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PERCEIVED QUALITY OF SERVICES RENDERED BY COMMERCIAL BANKS: A CASE STUDY OF STATE BANK OF INDIA (SBI), PANJAB UNIVERSITY (PU) BRANCH, CHANDIGARH, INDIA

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ABSTRACT

This study aimed at assessing and measuring the banking service quality perception of the SBI-PU branch customers; and examining the relationship between service quality, customer satisfaction and positive word of mouth. A total of 85 (out of 100 sample) bank customers from Panjab University (students, professors and office workers) responded the SERVQUAL instrument. After frequency, descriptive, Pearson's correlation, factor analysis, and Cronbach's alpha was tested, the paired t-test, one-way ANOVA, independent sample t-test, and multivariate regression was employed for hypothesis testing. Its finding revealed that the expectations of bank customers were not met and that the largest gap was found in the reliability dimension. This dimension also had the largest influence on customer satisfaction and overall satisfaction of bank customers had a positive effect on their word-of-mouth. The study also suggested that input from employees on what constitutes "service excellence" will be beneficial. The bank need to reassess "what customers expect from the bank" and provide client specific services. It needs to invest on employee training programs that will provide employees with an understanding of service culture and service excellence-particularly at front line levels. Employee training programs should focus on interpersonal communication and customer care factors in order to be able to meet the customers' need for personalized service. Finally, this study must be considered as explorative rather than conclusive.

KEYWORDS

Bank, Expectations, Perceptions, SERVQUAL, Quality.

INTRODUCTION

Kotler and Keller (2006) defined service as any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product. A good part of the business sector, with its airlines, banks, hotels, insurance companies, law firms, management consulting firms, medical practices, motion picture companies, plumbing repair companies, and real estate firms, is in the service business. Heizer and Render (1999) were also defined services as those economic activities that typically produce an intangible product such as education, entertainment, food and lodging, transportation, insurance, trade, government, financial, real estate, medical repair and maintenance like occupations. Besides, services are perceived as deeds, performances or efforts. Unlike physical, tangible goods, services are usually regarded as performances (e.g. legal services) or experiences (e.g. spectator sports or live theater), which may be equipment based (e.g. telecommunications, radio, TV) or people based (e.g. management consulting) (Gronroos, 1990).

Service sector occupies a great majority of the markets in many countries. For example, Kotler (2003) in his book Marketing Management stated that 79% of all employees were employed in service sector where services account for 76% of GDP in US economy. In addition, OECD (Organization for Economic Co-operation and Development) stated that more than 70% of people were employed in the service sector. Services entail unique features that distinguish them from manufactured goods. The basic characteristics of a service are: (1) Intangible, which leads to subjectivity of consumers perceptions; (2) Inseparable of production and consumption, which makes the assessment more difficult; (3) Interaction between service employees and consumer, which implies consumer participation or co-production in the production process and the delivery; (4) Perishable; and (5) Heterogeneous, caused by the above characteristics interactions, making each production process and service unique (Gronroos, 1990; Kotler & Andreasen, 1995).

These characteristics coupled with the growing prominence of the services sector, have also increased the need for better service quality as companies look for ways to improve financial performance and attract customers in a very competitive environment (Wang, Lo, & Hui, 2003). Lot of research has been undertaking focused on the topic of service quality over the last ten years, which is increasingly being recognized as one of the key strategic values of organizations in the services sector. Service quality brings many advantages to the company. It allows the company to differentiate itself from its competitors by increasing sales and market shares, providing opportunities for cross-selling, improving customer relations and thus enhancing the corporate image. It results in the satisfaction and retention of customers and employees, thus reducing turnover rates. Furthermore, new customers are attracted through positive word of mouth (Caruana, 2002; Lewis, 1991; Newman, 2001). It is thus service quality has been identified as a key determinant of the intention to use a service, and has therefore been extensively under study.

The definition of quality has evolved from "quality is excellence", to "quality is value", to "quality is conformance to specification", to "quality is meeting and/or exceeding customers' expectations" (Reeves & Bendar, 1994). According to the Parasuraman et al. (1988) the latter definition that is quality as meeting and/or exceeding customers' expectations is appealing for measuring service quality. Moreover, the higher the service quality the more satisfied the customers. Thus, satisfaction is based on customer expectations and perception of service quality (Christou & Sigala, 2002; Cronin & Taylor, 1992; Ekinci, 2004; Sigala, 2004 a, b).

