Definition	Author
Service Quality can be defined as " The difference between customer's expectations for service performance prior to the service encounter and their perceptions of the service received"	Asubonteng et al.(1996)
"Service quality as the subjective comparison that customers make between the qualities of the services that they actually get".	Gefan (2002)
"Service quality is determined by the difference between customer's expectations of service provider's performance and their evaluation of the service they received".	Parasuraman et al. (1985, 1988)

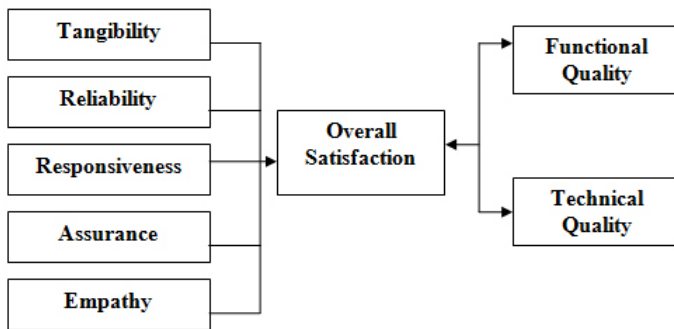


Fig. 1 Two dimensional aspect of service quality

The European perspective considers additional aspects other than the process of service delivery. Grönroos (1984) noted that the quality of a service as perceived by customers consists of three dimensions: functional (the process of service delivery to customers), technical (the outcomes generated by the service to the customers), and image (how the customers view the company). Considering those dimensions, the quality of the service is dependent upon two variables: the expected service and the perceived service. Functional quality of a service is often assessed by measures of customers' attitudes, as in customer satisfaction questionnaires. As described by Hayes (1997), the process of identifying customers' attitudes begins with determining customers' requirements or quality dimensions.

A number of researchers have provided lists of quality determinants, but the best known determinants emanate from Parasuraman and his colleagues from USA, who found five dimensions of service quality, namely, Tangibility, Reliability, Responsiveness, Assurance and Empathy (Parasuraman et al., 1988; Zeithaml et al., 1990). The result was the development of the SERVQUAL instrument, based on the gap model. Service quality is a function of the difference in scores or gaps between expectation and perception. An important advantage of the SERVQUAL instrument is that it has been proven valid and reliable across a large range of service contexts.

### III. Five dimensions of service quality

#### A. Tangibility

It means the things which are physically observed by the customers in the bank branch including large ATM network, personnel, physical facilities, materials and appearance. Able and skilled personnel, the quality of banking products and services, brochures and cards may represent tangibles. These qualities provide concrete cues for customers to evaluate the capability of the service provider.

#### B. Reliability

Reliability refers to the trust in company's ability of performing service in a proper way, such as acting according to promises and declarations. A reliable service means the banker is able to provide internet connection that is working at desired level throughout the day without significant failures; banker should not misuse the cardholder information and there should be frequent update of new technologies.

#### C. Responsiveness

It refers to service provider's willingness to help customers and provide prompt service. It can be measured by the amount of time needed to deal with customers' reported problems and the

response duration once the customer filed a service request.

#### D. Assurance

Assurance is related to the knowledge and courtesy of employees and their ability to inspire trust and confidence. Banker may demonstrate assurance to customers by behaving courteously and by providing essential knowledge to guide customer's problems.

#### E. Empathy

It refers to the caring, individualized attention the service provider gives to its customers. Furthermore, customers in the bank may come from different social background and hence the banker could emphasize personalized attention on customers and understand specific needs of customers based on their requirements.

### IV. Gap Analysis

According to Brown and Bond (1995), "The gap model is one of the best received and most heuristically valuable contributions to the services literature". Gap analyses were used to identify the causes of service quality shortfalls in each or all of the dimensions. Customers build an expectation of the service to be received depending on four factors. These are, word of mouth communications obtained from friends and acquaintances, personal needs, past experience and communications put out by the service company create their own expectations.

