

# ServQual Parameters of Financial Institutions in Nanded District

Mudholkar Gajanan Panditrao

**Abstract:** *The customer satisfaction is very important parameter while studying marketing strategies. The customers are said to be satisfied if their needs, want and desires are fulfilled by the product. Hence this customer satisfaction leads to customer loyalty, customer retention and customer relationship management. The customer satisfaction is measured through linear or multiple regression through relative importance of each variable is understood in banks and NBFCs in Nanded district. For this purpose a sample has been drawn from managers, employees and customers of banks and non-banking financial companies respectively.*

**Keywords :** Customer satisfaction, Banking, NBFC.

## I. INTRODUCTION

Service sector is booming in recent decades due to increasing demand, changing taste, need and preferences of the customer. The information and communication technology uplifted the growth of service sector. The services that are growing include banking services, hospital services, educational services, hotel service, tourism services and many more. The economical development of a country mostly depends on the sector whose returns are more, which generate more employability and give increase the per capita income. The financial services sector is pivotal as it deals with borrowing and lending of money, the monetary requirement of all kinds of organization. Hence the economic development of a country depends on financial services as one of the key success factor.

India's services sector has emerged as a prominent sector in terms of its contribution to national and state incomes, trade flows, FDI inflows and employment. For more than a decade the sector has been pulling up the growth of Indian economy with great stability. The share of services in India's GDP at factor cost (at current prices) increased from 33.3% (1950-1951) to 56.5% in 2012-13, as per advance estimates. Including construction, this would increase to 64.8%. With 18%, trade, hotels and restaurants are the largest contributors to GDP among the various sub sectors. This is followed by financing, insurance, real estate and business services with 16.6% share. Community, social, and personal services with 14% share

stand in the third place. This is followed by construction at fourth place with 8.2% share.

The most widely accepted definition of service quality was given by Parsuraman et al., (1988) who defined it as the perception of the superiority of the service offered by the provider. They developed the well-known service-quality measuring instrument called SERVQUAL wherein service quality is a function of the difference in scores or the gaps between customer expectations and perceptions in terms of five dimensions (reliability, assurance, tangibles, empathy, responsiveness). Though the SERVQUAL instrument has been proven valid and reliable across a large range of service contexts, it has been subject to significant criticism as various empirical studies have failed to confirm the five dimensions of service quality (Badri et al., 2005; Carman, 1990; Mels et al., 1997). Research studies have also raised conceptual, methodological, analytical, and practical issues (Angur et al., 1999; Cronin and Taylor, 1992; Newman, 2001; Teas, 1994) and the validity of the instrument has been questioned as the 'perception- only' approach SERVPERF (Cronin and Taylor, 1992; Zeithmal et al., 1996) has been found superior when evaluating its causal effect (Cronin et al., 2000). Researchers now agree that the number and composition of the service quality dimensions are dependent on the service and cultural context (Carman, 1990) and suggest that the best approach is to develop a scale adapted to the context.

## II. OBJECTIVES OF THE STUDY

The objectives of the research are as follows

- i) To measure the Service Quality Dimensions of Banks and NBFCs in Nanded district.
- ii) To understand the service quality of customized banking solutions of Banking and NBFCs in Nanded district.
- iii) To segregate different service quality items of Banks and NBFCs in Nanded District.
- iv) To analyze the grievance handling mechanism of banks and NBFCs in Nanded district.

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### III. HYPOTHESIS OF THE STUDY

The Hypotheses of the research are as follows

- i) There is no significant difference in Customized banking solutions of Banks and NBFCs in Nanded district.
- ii) The different service quality items of Banks and NBFCs in Nanded District are similar in its nature.
- iii) The grievance handling mechanism of banks and NBFCs in Nanded district are equally strong.

### IV. REVIEW OF LITERATURE

Turnbull, Peter W and Demades, Maria (1995) carried out the investigation on Marketing Bank Services to Corporate Clients. This paper examines important issues regarding the marketing of financial services to corporate customers in Cyprus, where growing competition and government policy have created major challenges for existing banks. A key competitive issue is the way banks manage their existing customer relationships whilst developing their "product" range and service quality to meet increasingly sophisticated and demanding corporate clients. The relationship marketing approach forms the central theoretical perspective on which the empirical work was based. In-depth interviews with the major banks and a sample of medium-sized Cypriot companies were conducted to determine the nature of bank usage and buying behavior, as well as perceptions of service quality among respondent companies. Interesting differences emerge in the research findings regarding the importance of various banks evaluation criteria as perceived by bank executives on the one hand and by corporate financial decision makers on the other. The research also identifies significant differences between clients' expectations and perceptions of bank performance on a number of service quality dimensions. These findings have a number of managerial implications which are discussed in the conclusions.