Banking and financial services are an important part of the service industry. Many regulatory, structural and technological changes have been taking place in response to the process of globalization and WTO/GATS accession. Banks are expanding across borders, offering a diverse portfolio of competitive services and restructuring their services in order to make use of rapid technology and to meet the changing needs of customers. The rapidly changing and highly competitive environment which banks are forced to operate within are pushing them to rethink their attitude towards customer satisfaction and optimization of service quality.

Arasli et al. (2005) described the EU has played an important role in facilitating global banking thus financial services within the EU have been regulated and restructured in an effort to integrate the sector by eliminating impediments to cross border branching practices, as a result of these measures, the nature of banking services and customer relations are undergoing change. Lewis and Pescetto (1996) explained banks in the United States (US) are facing increased competition from international banks as geographic boundaries are eliminated in terms of banking markets; In addition, the banking sector in many developing countries is also undergoing change in order to keep up with the world trends (Yavas, Bilgin, & Shemwell, 1997).

Customer satisfaction is another important aspect for service organizations originated from quality service delivery. Customers compare the perceived service actually received with the expected service. If the perceived service falls below the expected service, customers are disappointed; if the perceived service meets or exceeds their expectations, they are apt to use the provider again; and successful companies add benefits (customer service value) to their offering that not only satisfy but also surprise and delight them. Delighting is a matter of exceeding service expectations.

The probability of customer satisfaction increases as service quality improves. Increased customer satisfaction leads to behavioral outcomes such as commitment, intent to stay (customer retention), creation of a mutually rewarding relationship (bond) between the service provider and the user, increased customer tolerance for service failures and positive word-of-mouth advertising about the organization (Berry & Parasuraman, 1991; Goode & Moutinho, 1995; Gounaris, Stathakopoulos, & Athanassopoulos, 2003; Heskett, Sasser, & Schlesinger, 1997; Newman, 2001; Reichheld, 1996).

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Service quality has been linked with customer satisfaction within the banking industry. Banks now know that delivering quality service to customers is essential for success and survival in the today's global and competitive banking environment (Arasli et al., 2005; Lewis & Pescetto, 1996; Wang et al., 2003).

The Tribune (2007) on its interview with Om Prakash Bhatt, the chairman of the SBI, Bhatt admitted the bank had lost its market share in deposits by 2% and in advances by 1% during this financial year. He also claimed that with a focused approach on better customer service, the bank will be able to regain its market share. He said that his officers are asked to be punctual, service customers better by organizing and offering a bouquet of financial services including life insurance and health insurance. Asked about the changes he saw in the banking sector in the coming years, Bhatt replied that banking would get extremely competitive and there would be a lot of innovation in the fee income of bank, and there would be more mergers and acquisitions to bring about purposeful consolidation.

The SBI has undergone many regulatory and structural changes in response to the liberalization and globalization in order to comply with government introduced financial system reforms since 1991. These financial reforms included interest rate liberalization, gradual liberalization of capital movements, abolition of direct credit control, development of money/capital markets and the liberalization of capital accounts.

The foremost aim of this study is to expand the growing research in the field of bank service quality. Its specific objectives are: to measure the service quality expectation, perception, and gap of SBI – PU Branch customers using the SERVQUAL instrument and to see if the SERVQUAL instrument result in a fit of the five-factor model; to test the impact of the dimensions of the SERVQUAL instrument on customer satisfaction and the impact of customer satisfaction on customer recommendation of the bank to others (positive word of mouth).

This paper is organized as follows. The introductory section gives a brief description of the service, service quality and customer satisfaction relationships, and background of the SBI-PU Branch. It then reviewed some related literatures and the development of related hypotheses. Next, the methodology and data collection of the research paper are explained, followed by the results of the statistical analysis. Finally, conclusions and managerial implications; limitations and future direction are discussed; and recommendations for improving service quality are noted.

LITERATURE REVIEW ON BANK CUSTOMERS' SERVQUAL

Models have been developed to find measure and assess the determinants of service quality. SERVQUAL is based on the notion of a gap between what customers expect in terms of service quality from the providers of the service and their assessment of the actual performance of that particular service provider. Since Parasuraman, Zeithaml, and Berry (1988) introduced the SERVQUAL instrument, many researchers have used, extended and developed this 22-item scale to study service quality in different sectors of the services industry (Babakus & Mangold, 1992; Buttle, 1996; Coyle & Dale, 1993; Cronin & Taylor, 1992; Fick & Ritchie, 1991; Gounaris et al., 2003; Lam, Wong, & Yeung, 1997; Lewis & Pescetto, 1996; Lim & Tang, 2000; Oldfield & Baron, 2000; Smith, 1995).

