Service quality of Banking sectors in Morang district of Nepal

Dr. Asharam Majhi, Dept. of Management,

Mahendra Morang Adarsha Multiple Campus, Biratnagar

asharam.majhi@mmamc.tu.edu.np

Abstract

This paper assesses the service quality in banking sectors in Morang district of Nepal based on different levels of customers' perception regarding service quality. Today customers' expectation are rising competitively due to many players are in the ground. Customer is the first rating group in the Nepalese banking Sectors.

Keywords: Service quality, customers, banking

Introduction

Banking Services are critically significant to the economy of a country, as they contribute to its Gross Domestic Product (GDP) and for increasing employment opportunities. Surviving in a competitive business environment, service firms are required to focus on their basic clients' needs. Nowadays many banks began to give values to customer's relationship compared to the date of seventies and eighties *(Joshua et al., 2005; Koushiki Choudhury, 2007*). In a deregulated market situation, customers' expectation keeps rising, as they look for more convenient and flexible option from the players. This study has been conducted in Morang District. The massive migration of educated youths, students and job holders from here to Siraha and Sapatari districts in the last five years has made the district extremely rich and wider, especially covered to Biratnagar city. For every 100 households, there are 44.3 emigrants. The emigrants are highly qualified and skilled, earning good incomes from out station of this district and abroad.. Remittance and agriculture is the primary source of income in this district. As of 2009, the deposits in banks for Morang and around are estimated to be 5,400 Crore. So their expectations and perceptions are more reliable than the others for evaluating service quality of retail banking *(Zeithaml, 1988; Sudesh, 2007 and Dharmalingam and Kannan, 2011).*

Review of Literature

According to *Parasuraman et al. (1988:23) and Mudie & Cottam (1999:86),* Reliability is the extent to which service provider can perform the service dependably and accurately. This dimension is vital for clients using banking, transport and delivery services

Responsiveness. The willingness to help clients and to provide prompt service refers to the responsiveness dimension of a service provider. This dimension is particularly important when clients have requests, questions, complaints and problems surrounding the service. And Assurance refers to employees' knowledge and courtesy and the service's ability to inspire trust and confidence in the clients Empathy The caring, individualized attention from a service provider to its clients refers to its empathy. Clients of service providers, both small and large service firms, require personalized attention. Furthermore, the tangibles of a service firm include the appearance of the physical facilities, equipment, employees and communication materials. These tangibles project the image of the service firm to clients and are specifically key where the physical presence of the client at the service firm is necessary for the purchasing of the service.

Aims

This study assesses the quality of service in the selected sampled commercial Banks in *Motang District* and also discovers the gap between customer expectation and perception in public and private sector commercial banks so as to suggest the measures to improve the quality of banking service.

Strategies

This is an analytical study based on the primary info collected on a convenient basis with a survey questionnaire. The questionnaire has been personally administered with a sample size of 120, taken from the customers of three banks i.e. *State Bank of India, Standard Chartered Bank, and, Nepal Rastriya Banijaya Bank.* The respondents are asked to rate their expectations and perceptions of service offered by the respective banks. A seven point *Likert scale* is used. Generally, service quality is viewed as a multidimensional concept, as clients assess and evaluate a variety of dimensions when considering the services of a service firm. Research by *Parasuraman et al. (1985)* has revealed that, regardless of the type of service, consumers basically use similar criteria in evaluating service quality. These criteria fall into ten key categories, labelled "service quality determinants". These dimensions are: reliability; responsiveness; competence; access; courtesy; communication; credibility; security; understanding; and tangibles' service quality model, namely SERVQUAL, was developed *Parasuruman et al., (1988).* The ten service quality dimensions and their descriptions served as the basic structure of the service-quality domain, from which items were derived for the SERVQUAL scale. In this model, 22 items are used to measure the ten service quality dimensions, in order to determine perceived service quality. Further research has reduced these ten dimensions to five dimensions *(Parasuraman et al., 1988)*, namely reliability; responsiveness; assurance; empathy; and tangibles. Each of these dimensions is explained in respective Annexes. First, the only three banks number of financial banks has been covered under the study. The sample size is limited to 120 and it may affect the accuracy of findings. The respondents' sample has been limited to only Morang district of Nepal.