### V. Objectives of the study

The current study was aimed at evaluating the service quality of State Bank of India. To support the objective of the study SERVQUAL technique was adopted by using 22 variables grouped under five dimensions, Tangibility, Reliability, Responsiveness, Assurance and Empathy using 7 points Lickert scale. This was based on the SERVQUAL tool developed by A.Parasuraman et al (1988). To support the main objective the following also formed part of the study.

1. To study the customer's perception of service quality of the select branches of StateBank of India.
2. To study the major factors responsible for their satisfaction.

### VI. Variables used for the Study

The following variables are used for collection of data:

1. The demographic variables in the study include age, gender, educational qualification, marital status, occupation and annual income.
2. SERVQUAL dimensions Tangibles, Reliability, Responsiveness, Assurance, and Empathy.

### VII. Methodology

The present study is concerned with the quality of service rendered by State Bank of India in Coimbatore district. The study covered a period of six months commencing from July to December 2010. The five branches of State Bank of India with ATM centers located at R.S Puram, Saibaba colony, Singanallur, Race Course Road (Avanashi road) and Ganapathy are selected for the study. The study was based on the primary data collected from the e-banking customers of State Bank using a structured questionnaire with 22 statements under five dimensions. Convenience sampling method was used to select sample respondents. The responses have been captured in 7 point Lickert scale. 300 questionnaires were distributed to the customers who had visited the select branches during

the month of July and who are willing to fill up the questionnaire. Finally 250 filled questionnaires were received from the customers, considered as sample respondents. For this study, dimensions of service quality and gap analysis are adopted as primary approaches.

#### Limitations of the study

The following are the limitations of the study

1. The study was based on the perception of customers of only five branches of State Bank of India in Coimbatore district.
2. The study concentrates only on qualitative aspects.
3. Non-probability convenience sampling technique was applied in the selection of bank customers.

### VIII. Results and Discussion

#### 1. Demographic and banking profile of the customers of State Bank of India

The demographic profile of select customers of State Bank of India reveals that, 67.2 percent of them are male. In term of age, it is evident that 27.6 percent of the customers are falling in the age group ranging between 31-40 years. Graduates accounted for 37.6 percent. Business and profession people dominated the sample with 44.8 percent and 22 percent respectively. In term of marital status, 87.2 percent of the respondents were married. The income statistics revealed that 32.8 percent of the customers were earning their income between Rs.2,50,001-Rs.5,00,000 yearly.

The Banking profile of the customers reveals that 53.2 percent of the select customers maintain current account in State Bank of India. 53.6 percent of them are having banking experience ranging between 6-10 years. The convenience of all the customers would be greatly enhanced by an electronic, 24 hour branch. As a result 90.4 percent of the respondents prefer e-banking rather than conventional banking system. 59.2 percent of the respondents have e-banking experience ranging between 1-3 years. 41.6 percent of the respondents use e-banking channels every day.

#### 2. Measuring service quality of State Bank of India

“Servqual” is a methodology designed to identify the gaps between what customers expected from an excellent product or service provider and what they perceive the service to be from their current suppliers of that product and service. The genetic questionnaire as used by Parasuraman et al (1988) has been modified and used here with 22 statements under 5 dimensions. The responses have been captured in 7 point Lickert scale and gap score is calculated by deducting expectations from perception (E-P). The results are presented in Table 1.

Table 1 : Average Gap Score of State Bank of India

Expectation		Perception		Gap score
Tangibility	E	Tangibility	P	E-P
E1.Excellent banking companies will have modern equipment as well as large ATM network	6.832	P1.My bank has modern equipments as well as large ATM network.	4.400	2.432
E2.Excellent banks have convenient branch locations	6.200	P2.My bank has convenient branch location.	4.232	1.968
E3.Materials associated with the service (such as pamphlets or statements) will be visually appealing at an excellent bank.	5.840	P3.Materials associated with the services (such as pamphlets or statements) are visually appealing at my bank.	4.016	1.824
Total	18.872		12.648	6.224
Average Gap Score[Total of E-P/3]				2.07
Reliability	E	Reliability	P	E-P
E4.Excellent banks provide accurate information related to e-banking channels and their usage.	5.592	P4.My bank employees provide accurate information related to e-delivery channels and their usage	4.088	1.504
E5.When excellent banks promise to do something by a certain time, they do. (dependability)	6.320	P5.When my bank promises to do something by a certain time, it does so(dependability)	3.704	2.616
E6.When a customer has a problem while using e-channels, excellent banks will show a sincere interest in solving it.	5.640	P6.When I have a problem while using e-channels my bank shows a sincere interest in solving it.(Responsiveness)	2.512	3.128