In the studies within the banking industry, Avkiran (1994) found a 17-item, four-factor scale that measures customer service quality in branches of an Australian commercial bank. Newman and Cowling (1996) studied service quality in the retail-banking sector of the United Kingdom (UK) by comparing two British clearing banks. They concluded that banks have a greater strategic interest in service quality, partly because of the link between quality, productivity and profitability and partly due to a drive to reduce costs within the sector. Caruana (2002) evaluated service loyalty over 1000 retail banking customers in Malta. Results showed that customer satisfaction played a mediating role in the effect of service quality on service loyalty.

Zhu, Wymer, and Chen (2002) explored the impact of information technology (IT) on service quality in a large consumer bank. Their results showed that IT based services have a direct impact on the SERVQUAL dimensions and an indirect impact on customer perceived service quality and customer satisfaction. They also concluded that the evaluations of customers for IT based services were affected by their preference towards traditional services, experiences in using IT based services and perceived IT policies. Lewis (1991) evaluated student's assessment of banks and building societies with respect to overall satisfaction. Goode and Moutinho (1995) analyzed the effects of free banking (ATM services) on overall satisfaction of students and normal bank customers. Wang et al. (2003) evaluated the antecedents of service quality and product quality, and their influences on bank reputation in the banking industry of China, using a structural equations model. They concluded that both service quality and product quality had a significant influence on bank reputation.

The development of new technologies has profoundly changed the way in which customers interact with service providers. Any service-delivery system (SDS) is concerned with where, when and how the service product is delivered to the customers. Although interpersonal encounters have long been the predominant type of interaction, customers can now choose among several different alternatives including telephone, the Internet, interactive television, and wireless communications. The multi-channel banking service offerings include the internet banking (IB), bank branches (BB), telephone banking (TB), and automatic teller machine (ATMs). Patricio, Fisk, and Cunha (2003) found that in the context of a multi-channel service, customers tend to use the channels available in a complementary way. They also suggested that over all service provision should be designed with enough flexibility to accommodate different customer segments, different operations, and different usage patterns with a strong customer focus, not a channel focus. Rather than concentrating efforts on improvements to each SDS in isolation, also recommend that, it is important to understand and improve the contribution of each channel to customer satisfaction within the overall service offering.

In their comparative study of the five Balkan countries' banking service quality using six dimensions (i.e., effectiveness and assurance, access, price, tangibles, service portfolio, and reliability), Glaveli et al.(2006) found that customers perceive receiving a lower level of service quality. In addition, effectiveness, price and reliability appear to be the most important factors in the creation of perceptions of the service quality received and access the least important. They also suggested the Balkans should adopt a high touch approach to the service delivery, which concerns the consistent and dependable performance of the service personnel. This approach involves emphasizing the social interaction and personal connectivity that forms the basis for emotional bonds. Besides, they underlined that the contact personnel should respect and reflect customers' values and needs, and be able to inspire a feeling of security. They also highlighted the central role of the human resources and its effectiveness in the formation of the bank customer quality perceptions.

Arasli, Katircioglu, and Mehtap-Smadi (2005), in their comparative study of service quality in the banking industry of Cyprus, found that although there is a big discrepancy between the two areas (Turkish Cypriot customer living in the north and Greek Cypriot customer living in the south) from an economic standpoint, the expectations on service quality items fell short of their perceptions. The largest discrepancy was on empathy. Customers want a high degree of interaction with bank staff that are sensitive to their needs and expect personalized service. When overall gap scores were compared, they found a significant difference in terms of assurance and tangible dimensions. Though Parasuraman et al. (1988) stated that tangible is the least dimension for service customers, their study proved tangibles to be significant factor. Their factor analysis revealed that the assurance, reliability, empathy, and tangible dimensions are explanatory variables in predicting customer satisfaction. Assurance had the highest impact on overall customer satisfaction.

