Application of SERVPERF Model on Private and Public Commercial Banks of Bangladesh

Pronab Kumer Saha

Sylhet International University
E-mail: pronab.saha08@gmail.com

Abstract—*With the increasing emphasis on service quality, the banking industry in Bangladesh is becoming increasingly competitive. The purpose of the study is to compare service quality across private and public commercial banks. In this study five dimensions of service quality are used namely tangibility, reliability, responsiveness, assurance, and empathy based on SERVPERF (Service Performance) model. A sample of 130 customers has been selected using convenient sampling from two public banks (Sonali Bank Limited, and Janata Bank Limited), and two private banks (United Commercial Bank Limited, and EXIM Bank Limited.) in Sylhet city. Statistical Package for Social Science (SPSS 20.0) was used to analyze data set. The data was analyzed by Independent sample t-test. The findings show that quality of service is better in the private commercial banks compared to that in the public commercial banks in Sylhet in all dimensions.*

Keywords: *Commercial bank, Competitive, Service performance, Service quality.*

1. INTRODUCTION

The banking industry not only plays a leading role within the financial system in a country but also has an important socio-economic function. Banks facilitate economic development and it is the objective of the government to build an efficient, effective and a stable banking industry in Bangladesh that will support both the needs of the real economy and the socio-economic objectives of the country. Rising of private commercial banks in Bangladesh create a question to public commercial banks about their service quality.

Bangladesh being a developing economy, its banking sector with a wide geographical reach catering to the needs of a huge clientele offers an excellent scope for research on the issue of customer service quality in banking, and can provide the beacon for the evaluation of effectiveness of banking in developing economies (Siddique et al, 2011)

The efficiency of a banking sector depends upon how best it can deliver services to its target customers. In order to survive in this competitive environment and provide continual customer satisfaction, the banking services providers are required to frequently increase the quality of services (Salma and Shahneaz, 2013a)

In the service industry, successful companies need more than just a competitive advantage in customer service. They need to have unwavering loyalty from their customers. The key to providing superior service is to understand and respond to customer expectations. This is because customers compare perceptions to expectations when judging the quality of a firm's service offering (Parasuraman et al., 1988a).

1.1 Research Question

Are there differences in service quality between private and public banks?

1.2 Objectives of the study

1. To compare the service quality of private and public commercial banks in Sylhet region.

2. To study customer perception on tangibility, reliability, responsiveness, assurance, and empathy in Bangladeshi public and private commercial banks.

3. To make suggestions for improvement of quality of services in public and private commercial banks.

2. LITERATURE REVIEW

2.1. Service Quality

Delivering quality service to customers is a must for success and survival in today's competitive banking environment (Samli and Frohlich, 1992). They also commented that customers are said to compare service perception to service expectations when judging the quality of a service offered by a firm. Hoffman and Bateson (2010) defined service quality as 'an attitude formed by a long term, overall evaluation of a firm's performance. (Lohani and Bhatia, 2012a) mentioned service quality is an indispensable competitive strategy to retain customer base. They also pointed out that as perceptions are always considered relative to expectations may also shift over time from person to person. What is considered quality service or the things that satisfy customer today may be different tomorrow, same is in banking industry. (Parasuraman et al., 1985) mentioned service quality is an abstract and

elusive construct because of three features unique to services: intangibility, inseparability, heterogeity and inseparability of production and consumption. Perceived service quality results from a comparison of consumers' expectations with their perceptions of the service actually delivered by supplier (Kangis and Voukelatos, 1997a). It is difficult for consumers to evaluate the quality of services than the quality of products for its distinctive characteristics (Schiffman et al, 2013). (Shanka, 2012) indicated offering high quality service increase customer satisfaction, which in leads to high level of customer commitment and loyalty. She also commented that service quality has received much attention because of its obvious relationship with costs, financial performance, customer satisfaction, and customer retention.

2.2. Service quality of Public vs. Private Banks

(Salma and Shahneaz, 2013b) concluded that private sector banks are more preferred by majority of the customer as they emphasize more upon relationship building with their clients and better equipped with modern infrastructure as compared to public sector banks.

(Khondakar and Mir, 2011) suggested that state-owned commercial banks had lost their market share and are near to closure because of their poor service quality as perceived by their customers. They also mentioned that private and foreign commercial banks are working in the same social-economic and cultural settings are growing rapidly with higher profits and market share.