Results

The sample size of the customer profile is 120. Among the 120 samples collected in 3 different age groups below 30 (18.33%); between 40-50 (50%) and above 50 (31.67%) in the different 22, 60. And 28 frequencies. The customers have been classified as based on SLC Up to 53.3%; Graduate and PG 50%, and professional 31.67% that appear lower qualification has been highly prioritized for banking quality service. The gender composition of the sampled customers' profile is of male (53.33%) and female (46.6%). It proves that the principle of inclusiveness of woman in this sector has been appreciating. The sample customers' occupation is of Business (18.33%), salaried (20%), students (11.67%), retired (21.67%) and house wife (28.33%).

Gap analysis score (from 0.3 to 1.3) has been ranged. There are the certain dimensional attributes have shown the highest scores as like Tangibles (Modern Equipment); Reliability (Banks promise to do something by a certain time); Responsiveness (Prompt service to customers); Assurance (Knowledge to answer customers' questions); and Empathy (customers individual attention).There exist highest gap between customer expectations and perceptions of bank services in these attributes in different dimensions. This indicates that the customers are not satisfied with the service in terms of these attributes. Hence it has further observed that the added gaps are also identified in the empathy and reliability dimensions. Whereas the attributes having the lowest scores are on Tangibles (Employees appearance 0.3%), Reliability (Error free records 0.6%), Responsiveness (willing to help customers 0.4%), Assurance (instill confidence in customers 0.6%), and Empathy (Customers' best interest at heart 0.7%). As such there also exist lowest gap between customer expectations and perceptions of bank services in these attributes. This indicates that the customers are satisfied with the service in terms of these attributes. Hence it has been observed that the fewer gaps are identified in tangibles and responsiveness.

Discussion

The Gap analysis of service quality of sampled banks reveals the empathy factor with higher gaps between customer expectations and perceptions. Individual attention and personal care are showing extended gap among the four variables in empathy. Error free records are showing the highest gap among the reliability factors. Prompt service to customers has the highest gap among the responsiveness factors and it is the second largest dimension. Knowledge to answer customers' questions is having bigger gap in the Assurance factors. Employee's appearance shows the least gap among the entire factors. Computerization and modernization in the proposed banks can reduce the gap of tangible factors.

Recommendations

Empathy factors are closely connected to the employees' attitudes so as to conduct various training programs in customer relations are highly suggested. Whereas majority of the customers are aged, old and job holding parents and they need individual and personal attention in their banking services. Responsiveness is another significant area that the

customers' need attention. Knowledge to answer on customers' questions is another key demand of the customers and it can facilitate up to 'May I Help You' desk. The knowledge with ability of bank employees with regard to banking products, services, policies and/or procedures and the attitude of bank employees in each banking branch should be positively adapted in order to ensure high service quality.

Conclusion

Customer is of the new rating group in the Nepalese banking sector. In a deregulated environment, their expectations are to keep in rising as they expect more suitable and flexible option available to them at competitive rates in front of many players operating in the field. According to the study; Knowledge, ability and attitude of the employees are the key elements providing quality services to the bank customers. Hence the banks should be more concern on these elements and also should ensure individual and personal attention to its customers effectively, efficiently and economically.

References

Dharmalingam. S and K.V. Kannan. (2011). Customer perception on service quality of new private sector banks in Tamilnadu - an empirical study, Sri Krishna International Research & Educational Consortium *http://www.skirec.com, The Journal of Sri Krishna Research & Educational Consortium. 1(5): 10-15.*

Joshua A J, Moli, V and P. Koshi. 2005. "Expectation and perception of service quality in old and new generation banks", *Indian Journal of Marketing,* 37(3): 18.

Koushiki Choudhury. (2007). Service qualith and GAP analysis. *Journal of Asia-Pacific Business,* 8(4): 21–38.

Mudie, P and A. Cottam. (1999). *The Management and Marketing of Services.* 2nd edition. Oxford: Butterworth-Heinemann

Parasuraman, A., Zeithamal, V.A and L.L. Berry. (1988). "SERVQUAL: A Multiple- Item Scale for Measuring Consumer Perceptions of Service quality." *Journal of retailing,* 64(1):12-37.

Parasuraman, A., Zeithaml, V.A and L.L. Berry. (1985). "A conceptual model of service quality and its implications for future research." *Journal of Marketing,* 49: 41-50

Rust, R.T and R.L. Oliver. (1994). *Service Quality: New Directions in Theory and Practice.* Sage Publications , Thousand Oaks. Sandip Ghosh Hazra and Kailash

Srivastava, B.L. (2009). "Impact of service quality on customer loyalty, commitment and trust in the Indian banking sector" ICFAI. *Journal of Marketing Management,* 3(&4): 75-95.