In their study on customer service quality in the Greek Cypriot banking industry, Arasli et al. (2005) found that the expectations of bank customers on service quality items were higher than their perceptions. The largest discrepancy was on the responsiveness and empathy dimensions. Customers expect prompt service and do not tolerate delays in response times. They also want a high degree of interaction with the bank staff that are sensitive to their needs and expect personalized services. Their factor analysis depicted that the reliability, responsiveness, empathy, and tangible dimensions were explanatory variables in predicting customer satisfaction. Reliability had the highest impact on overall customer satisfaction.

SERVICE QUALITY (SERVQUAL) INSTRUMENT

The original SERVQUAL instrument identified ten components of service quality. In a further study conducted Parasuraman et al. (1988), these ten components were condensed into five dimensions: reliability which is the ability to perform the service in an accurate and dependable manner; tangibles which refers to the appearance of physical factors such as equipment, facilities and personnel; empathy involves providing individual attention and care to customers; responsiveness is the willingness to provide help and prompt service to customers; and assurance refers to the knowledge and courtesy of employees and their ability to convey trust and confidence.

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Although there have been many studies using the SERVQUAL model as a framework in measuring service quality, there have also been theoretical and operational criticisms directed towards this model in the service marketing literature. These criticisms have mainly revolved around the interpretation and implementation of the instrument (Babakus & Boller, 1992; Buttle, 1996; Lam et al., 1997; Newman 2001; Smith, 1995). A major problem with the SERVQUAL instrument is related to its dimensional structure. A number of researchers have reported different dimensions for expectations, perceptions and gap scores. Thus, the universality of SERVQUAL's five dimensions has been questioned (Buttle, 1996; Carman, 1990; Cronin & Taylor, 1992).

Nevertheless, despite the criticisms, SERVQUAL has been widely used in various contexts throughout other studies. Service quality is an abstract concept and thus hard to measure. There is no standard scale to measure perceived quality particularly in the banking sector (Wang et al., 2003). The SERVQUAL instrument has been widely used because it provides a basic skeleton which can be adapted or supplemented to fit the characteristics or specific research needs of a particular organization (Parasuraman et al., 1988). Waugh (2001) portrayed that Parasuraman et al. have designed SERVQUAL questionnaire in order to measure service quality that has been developed, refined and tested in the business area since 1985 – 1994.

Pariseau and McDaniel (1997) explained that Parasuraman et al. had developed SERVQUAL and validated it in tests of four different service settings (banking, credit-card processing, repair and maintenance, and long-distance telephone service). Their results show that both the determinants of service quality and the rank order of their importance are invariant across service industries. The consumers of any service want to have the provider meet their expectations in the areas of reliability, responsiveness, assurance, empathy and tangibles. These five dimensions represent the determinants of the perception of service quality on the part of the consumer.

Despite the concerns over the validity of the instrument, Buttle (1996) argues that it is still a useful tool for the measurement of service quality and still the mostly widely used and probably the best available. It has also been argued that the use of gap scores to measure service quality is more appropriate due to the fact that service quality is a multidimensional concept. It can also give an indication of the relative importance of the service quality dimensions, which influence customers' overall quality perceptions, thus, priority areas are brought to the attention of management (Angur, Nataraajan, & Jaheera, 1999; Yavas et al., 1997). Four or five items are used to measure each dimension and the instrument is administered twice in different forms, so that both customer expectations and perceptions can be measured separately. Reliability analysis for the instrument showed an alpha coefficient scale ranging from .87 to .90 across the different service sectors that were analyzed. By rewording the items measuring expectations, the instrument was further refined by Parasuraman, Berry, and Zeithaml (1991a).

OBJECTIVE AND SIGNIFICANCE

This study aimed at assessing and measuring the banking service quality perception of the SBI-PU branch customers; to examine the relationship between service quality, customer satisfaction and positive word of mouth; and some useful recommendations are provided to consider while improving service quality and become more customers centric. Besides, the study is significant that it contributes to the existing literature and suggests for further study.

RESEARCH HYPOTHESES

The hypotheses tested in this study were:

H1:   There are no significant differences between expectations and perceptions of bank customers regarding the tangibles, reliability, responsiveness, and empathy and assurance dimensions of service quality.

H2:   There is no positive significant impact of service quality dimensions on over all customers' satisfaction.

H3:   There is no positive significant impact of bank customer satisfaction on customers' positive word of mouth about the banks.

