Chapter 18
Measuring Service Quality of Commercial Banks in an Underdeveloped Economy: A Study in Assam of North East India

M. P. Bezbaruah
Gauhati University, India

Basanta Kalita
Tezpur College, India

ABSTRACT

In the post-reform era, quality delivery of the services has acquired centre point of the service industry around the globe. The banking sector being purely a service-related industry has been influenced more by the issue of providing quality service. With the entry of private banks, the banking sector has gone through many transformations including the way services are extended. In a backward state like Assam, this has arrived a little late, but the changes are gradually visible. The chapter captures the service quality standard of the Scheduled Commercial Banks (SCBs) and also for the different bank groups in order to make a comparison. The SERVPERF scale is used to study the replies of the customers in two cities, Guwahati and Tezpur, and some econometric tools are used to analyse the data. The study reveals that the private sector banks are far ahead of the public sector banks in terms of quality of service. The private banks influence the service quality of the SCBs the most among all the bank groups. Overall, the public sector banks, which are the dominant market players, will have to work hard to catch the level of the private banks.

1. INTRODUCTION

In today’s globalised world of fierce competition, providing a quality service to the customers is the key for existence and success of any business. Service quality or quality of service is said to be a function of three variables, viz., expectation, perception and performance. The earlier literatures have defined service quality as a comparison of what a customer feels a service provider should offer (customer’s expectation) with how the provider actually performs and service quality is a measure
of how well the service level delivered matches customer expectation (Sudhahar & Selvam, 2007). Wisner and Corney (2001) have defined service quality as a global judgment on attitude, relating to the superiority of service. Delivering a quality service means satisfying customer expectations on a continuous basis.

The concept of service quality has been very extensively studied during the last thirty years. Several models have also been developed to measure the service quality across the different service segments. Parasuraman, Zaitlam, and Berry (1985, 1988) have conducted the most famous study on the service quality measurement model which leads to the development of the SERVQUAL scale. They have identified ten determinants or dimensions of service quality which characterise the perception of service quality of a customer. The technique can be used for performing a gap analysis of an organisation’s service quality performance against customer’s service quality needs. Cronin and Taylor (1992) have developed a new model to measure service quality called SERVPERF scale. Their conceptualisation of service quality model is based on the performance component only and has discarded the disconfirmation paradigm containing the expectations component used by the SERVQUAL scale. They have also supported their works by empirical evidence across four industries. Being a variant of SERVQUAL scale, the SERVPERF scale also uses the same five service quality dimensions. But since it is a single item based model, it has able to reduce the number of variables by 50 percent to 22 only. But the SERVQUAL method has failed to adapt and validate in a retail store environment (Dabholkar et al., 1996). It was argued that the dimensional settings of a retail store are different from that of a pure service industry. A new model called Retail Service Quality Scale (RSQS) was developed using qualitative as well as quantitative research methods. They have viewed retail service quality as a higher order factor and used five primary dimensions, i.e., physical aspects, reliability, personal interaction, problem solving and policy. The five dimensions have six sub dimensions as well, viz., appearance, convenience, promises, doing it right, inspiring confidence and courteous. Sharma and Mehta (2004) have made a comparative study about the quality perception of customers among commercial banks. They have included four major commercial banks in India which are State Bank of India (SBI), Corporation Bank, Axis Bank (formerly known as UTI Bank) and Jammu and Kashmir Bank using SERVQUAL scale. The study has shown that there is a difference in the service quality perception of customers of private sector banks and the public sector banks. The results indicate that on the tangibility dimension Axis Bank topped the list followed by SBI, Corporation Bank and J & K Bank. Public sector banks score over the private sector banks in case of the reliability dimension. Corporation Banks tops the group in responsiveness dimension over the other three banks. Corporation Bank again is the topper regarding the empathy dimension followed by the Axis, SBI and J & K Bank. The results have also brought in to light that the public sector banks are ahead of the private sector banks in case of assurance dimension. Bhat (2005) has made a study about the service quality of Indian banks and service quality variations across the demographic variables. The study covers four North Indian states of Jammu and Kashmir, Punjab, Haryana and Delhi and is restricted to five banks such as State Bank of India (SBI), Punjab National Bank (PNB), Jammu & Kashmir Bank (J & K Bank), CITI Bank and Standard Chartered Grindlays Bank (SCGB) using the SERVQUAL method. The results prove that the foreign banks are relatively closer to the expectations of their customers compared to the Indian domestic banks. He has also marked that the poor service quality among the domestic banks is because of the deficiency in tangibility and responsiveness. Further, the service quality of Indian banks as perceived by the customers varies with the level of income whereas these variations are less among the cus-
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