E7.Excellent banks web site will perform the service right the first time as soon as you login.	6.608	P7.While I am using internet banking facility my bank performs the service right the first time as soon as I login into my bank web site.	3.704	2.904
E8.Excellent banks will implement updated technology regularly to e-banking customers.	5.664	P8.My bank implements the updated technologies regularly to its customers.	3.184	2.480
E9.Excellent banks will not misuse your personal information.	6.152	P9.My bank never misuses my personal information.	3.848	2.304
Total	35.976		21.040	14.936
Average Gap Score[Total of E-P/6]				2.49
Responsiveness	E	Responsiveness	P	E-P
E10.Employees at excellent banks will inform their customers about the benefits of various e-delivery channels	6.264	P10.Employees in my bank will inform its customers about the benefits of various e-delivery channels.	3.688	2.576
E11.Employees of excellent banks will provide appropriate technology related information's and prompt service to its customers.	6.552	P11.Employees in my bank will provide appropriate technology related information and prompt service to its customers.	2.544	4.008
E12.Employees of excellent banks will always be willing to help customers while using e-banking technologies.	6.744	P12.Employees in my bank is always willing to help its customers while using e-channels.	3.424	3.320
E13.Mobile banking facility in excellent bank will provide customer request information's in shorter waiting time.	5.104	P13.while using mobile banking facility my bank will provide clear information's in shorter waiting time.	3.808	1.296
Total	24.664		13.464	11.200
Average Gap Score[Total of E-P/4]				2.80
Assurance	E	Assurance	P	E-P
E14.The behaviour of employees in excellent banks will instill confidence in customers.	6.528	P14.The behaviour of employees in my bank instills confidence in me.	3.176	3.352
E15.Customers of excellent banks will feel safe in transactions.(safety)	5.296	P15.My banks provide me financial security and confidentiality.	4.200	1.096
E16.The bank web site is secure for your credit card information's.	5.176	P16.My bank web site is secure for our credit card information (safety).	4.504	0.672
E17.Employees of excellent banks will have adequate knowledge to answer customers technology related questions.	5.136	P17.Employees in my bank has adequate knowledge to answer my technology related questions. (Knowledge).	3.976	1.160
Total	22.136		15.856	6.280
Average Gap Score[Total of E-P/4]				1.57
Empathy	E	Empathy	P	E-P
E18.excellent banks will give customers individual attention.	6.344	P18.My bank gives me individual attention to its customers.	3.312	3.032
E19.Excellent banks will have operating hours convenient to all their customers.	6.328	P19.My bank has operating hours convenient to all its customer	4.880	1.448
E20.Excellent banks will have employees who give customers personal attention.	6.520	P20.My bank has employees who give me personal attention.	2.656	3.864
E21.Excellent banks will have their customer's best interest at heart.	6.312	P21.My bank has my best interest at heart	2.760	3.552

E22.The employees of excellent banks will understand the specific needs of their customers.(Ability to understand)	6.272	P22.The employees of my bank understand my specific needs.	1.968	4.304
Total	31.776		15.576	16.200
Average Gap Score[Total of E-P/5]				3.24

The un-weighted score was calculated to normalise the total average score of each dimensions.

**Table 2 :** Un-Weighted Score

	Categories	Gap Score
1	Average gap score for tangibles	2.070
2	Average gap score for Reliability	2.490
3	Average gap score for Responsiveness	2.800
4	Average gap score for Assurance	1.570
5	Average gap score for Empathy	3.240
Total		12.170
Un-weighted score [Average(Total/5)]		2.434

Weights were assigned by the respondents to identify the level of importance given to each dimensions.