METHODOLOGY

The aim of this research was to examine the SBI-PU Branch customers' service quality perceptions, expectations and satisfaction. It was an exploratory research exploiting quantitative analysis. Samples of 100 (85 responded) Panjab University's students, professors and office workers who were the bank customers were selected using non-probability convenience sampling. The SERVQUAL questionnaire as proposed by Parasuraman et al. (1988) was employed to collect data. Data were collected on the first and second week of February 2011. These data have been analyzed by using the Pearson's correlation matrix, t-test, ANOVA (f-test) and multiple regressions in order to test the aforementioned hypothesis. A pilot test was conducted with 10 willing respondents, who were using the SBI-PU Branch services, for further improvement if there was any kind of problem with regards to wording, expressions and clarity of the questions.

The SERVQUAL questionnaire used in this study comprises of five parts: Part A and Part B include expectations (E) and perceptions (P), respectively, of respondents according to five dimensions. These dimensions are tangibles, reliability, responsiveness, assurance and empathy. A seven-point Likert scale ranging from strongly disagree (1) to strongly agree (7) was used to measure the 22 items; and Part C contains two items that measure the dependent variables of the study as proposed by Lam et al. (1997); namely degree of overall satisfaction with the bank and degree of recommendation of the bank to others. Each of these variables was measured by a single item because of their ready interpretability and clear definition. A seven-point Likert scale ranging from (1= very bad) to (7= very good) was used to measure the two variables. Part D contains allocation of 100% among the five dimensions in terms of importance and, finally, Part E contains questions about personal profiles of the respondents including gender, educational level, age, and occupation.

Expectations and perceptions were given for each item. P (perceptions) - E (expectations) were used to find gap scores because service quality depends on a perceived performance in delivery value relative to a users' expectations. If E > P; the customer is dissatisfied and if E< P the customer is satisfied (Kotler & Armstrong, 1999; Parasuraman, 1998; Parasuraman et al., 1991a).

SCOPE AND LIMITATION

The study was targeting only the Panjab University's students, professors, and office workers who were the SBI-Panjab University Branch customers. Data on expectations and perceptions was filled at the same time rather than at different intervals. This research finding provides only a glimpse of the bank's service satisfaction, not usable for generalization. Hence, future research could be conducted on SBI-PU branch service quality and customer satisfaction by (1) embracing user groups outside Panjab University's students, professors, and office workers, (2) taking greater sample size in congruent to its customer stock, and (3) collecting data at reasonable intervals: first about their expectations and later about their perceptions of the same sample respondents.

RESEARCH FINDINGS AND DISCUSSIONS

DEMOGRAPHIC VARIABLES

- Out of the total sample size of 100 participants, only 85 respondents responded (i.e., the response rate was, 85%). 20 (50 and above), 36 (41-50), 15 (31-40), and 14 of them were at the age of between 21-30 years (**Annexure 1**).
- 37 of the respondents were male and 48 of them female (**Annexure 2**).
- 24 of the respondents were PhD, 58 (postgraduates) and 3 university graduates **(Annexure 3)**.
- In terms of their occupation, 19 of the respondents were office workers, 34 professors and 32 of them were students (**Annexure 4**).

None of the 22-items were rated below six that results in higher customer expectation. There were also high mean scores (i.e., 6.53 – 6.68 in a 7-rating scale) and low variance. In this case it would be possible to have low rating of overall satisfaction as well as word of mouth to recommend the bank to others unless there is a corresponding high customer perception (**Annexure 5**).

There were low rating of perception below 4 in a 7-rating scale. This leads to the low mean scores that is lower than 5 for reliability and responsiveness that indicates areas of more concern; and below 6 for tangibles, assurance and empathy. There were also significant variances as compared to the low variances in

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the case of expectation. The significant discrepancy between expectation and perception result in the relatively lower overall satisfaction and recommendation to others. The variance among respondents was also relatively high for recommendation than overall satisfaction (**Annexure 6**).

PRE-ANALYSIS TESTING (Validity and Reliability Testing)

The Pearson correlation (**Annexure 7**) indicated significant positive correlation among the five service quality dimensions. A change in either of the dimensions will have a significant change on the others. Besides, overall satisfaction (Q1OS) had significant positive correlation with reliability (0.873), empathy (0.866), responsiveness (0.844), tangibles (0.789) and assurance (0.698), respectively at p < 0.001. It also had significant positive correlation with customers' recommendation to others (Q1R) (0.788), i.e., the more customers are satisfied, the more they will have positive word of mouth and are inclined to recommend the bank to others. Customers' recommendation to others had relatively significant positive correlation with reliability (0.808) and empathy (0.748). It means any positive improvement on reliability and empathy of the bank service will yield a more positive word of mouth towards the bank.