Prasanta Kumar Padhy and Biranchi Narayan Swar (2009), carried out the research work on the Study on Customer Satisfaction & Service Gaps in Selected Private, Public & Foreign Banks. This paper examines the salient features of service quality, GAPS Model, SERVQUAL. Each model represents a different approach to quality improvement. The primary aims are to enhance understanding of "service quality" and to identify models that managers in the service industry can employ to improve quality. Also will examine the applicability of alternative measures of service quality in the developing economy of India and assesses related issues in that context.

In a service organization, customer satisfaction is created through marketing mix: 4Ps, viz.,

product, price, place and promotion; expanded 3Ps, viz., people, process and physical evidence (Zeithaml and Bitner, 2003; and Neilson and Chadha, 2008); and service quality dimensions, viz., reliability, responsiveness, assurance, empathy and tangibility (Levesque and McDougall, 1996; Yavas et al., 1997; Bloemer et al., 1998; Wang et al., 2003; Zeithaml and Bitner, 2003; Arasli et al., 2005; and Cristobal et al., 2007).

V.Krishna Chaitanya (2005) studied the metamorphosis of marketing financial services in India. The Financial Service industry in India has grown tremendously particularly after eighties. Number of new services and products like credit cards, ATMs, consumer finance, mutual funds, dematerialization, factoring, securitization, credit rating, leasing, investment banking, forfeiting, have become a norm since then. The driving forces behind this development are liberalization, economic reforms and deregulations, economic changes and rapid developments in capital markets. All these factors provided a greater freedom to private sector to become more competitive, productive, effective and efficient. The customers have become more demanding and prefer innovative products and quality services at faster speed from the companies.

The service quality model developed by Zeithamal, Parsuraman and Berry (1988) has been used in the present study.

Sungjoon Nam, Puneet Manchanda and Pradeep K. Chintagunta (2007), analyzed The Effects of Service Quality and Word of Mouth on Customer Acquisition, Retention and Usage. This paper documents the existence of the direct and indirect (via word-of-mouth) effects of service quality on new customer acquisition, usage and retention using behavioral data from the launch of a new video on demand type service. For this technology, service quality - the quality of the signal determining the number of movies available for viewing - is exogenously determined and objectively measured. This information, coupled with location and neighborhood information for each subscriber allows researchers to measure both the direct and indirect effects of service quality. Their identification strategy for these effects arises from both the main effect of neighbors who have previously adopted and the interaction between the number of neighbors and their realized service quality, while controlling for other geographic and demographic covariates.

## V. RESEARCH METHODOLOGY

Table 1. Research Design

Sr.No.	Parameter	Description
1	Type of Research	Ex Post Facto Descriptive Research
2	Nature of Research	Quantitative
3	Research Instrument	Structured questionnaire, observation and interview
4	Dependent Variable	Type of Financial Companies
5	Independent Variables	7Ps of Marketing, CRM, ServQual and Customer Satisfaction
6	Control over Variables	No Control- Ex Post Facto
7	Survey Period	November 2010 to December 2012
8	Type of Products	Financial Products
9	Methods of Data Collection	Sample Survey Method through Interrogation
10	Universe	Nanded District Financial Companies
11	Population	All organized financial service providers, manager, employees and Customers Nanded District
12	Sampling Frame	Banking Companies and NBFCs equally
13	Sample Elements	Customers, Managers and Employees
14	Sample Size Determination	Using Mean and Proportionate Sampling Formula
15	Calculated Sample Size	386 Customers, 70 Managers and 140 Employees
16	Net Responses	376 Customers, 67 Managers and 136 Employees
17	Response Rate	97.40% for Customers, 95.71 % for Managers and 97.14% for Employees
18	Rejection Rate	2.60% for Customers, 4.29 % for Managers and 2.86% for Employees
19	Sampling Method	Multilevel Non Probability Convenient Sampling and Proportionate Stratified Sampling
20	Sources of Data Collection	Primary and Secondary sources
21	Primary Sources	Structured questionnaire, observation, interview and field survey
22	Secondary sources	Journals, Articles, Magazines, Digital library, e resource database ebsco, pro-quest, open j gate, emerald, science-direct, Harvard Business Review case study, articles and and many other published data
23	Measurement Scales used	Nominal, ordinal and interval scale
24	Questions Types	Dichotomous, open ended, multiple responses, ranking and differential scales
25	Rating Scales Used	Likert Scale
26	Data Interpretation	Through graphs, descriptive statistics and inferential statistics
27	Statistical Tools	Z test, chi square, ANOVA, factor analysis and multiple regression and descriptive statistical tools and parametric and non parametric statistical tests
28	Statistical Software Package	Ms Excel 2010 and SPSS 20

**VI. DATA ANALYSIS AND INTERPRETATION**

It deals with various aspects of marketing activities adopted by banks and NBFCs in Nanded district. The representative bank selected for the study purpose was State Bank of India and the representative NBFCs includes LIC, other private life insurance companies & all general insurance companies. The data is collected from Customers, Managers and Employees of financial companies. This was quantified by using the formula of sample size using mean and proportion method to 386 customers. The Proportion was made 1:2:10 among the Managers, Employees and Customers as 35, 70 and 386 approximately. The sample size is divided into two equal parts for comparison purpose as 35 for Bank Managers and 35 NBFC Managers, 70 for Bank Employees and 70 for NBFC employees and 193 respondents from Bank Customers and 193 from NBFC Customers.