Private sector banks seem to have satisfied its customers with good services and they have been successful in retaining their customers by providing better facilities than public sector banks (Khatri and Ahuja, 2010)

Quality expectation and valuation of services received are slightly more in the private sector banks as compared with the public sector banks (Kangis and Voukelatos, 1997b).

(Lohani and Bhatia,2012b) found that in India specially in Lucknow, private bank customers are more committed and satisfied as they receive better quality of service. They suggested that public sector banks should also come forward and try their best to provide better quality service to win back their customers.

(Akhter, 2012) showed that the overall service gap is higher in public commercial banks in comparison to the private commercial banks.

2.3. SERVPERF Scale

Before clarifying SERVPERF, we have to say something about SERVQUAL model.

Parasuraman et al., (1988b) provided a list of ten determinants of service quality as a result of their focus group studies with service providers and customers: access, communication, competence, courtesy, credibility, reliability, responsiveness, security, understanding and tangibles. They proposed SERVQUAL to assess the perception of service quality, with the unequivocal definition of perception of service quality as gaps in the levels of consumers' perception and expectations, as Q=P-E. They then used the five dimensions-tangibles, reliability, responsiveness, assurance and empathy with 44 items-as the basis for their service quality measurement instrument, SERVQUAL (Parasuraman et al., 1988c). They mentioned that the last two dimensions (assurance and empathy) contain items representing seven original dimensions-communication, credibility, security, competence, courtesy, understanding/knowing customers, and access. Now the scale contains 21 perception items that are distributed the five service quality dimensions (Zeithaml et al, 2013).

Cronin and Taylor (1992) were amongst the researchers who leveled maximum criticism on the SERVQUAL scale. They provided empirical evidence across four industries to corroborate the superiority of their 'performance only' instrument over disconfirmation-based on SERVQUAL scale.

The SERVEPERF scale with 22 items is found to be superior not only as the efficient scale but also more efficient in reducing the number of items to be measured by 50 per cent. (Babakus and Boller, 1992; Bolton and Drew, 1991).

2.4. Five Dimensions

(Parasuraman et al., 1988d) suggested the following concise definitions for the five dimensions:

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, individualized attention the firm provides its customers.

2.5. Reliability and Validity of the scale

(Parasuraman et al., 1991) clarified broadly the reliability and validity of the scale.

Andronikidis and Bellou (2010); Cohen et al (2006); Jain and Gupta, (2004), recognized the validity, reliability, methodological soundness of the SERVPERF scale.

3. METHODOLOGY

3.1. Sources of Data: Primary and secondary.

3.2. Sampling method: Convenient Sampling.

3.3. Sample Size: 130 samples.

3.4. Data Collection method: A structured questionnaire was used for collecting data through personal interview with clients of two private banks (United Commercial Bank Limited and EXIM Bank Limited), and two public banks (Sonali Bank Limited, and Janata Bank Limited) in Sylhet City based on SERVPERF model, consisting two parts, Part A, demographic information of respondents such as name, gender, age, occupation, income, education, and Part B, twenty two items (four items in tangible dimensions, five items in reliability dimension, four items in reliability dimension, four items in assurance dimension, and five items in empathy dimension) were designed in five- point Likert Scale ranging from strongly disagree= 1 to strongly agree=5.

3.5. Data Analysis: Microsoft office & Statistical Package for Social Science (SPSS) 20. package was used to analyze the data set. A frequency distribution was used to describe the sample. The mean and standard deviations of the attributes were also computed. Finally, The Independent sample t-test was used to analyze data.

3.6. Hypotheses:

The following hypotheses are framed in tune with the objectives:

H1: There is no significant difference between the private banks and the public banks in terms of Tangibility dimension.

H2: There is no significant difference between the private banks and the public banks in terms of Reliability dimension.

H3: There is no significant difference between the private banks and the public banks in terms of Responsiveness dimension.

H4: There is no significant difference between the private banks and the public banks in terms of Assurance dimension.

H5: There is no significant difference between the private banks and the public banks in terms of Empathy dimension.

4. ANALYSIS AND FINDINGS:

The results of Table 1 provide data on demographic characteristics of the respondents. It includes variables like age, gender, income, occupation, and educational qualifications.