VALIDITY ANALYSIS

Factor analysis attempts to identify underlying variables, or factors, that explain the pattern of correlations within a set of observed variables. Factor analysis is often used in data reduction to identify a small number of factors that explain most of the variance observed in a much larger number of manifest variables. However, in this study, the factor analysis was used to make pre analysis testing in order to check for adequacy of sample.

Pre-analysis testing for the suitability of the entire sample for statistical analysis was computed as recommended by Comrey (1978). The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy for **Expectation** revealed 0.620 (**Annexure 8)** and 0.715 for **Perception** (**Annexure 9**) and the Bartlet tests of Sphericity was significant at p < 0.001 for both Expectation and Perception. As Bedi (2004) stated, KMO larger than 0.6 is appropriate for statistical analysis. Besides, the Eigenvalues showed that the 22-items explained nearly 74% of the overall variance for Expectation (**Annexure 10**) and nearly 87% of the overall variance for Perception (**Annexure 11**).

Reliability Measures: Cronbach's alpha

Reliability analysis allows studying the properties of measurement scales and the items that make them up. The Reliability Analysis procedure calculates a number of commonly used measures of scale reliability and also provides information about the relationships between individual items in the scale. Intra-class correlation coefficients can be used to compute inter-rater reliability estimates. Alpha (Cranach) is a model of internal consistency, based on the average inter-item correlation.

R E L I A B I L I T Y   A N A L Y S I S - S C A L E   (A L P H A) (Expectation):

Reliability Coefficients

N of Cases =   85.0

N of Items = 22

Alpha =   .8221

Standardized item alpha = .8356

The above result indicated that the alpha for the total scale (the 22-item customer expectation) measure is 0.8221. According to Sekaran (2005), the closer the reliability coefficient gets to 1.0, the better. Reliabilities less than 0.60 are considered to be poor, those in the 0.7 range are acceptable and those over 0.8 are good. Thus, the internal consistency reliability of the measures used in this study can be considered to be good.

R E L I A B I L I T Y   A N A L Y S I S - S C A L E   (A L P H A) (Perception):

Reliability Coefficients

N of Cases =   85.0

N of Items = 22

Alpha =   .9701

Standardized item alpha = .9709

The above result indicated that the alpha for the 22-item customer perception measure is 0.9701. With the same logic as Sekaran stated it above, the internal consistency/ reliability of the measures used for customer perception can be considered to be good.

HYPOTHESIS TESTING

The validity analysis and reliability testing are pre-analysis testing requirements. Accordingly, the data collected are found to be valid and reliable for further statistical analysis for the following reasons:

1.   The Kaiser-Meyer-Olkin measure of sampling adequacy was 0.620 for Expectation and 0.715 for Perception which are above the cut-off point (0.60) and the Bartlet test of Sphercity is significant at p < 0.001 for both Expectation and Perception.
2.   The overall reliability testing of expectation (0.8221) and perception (0.9701) were good, i.e., above 0.80 alpha.

H1: There are no significant mean differences between expectations and perceptions of bank customers regarding the tangibles, reliability, responsiveness, and empathy and assurance dimensions of service quality.

$S = \sum_{j=1}^{k}(P_{ij} - E_{ij})$ (1)

Where,

S = Overall service satisfaction; k= number of attributes.

P_{ij} = Performance perception of stimulus i with respect to attribute j.

E_{ij} = Service quality expectation for attribute j that is the relevant norm for stimulus i.

A paired t-test was used to determine if there is any significant mean difference between expectations and perceptions. On all five dimensions at the 95% confidence level, there was a significant difference between what the customers expect from an excellent bank and their perceptions of the services offered at the SBI-PU branch bank. The difference between expectation and perception for each item in each dimension, each dimension, and the total portrayed that there was significant mean difference between expectation and perception (t-statistic at p < 0.001); it means the SBI-PU Branch failed to meet service quality expectations. The mean differences between expectation and perception (E-P) indicated the order of importance of the service quality dimensions as reliability (1.9083), responsiveness (1.8088), empathy (1.5859), tangibles (1.5117) and assurance (1.2088), respectively. Therefore, **the hypothesis is rejected** for it is not statistically hold up (**Annexure 12**).