The sound responses were selected from the respondents without mistakes. Hence from 67, 137 and 376 responses from Managers, Employees and Customers were processed for research study.

**Factor analysis for Service Quality Perceptions of Banks and NBFCs**

The factor analysis is used to check the service quality perceptions of Banks and NBFCs. The total correlation is used to check the consistency of all items in the questionnaire regarding factor analysis. The factor analysis is used for data reduction in this service quality comparison.

The Reliability of Factor analysis is checked with the help of Cronbach's alpha with total 25 variables of factor analysis as

Cronbachs' alpha	Number of Items
0.843	25

As the Cronbachs' alpha is 0.843, then the collected data is reliable and valid for further processing.

The consistency of all the variables is examined through item to total correlation. The calculated value was compared to the standard value (0.20451). If the calculated value is less than the standard value then that variable will be cancelled or omitted and is inconsistent. If calculated correlation value is greater than the standard value then variable is consistent and included.

Following table represents the consistency through Variable to Total Correlation as

Table 3. Total Correlation representing Consistency

Sr. No.	Variable	Correlation	Consistency	Retained or Rejected
1	Willingness to discuss the problem	0.7643	Consistent	Retained
2	Bank employees know need of the customers	0.6845	Consistent	Retained
3	Knowledge of employee about their product	0.6312	Consistent	Retained
4	No error in Informing about transaction	0.6124	Consistent	Retained
5	Speed of Clearance Facility	0.7462	Consistent	Retained
6	Large Branch network	0.5845	Consistent	Retained
7	Collaboration of branch networks	0.5723	Consistent	Retained
8	No need to visit bank or NBFC many times for a particular problem	0.4985	Consistent	Retained
9	Employees are well dressed	0.7315	Consistent	Retained
10	Internet Banking Facility is Good	0.7642	Consistent	Retained
11	Commission charges are high	0.7124	Consistent	Retained
12	Deposit rate of interest is high	0.6945	Consistent	Retained
13	Loan Rate of interest are low	0.6485	Consistent	Retained
14	Information of new schemes are given timely	0.6712	Consistent	Retained
15	Attitude of staff is good	0.6347	Consistent	Retained
16	Loan Documentation Process is too long	0.6594	Consistent	Retained
17	Proper Parking Facility	0.6974	Consistent	Retained
18	Availability of Vouchers	0.7946	Consistent	Retained
19	sufficient waiting space	0.7145	Consistent	Retained
20	My call is transferred to knowledgeable person	0.7342	Consistent	Retained
21	Service representative is very courteous	0.7612	Consistent	Retained
22	Satisfaction with getting your questions solved	0.4987	Consistent	Retained
23	waiting time of question is satisfactory	0.6945	Consistent	Retained



24	Satisfaction with recent experience	0.6758	Consistent	Retained
25	Overall satisfaction with service	0.6485	Consistent	Retained

Source: Field Survey and SPSS output

KMO and Bartlett's test is used to check the sampling adequacy that whether the sampling is adequate to perform the factor analysis or not as follows

Table 3. KMO and Bartlett's Test

Kaiser-Meyer-Oklín Measure of Sampling Adequacy		0.794
Bartlett's Test of Sphericity	Approx. Chi-Square	2743.694
	Df	374
	Signi.	0.00

This shows that the KMO value is 0.794, greater than 0.5, and p value of Bartlett's test is 0.00 less than 0.05, hence shows the sampling is adequate to perform the factor analysis factor analysis can be undertaken using this dataset.