**Table 3 :** Assigning Weights

	Dimensions	Weights
1	The appearance of the banks physical facilities, equipments, personnel and communication materials.	20
2	The banks ability to perform the promised service most dependably and accurately.	21
3	The banks willingness to help customers and provide prompt service.	20
4	The knowledge and courtesy of the banks employees and their ability to convey trust and confidence.	19
5	Banks provide caring and individual attention to its customer.	20

Source-based on primary data

The weighted score highlights the area for improvement to satisfy the customers.

**Table 4 :** Weighted Score

Dimensions	Un-weighted score	Weights	=	Weighted score
Tangibles	2.070	0.20		0.414
Reliability	2.490	0.21		0.523
Responsiveness	2.800	0.20		0.560
Assurance	1.570	0.19		0.298
Empathy	3.240	0.20		0.648
Total weighted score				2.443

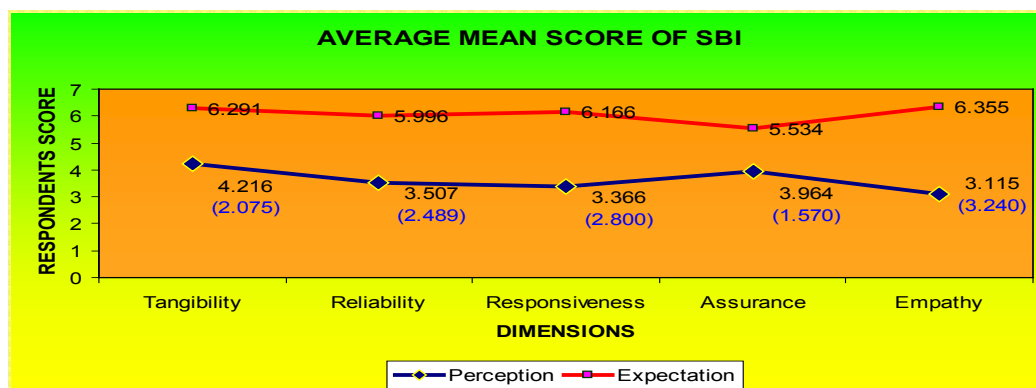


Fig. 2 Average mean score on five dimensions- State Bank of India

An attempt was made to analyze the quality of service provided by the State Bank of India based on customer's expectation and perception. Table 1 and Exhibit .2 reveal that the level of expectation of the customers for five dimensions, namely tangibility, reliability, responsiveness, assurance and empathy are rated between '7' and '5' points, whereas their level of perception

regarding the above five dimensions of service quality fall between '5' and '2' points. This implies that the respondents rated these dimensions between 'agree' and 'partially disagree' for the service rendered by the State Bank of India. Since the gap score is very less in 'Assurance' it reveals that customers are highly satisfied with the security aspects associated with the service. Under the rule of servqual, the larger the gap score is, the more is the dissatisfaction - Parasuraman (1988). 'Empathy' has maximum average gap score of 3.240 which is higher than other four dimensions, implying dissatisfaction of customers. Empathy means the ease of access, approachability and efforts taken to understand customer's requirement. Hence the banker should take adequate measures to pay attention on the above aspects to understand the requirements of the customers and to satisfy its needs.

### IX. Factor Analysis

A 4-factor solution was obtained in the case of State Bank of India and 20 items could be reconfigured into four dimensions, namely Reliability, responsiveness, empathy and tangibility. The factor loading matrix of State Bank of India is presented in Table 5.