H2:There is no positive significant impact of service quality dimensions on over all   customers' satisfaction

$S = \alpha + \beta_1 (T) + \beta_2 (Rl) + \beta_3 (Rs) + \beta_4 (A) + \beta_5 (E) + e_t$ (2)

Where S = overall satisfaction

α = Constant; β_i = Coefficient of the dimensions of quality

T = Tangible; Rl = Reliability; Rs = Responsiveness; A = Assurance;

E = Empathy; e_t = Error term

The R (0.915) in **Annexure 13** demonstrated the correlation of the five independent variables with the dependent variable Q1OS (i.e., the overall satisfaction), after all the intercorrelations among the five independent variables are taken into account. Besides, the R^2 (0.837), which is the explained variance, is actually the square of the multiple R $(0.915)^2$. It means that 83.7% of the variance (R^2) in the overall satisfaction has been significantly explained by the five independent quality dimensions, i.e., only nearly 16% variances are explained by other factors that have not been considered in this study. Thus, the R and R^2 Coefficients indicate that the model is fit to measure customers' bank service satisfaction. Thus, **the hypothesis is rejected** because the service quality dimensions were the predictors of the customers' overall bank service satisfaction.

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The coefficients (a) in **Annexure 14** help see which among the five independent variables influences most the variance in the overall satisfaction (i.e., the most important). From the standardized coefficient beta, the highest number in the beta is 1.419 for reliability, which is significant predictor at the $p < 0.001$. The contribution of each service dimension to the overall service satisfaction is not the same. There are many predictors in the model whose contribution is insignificant for customer satisfaction, for example, Tangible and Responsiveness. This indicates the presence of multicollinearity. Therefore, multi collinearity problems were fixed by using step-wise linear regression analysis in order to take in only the most useful predictor variables in the model as follows:

The R (0.911) in **Annexure 15** is the correlation of the three independent variables identified as major predictors of customers' service satisfaction (Q1OS), i.e., reliability, assurance, and empathy, after the step wise linear regression analysis. Besides, the R^2 (0.83), which is the explained variance, is actually the square of the multiple R $(0.911)^2$. It means 83% of the variance (R^2) in the overall satisfaction has been significantly explained by the three independent quality dimensions (i.e., Reliability, Assurance and Empathy); only 17% variances are explained by other factors that have not been considered in this study. Therefore, the step wise linear regression analysis has identified Reliability, Assurance and Empathy as the major predictors of the customers' bank service satisfaction.

H3: There is no a positive significant impact of bank customer satisfaction on customers' positive word of mouth about the banks.

$$PWM = \alpha + \beta_1(S) + e_t \qquad \qquad (3)$$

Where PWM = Positive Word of Mouth

S = overall satisfaction

α = Constant

β_1 = Coefficient of the overall satisfaction

e_t = Error term

The correlation coefficient in **Annexure 16** spelled the presence of positive significant impact of overall customer satisfaction (Q1OS) on customers' positive word of mouth (Q1R) about the SBI-PU branch bank. There is strong positive correlation between the two variables at $p < 0.01$, i.e., the coefficient of determination equals to 0.62% (i.e., $(0.788)^2$. Thus, **the hypothesis is rejected** because it is not statistically legitimate.

78.8% of the respondents' ranked reliability as the most important dimension(**Annexure 17**); 56.5% of respondents ranked tangible as the least important **(Annexure 18);** and Reliability is also rated first and tangible is fifth based on the rating of importance out of 100% (**Annexure 19**).

CONCLUSION AND MANAGERIAL IMPLICATIONS

This study explored the quality expectation and perception of SBI-PU branch bank customers, their overall satisfaction level, their tendency to recommend the bank to others and the differences in relative importance they attach to the various quality dimensions using the Parasuraman et al.'s SERVQUAL survey questions (i.e., the 22-items) with 7-scale adopted to the banking sector. Frequency and descriptive statistics were used to feel the data; validity and reliability tests were conducted by using the Pearson's correlation matrix, factor analysis and Cronbach's alpha; paired t-test; and multiple regression analysis were applied to undertake hypotheses testing.