Table 4. Factor Analysis for Service Quality Perceptions

Factors	Eigen Values		Reliability of Factors	Variable union	Loadings
	Total	% of Variances			
1. Customized Banking solutions	6.3847	35.487	0.795	3. Knowledge of employee about their product.	0.864
				1. Willingness to discuss the problem.	0.843
				6. Large Branch network	0.7945
				4. No error in informing about transactions	0.7564
				2. Employees know need of the customers	0.7458
				7. Collaboration of branch networks	0.7149
				5. Speed of Clearance Facility	0.6341
2. Customer Satisfaction	3.453	18.426	0.713	23. Waiting Time of Question is satisfactory	0.846
				21. Service Representative is courteous	0.813
				24. Satisfaction with recent experience	0.648
				19. Sufficient Waiting Space	0.594
				15. Attitude of Staff	0.563
3. Facilities	2.673	11.276	0.706	22. Satisfaction with getting your questions solved	0.8162
				10. Internet Baking facility	0.8047
				09. Employees are well dressed	0.7648
				18. Availability of Vouchers	0.7382
				12. High rate of interest	0.6487
4. Policies	2.369	8.374	0.698	20. My call is transferred to Knowledgeable person	0.8015
				11. Commission Charges are high	0.7345
				13. Loan rate of interest are low	0.7092



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5. Satisfaction with	2.146	6.487	0.663	25. overall satisfaction with service 14. timely information of new schemes	0.8467 0.5944
6. Grievance Handling	2.048	5.467		08. No need to visit many times for a problem	0.7549
7. Other facilities	1.846	4.732		17. Proper parking facility 16. Loan documentation procedure	0.7342 0.6483

Source: Field Survey and SPSS output

The vari max rotation was used to carry out the exploratory factor analysis. After factor analysis, various factors were identified which include Customized Banking solutions, Customer Satisfaction, Facilities, Policies, Satisfaction with services, Grievance Handling and other facilities. These 25

independent variables are reduced and united to 7 factors which describe service quality parameters.

Table 5. Comparing Factors affecting Service Quality of banks & NBFCs

Sr.No. Factors	Hypothesis	Mean	Z value	Calculated p value	Decision
1. Customized Banking solutions	$H_{01}, X_1=X_2$ $X_1=$ Banks $X_2=$ NBFCs	$X_1= 4.252$ $X_2= 4.984$	4.1578 > 1.96	0.025 < 0.05	Rejected, Significant difference
2. Customer Satisfaction	$H_{02}, X_1=X_2$	$X_1= 5.8234$ $X_2= 3.4691$	7.4921 > 1.96	0.016 < 0.05	Rejected, Significant difference
3. Facilities	$H_{03}, X_1=X_2$	$X_1= 4.8167$ $X_2= 3.6478$	5.248 > 1.96	0.038 < 0.05	Rejected, Significant difference
4. Policies	$H_{04}, X_1=X_2$	$X_1= 5.854$ $X_2= 5.7821$	1.3921 < 1.96	0.096 > 0.05	Retained, insignificant difference
5. Satisfaction with services	$H_{05}, X_1=X_2$	$X_1= 4.823$ $X_2= 4.691$	6.428 > 1.96	0.024 < 0.05	Rejected Significant difference
6. Grievance Handling	$H_{06}, X_1=X_2$	$X_1= 4.263$ $X_2= 4.391$	1.452 < 1.96	0.064 > 0.05	Retained, insignificant difference
7. Other services	$H_{07}, X_1=X_2$	$X_1= 4.642$ $X_2= 3.491$	1.52 < 1.96	0.094 > 0.05	Retained, insignificant difference

Source: Field Survey and SPSS output

From the above tables, it is observed that there is significant difference among customized banking solutions, customer satisfaction, Facilities, satisfaction with services in banks and NBFCs whereas Policies, Grievance handling and other services are having insignificant difference means the Policies, Grievance handling and other services may be same somehow.

## VII. FINDINGS, CONCLUSIONS AND SUGGESTIONS

### a) Findings

i) The Knowledge of employee about their product, Willingness to discuss the problem, Large Branch network, No error in informing about transactions, Employees know need of the customers, Collaboration of branch networks, Speed of Clearance Facility are factorized into one factor, Customized Banking Solutions.

ii) The Customers are satisfied with The Waiting Time of Question is satisfactory, Service Representative is courteous, Satisfaction with recent experience, Sufficient Waiting Space and Attitude of Staff.

iii) The facilities like Satisfaction with getting your questions solved, Internet Banking facility, Employees are well dressed, Availability of Vouchers and High rate of interest are provided by banks and NBFCs in Nanded district are reduced into facility category.

iv) The policies like call is transferred to Knowledgeable person, Commission Charges are high and Loan rate of interest are low are categorized into one factor.

### b) Conclusions

It is concluded that there is significant difference in Customized banking solutions of Banks and NBFCs in Nanded district. The different

service quality items of Banks and NBFCs in Nanded District are not similar in its nature and the grievance handling mechanism of banks and NBFCs in Nanded district are equally strong. The facilities provided by banks and NBFCs in Nanded district are different.

**c) Suggestions**

- i) The NBFCs should increase the number of banking solutions compared to the banks in Nanded district.
- ii) The customers of banks and NBFCs should concentrate more on customer satisfaction in Nanded district.
- iii) The grievance handling mechanism of banks and NBFCs should increase to the customer requirement.

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