Table 5 : Factor loading for customers perception regarding State Bank of India

VARIABLES	COMPONENTS			
	1	2	3	4
Tangibility				
V1. ATM network.	.017	.187	.097	.943
V2. Branch location.	.408	.247	.061	.853
V3. Visually appealing materials.	.519	.323	.023	.740
Reliability:				
V4. Accurate information	.388	.703	.130	.446
V5. Dependable service	.825	.346	.153	.307
V6. Readiness to solve e-banking problems	.474	.586	.124	.075
V7. Effective online facility.	.878	.361	.075	.232
V8. Updated Technology	.900	.242	.045	.218
V9. Protect personal information	.845	.398	.010	.292
Responsiveness:				
V10. Create awareness on e-channels.	.238	.827	.024	.313
V11. Prompt service.	.455	.765	.142	.367
V12. Willingness to help.	.504	.827	.053	.078
V13. Service timing.	.454	.789	.103	.267
Assurance:				
V14. Confidentiality.	.313	.843	.364	.073
V15. Financial security.	.785	.537	.090	.134
V16. Secured website	.788	.537	.082	.130
V17. Knowledgeable employees	.570	.224	.290	.593
Empathy:				
V18. Individual attention.	.035	.744	.546	.274
V19. Convenient operating hours	.401	.087	.850	.050
V20. Personal attention.	.149	.298	.871	.184
V21. My bank has my best interest at heart	.001	.107	.961	.022
V22. Ability to understand customer needs.	.546	.187	.721	.156

Eigen values	6.654	6.117	3.564	3.488
Proportion of total variance	30.246	27.805	16.198	15.85
Cumulative Percentage of variance explained	30.246	58.051	74.250	90.105
V stands for variable				

Variables 5, 7, 8, 9, 15 and 16 combine to define the first factor, which can be labelled as a Reliability factor. Variables 4, 10, 11, 12, 13, 14 and 18 combine to define the second factor, which can be labelled as a Responsiveness factor. The third factor is correlated highly with variables 19, 20, 21, 22 and it can be termed as an Empathy factor. Variables 1, 2 and 3 combine to define the fourth factor, which can be labelled as tangibility. In this study, 70 percent (.7) cumulative variance was chosen as the satisfactory level. The factors identified from the factor analysis thus are listed in Table 6:

Table 6 : Factor Extraction

Factor 1 Reliability	Factor 2 Responsiveness	Factor 3 Empathy	Factor 4 Tangibility
Updated Technology	Confidentiality.	Convenient operating hours	ATM network.
Speed Internet facility	Create awareness on e-channels	Personal attention.	Branch location.
Protect personal information	Willingness to help	My bank has my best interest at heart.	Visually appealing materials.
Dependable service	Service timing	Ability to understand customer needs.	
Secured website	Prompt service		
Financial security	Individual attention		
	Accurate information.		

The first factor, reliability, accounted for 30.246 percent of the total explained variance. This factor was defined by six items and was primarily related with the concept of providing security to customers. The second factor, responsiveness, explained 27.805 percent of the variance, and encompassed seven items, related to the concept of providing prompt service to the customers. The third factor, empathy, explained 16.198 percent of the variance, and was constructed by four scale items, which was primarily associated with the concept of taking effort to understand the customers' requirements. . The fourth factor 'tangibility' explained 15.856 percent of the variance related with the appearance of the physical facilities and the materials associated with the service It reveals that customers are highly satisfied with the variables under reliability factor with largest proportion of 30.246 percent. The over all customer satisfaction towards the service rendered by the State Bank of India regarding the four factors namely reliability, responsiveness, empathy and tangibility stood at 90.105 percent. Thus the high loading indicates that the factor strongly influences the customer satisfaction. The factor loading of more the .07 has high impact on the variables, so it was concluded that the variables which are less than 70 percent need attention for the quality improvement in State Bank of India. Thus the variables under assurance i.e. the security aspects should need more attention by the banker to improve the service quality in State Bank of India.

## X. Conclusion

Service quality should be used as a strategic tool to get a competitive advantage over the competitors. With the increasing levels of globalization of the Indian banking industry, and adoption of universal banks, the competition in the banking industry has intensified. Any where' and 'any time banking now become a reality .Recognition of service quality now acts as a competitive weapon. Analysis of gap score reveals that in State Bank of India 'Empathy' has maximum average score of 3.240 among other four dimensions. The factor analysis clearly indicates that among five dimensions 'Reliability', 'Responsiveness', 'Empathy' and 'Tangibility' are the major factors responsible for customer satisfaction which stood at 90 percent regarding the services provided by State Bank of India. Thus based on the percent level of customer satisfaction, the State Bank of India has scope to improve the quality of the

service rendered to its customers to ensure their loyalty.

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