

The Dimensions of Service Quality: A Study of the Indian Retail Banking Environment

Dr. (Ms.) Koushiki Choudhury
Assistant Professor,
Marketing, Indian Institute of Management Calcutta, India
108, Maniktala Main Road
SINP, Block-2, Flat-14
Kolkata- 700054, India
koushiki@iimcal.ac.in or koushikic@hotmail.com
+919830197931 or 913323208653

Abstract

The Indian banking industry is going through turbulent times. With the lowering of entry barriers and blurring product lines of banks and non-banks since the financial sector reforms, banks are functioning increasingly under competitive pressures emanating from within the banking system, from non-banking institutions, and from the domestic and international capital markets. In this era of mature and intense competitive pressures, it is imperative that banks maintain a loyal customer base. In order to achieve this and improve their market positions, many retail banks are directing their strategies towards increasing customer satisfaction and loyalty through improved service quality.

In the present competitive Indian banking context, characterised by rapid change and increasingly sophisticated customers, it has become very important that banks in India determine the service quality factors, which are pertinent to the customers' selection process. With the advent of international banking, the trend towards larger bank holding companies, and innovations in the marketplace, the customers have greater and greater difficulty in selecting one institution from another. Therefore the current problem for the banking industry in India is to determine the dimensionality of customer-perceived service quality. This is because if service quality dimensions can be identified, service managers should be able to improve the delivery of customer perceived quality during the service process and have greater control over the overall outcome.

However, much of the research on service quality has been in the developed countries, even though services are among the fastest growing sectors in emerging countries. In fact, the bulk of the research on service quality in banks has been in the context of US and European banking institutions. In fact, there exists a significant gap in the service marketing literature on how consumers evaluate service quality in contexts and cultures very different from the developed countries, and no prior research has attempted to explore this area.

This research endeavoured to fill the gap in the service quality literature by exploring the dimensions of customer perceived service quality in the context of the Indian retail banking industry. A set of service quality parameters, taken from customers' perceptions about service quality, and from the bank marketing and service quality literature, were drawn up. These parameters were used in the context of four of the largest banks in India to identify the underlying dimensions of service quality.

The statistical analyses of survey responses in this study reveal interesting findings. The study suggests that customers distinguish four dimensions of service quality in the case of the retail banking industry in India. These four dimensions of customer-perceived service quality are: customer-orientedness, competence, tangibles and convenience. The first factor, customer-orientedness is primarily related to the attitude and skills of the employees providing the service. The second factor, competence, is primarily associated with the concept of providing reliable services to customers. The third factor, tangibles, is primarily associated with the visual appeal of the banks' physical facilities and communication materials to the customers. Finally, the fourth factor, convenience, encompasses items related to the convenience of the banks' branch locations and the spread of the banks' ATM networks.

Identifying the underlying dimensions of the service quality construct in the Indian retail banking industry is the first step in the definition and hence provision of quality service. In order to gain and sustain competitive advantages in the fast changing retail banking industry in India, it is crucial for banks to understand in-depth what customers perceive to be the key dimensions of service quality and thus obtain a better understanding of the drivers of customer satisfaction. Understanding of the service quality dimensions would help to specify, measure, control and improve customer perceived service quality and contend the initiatives that banks' managers can take to enhance employees' skills and attitudes and instill a customer-service culture. Moreover, at this juncture, it is important to also study banking institutions based in developing economies. As banks in such countries as India mature, lessons may be learned from their experiences by banks in developed economies as well as in other developing countries, as banking becomes more and more globally integrated.