Table 1: Demographic Profile

		Group	
		Public	Private
gender	Male	36	45
	Female	29	20
age	Upto 20	6	3
	21-30	40	47
	31-40	7	11
	41-50	1	4
	Above 50	11	0
education	Upto Class Ten	2	6
	SSC	5	7
	HSC	8	8
	Graduate	36	24
	Post Graduate	14	18
	Others	0	2
occupation	Business	6	5
	Professional	4	11
	Student	41	33
	Retired	11	0
	Homemaker	3	4
	others	0	12
income	Less than 20000	41	39
	21000-30000	7	16
	31000-40000	0	6
	41000-50000	1	4
	Above 50000	1	0

Table 2 shows the summary statistics of the analysis i.e mean, Standard deviation etc. for the five dimensions of service quality of both types of banks. Mean scores of private banks are higher in all dimensions than public banks.

Table 2: Summary Statistics

Variable	Group	N	Mean	Std. Dev	Std. Error Mean
Tangibility	Public	65	2.88	.58	.07
	Private	65	4.38	.57	.07023
Reliability	Public	65	3.46	.56	.06946
	Private	65	4.17	.56	.06895
Responsiveness	Public	65	3.07	.68	.08434
	Private	65	4.14	.62	.07732
Assurance	Public	65	3.56	.54	.06641
	Private	65	4.05	.61	.07540
Empathy	Public	65	3.19	.74	.09180
	Private	65	4.16	.61	.07513

According to Table 3, we found that there is significant difference between public and private banks in tangibility, reliability, responsiveness, assurance, and empathy (p< 0.05).

All dimensions (tangibility, reliability, responsiveness, assurance, and empathy) are significantly higher in private banks.

So result for hypotheses can be shown in Table 4.

Table 3: Independent Samples t-Test

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
Tangibility	Equal variances assumed	2.38	.125	-14.90	128	.000
	Equal variances not assumed			-14.90	127.96	.000

Relia bility	Equal variances assumed	.34	.562	-7.27	128	.000
	Equal variances not assumed			-7.27	128	.000
Resp onsiv eness	Equal variances assumed	1.095	.297	-9.35	128	.000
	Equal variances not assumed			-9.35	127.046	.000
Assu rance	Equal variances assumed	.000	.995	-4.90	128	.000
	Equal variances not assumed			-4.90	125.99	.000
Emp athy	Equal variances assumed	7.002	.009	-8.15	128	.000
	Equal variances not assumed			-8.15	123.18	.000

Table 4: Result for Hypotheses

Hypothesis	Description	Result
H1	There is no significant difference between the private banks and the public banks in terms of Tangibility dimension.	Rejected
H2	There is no significant difference between the private banks and the public banks in terms of Reliability dimension.	Rejected
H3	There is no significant difference between the private banks and the public banks in terms of Responsiveness dimension.	Rejected
H4	There is no significant difference between the private banks and the public banks in terms of Assurance dimension.	Rejected
H5	There is no significant difference between the private banks and the public banks in terms of Empathy dimension.	Rejected

5. CONCLUSIONS AND IMPLICATIONS

In 21st century customer satisfaction is of paramount importance for any organization. Customer satisfaction for any organizations like bank is crucial to sustain long term and for that bankers should work towards providing hundred percent service quality. The study shows that public banks should improve in all dimensions. To survive in today's competition public banks must change their physical environment (lucrative interior and material, modern equipment, air-conditioning, and dress code for employees). Online appointment system can be taken that means before coming to bank premises customer will inform the bank and bank will inform them time and date of providing services. Promotional activities should be taken to inform customer that transaction with the banks are safe and funds are invested in low risk sectors. Proper training and mentoring are to be provided to the employees of public banks. (Hartline and Ferrell, 1996) suggested managers must increase employees' self-efficacy and job satisfaction, and reduce employees' role conflict and ambiguity to increase customers' perceptions of service quality. Lovelock et al (2006) opined that if a firm wants to retain customer they are required to provide better services to their customers by quality improvement programs and should continuously enhance benefits desired by the customers. So public banks must monitor service performance both themselves and competitors on regular basis. Internal marketing has to be adopted. Private Banks may also work for providing hundred percent service performances to customers to delight them which will create positive word-of-mouth among actual as well as potential customers.

6. LIMITATION OF THE STUDY

Although the research findings provide some new insights to the researcher, these findings should be viewed in light of some limitations. 130 samples from four banks may not be large enough to represent accurately the whole populations' attitude towards customer satisfaction in the service quality provided by all private and public commercial banks in Sylhet. The study is confined to the only two private, and two public commercial banks in Sylhet city, Bangladesh. So the future researchers are suggested to remember the limitations of the study in further research in this area.

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