Gaps scores were calculated by subtracting perception scores from expectation scores. Highest positive gap means lower customer perception. Like most researches done on the banking industry such as Arasli et al. (2005), Bedi (2004), and Glaveli et al. (2006), this research finding indicated that there was significant mean difference (gap) between customer expectation and perception. Their expectations were higher than their perceptions in all the five service quality dimensions. This may be a common tendency of human kind to wish for more than what we have. The difference ranges from 1.2088 to 1.9083. Among these, the largest discrepancies laid on the reliability (1.9083) and responsiveness (1.8088). The lowest score is for assurance (1.2088). This, finding is substantiated by Arasli et al., and Bedi that customers have high expectation on reliability and responsiveness.

Defining the gap between what the customers expect in library service quality and the service quality they perceive have received was intended to assist the SBI-PU branch bank to uncover problem areas and prioritize in taking corrective measures. The mean score gap between expectation and perception items range from 0.65 to 2.34. Out of these five relatively highest gaps, three of them were for reliability dimension: "when employees promise to do something by a certain time, they do so (2.34) ","the bank shows sincere interest in solving when customers have a problem (2.27) ", and "the bank performs the service right at the first time (2.08) "; One for responsiveness: "employees of the bank never aloof or too busy to respond to customers' requests (2.19) "; and one for empathy: "employees of the bank understand the specific needs of their customers (2.10) ". Thus, this result spells customer perception is significantly affected by the reliability dimension in grand as well as its components.

Pearson's correlation showed there is significant positive correlation between the five service quality dimensions and overall customer satisfaction at $p < 0.01$ level (2-tailed). It is also revealed that reliability (0.873) is the best predictor of quality followed by empathy (0.866), responsiveness (0.844), tangible (0.789), and assurance (0.698) respectively. The step-wise linear regression analysis has also identified three service quality dimensions as significant drivers of overall customer satisfaction. According to their standardized coefficient (β), reliability (1.081) is identified as the first followed by assurance (-0.502) and empathy (0.274) at $p < 0.05$, respectively. This coefficient indicated assurance has negative correlation. However, it is unusual. The Pearson's correlation matrix revealed assurance has significant positive correlation with the remaining quality dimensions and overall satisfaction. It is thus inconsistency.

In addition, Pearson's correlation disclosed the five quality dimensions as well as overall satisfaction had significant positive impact on the positive-word-of mouth (PWM) that is propensity to recommend at $p < 0.01$ level (2-tailed). Still reliability (0.808) had strong positive correlation with PWM followed by overall satisfaction (0.788), empathy (0.748), responsiveness (0.696), assurance (0.694), and tangible (0.676), respectively.

Overall respondents' ranking showed reliability first and tangible as the fifth (i.e., last). Moreover, the respondents' choice of "most important" and "least important" dimension portrayed that reliability chosen as the most important and tangible as the least important. Therefore, this finding is consistent with the earliest researches conducted by Arasli et al. (2005) and Bedi (2004) that the quality dimensions are the drivers of customer satisfaction and reliability has the highest impact on the overall satisfaction.

Zeithaml et al. (1993) suggested that poor performance by service firms is primarily due to not knowing what their customers expect from them. This exploratory study depicted there is significant mean difference/gap between expectation and perception that spells respondents' perception falls below their expectation, i.e., they are less satisfied. This leads to say SBI-PU branch bank is less customer focused.

The bank is facing significant challenges from the surrounding private banks. It is also on the eve of fierce competition from international banks expected to come in to the country in the near future owing to the General Agreement on Trade in Services (GATS). This agreement liberalizes the banking sector and attracts foreign banks which are threats to the domestic banks.

It is more expensive to find and attract new customer than it is to retain an existing one. Therefore, SBI-PU branch bank needs to redefine its image to one that emphasizes service quality by introducing standards for service excellence. This can lend a hand to revamp its appearance and portray a more contemporary image and reach the standards of its counterparts. The study has shown, among others, customers are looking for banks that keep their promises, show sincere interest in solving customer problems, perform services right at the first time, never aloof to respond customer requests, understand customer's specific needs, and provide prompt service.

Due to an interactive nature of employee-customer relationship, including input from employees on what constitutes "service excellence" will be beneficial. The bank also need to reassess "what customers expect from the bank" and provide client specific services. It needs to invest on employee training programs that will provide employees with an understanding of service culture and service excellence-particularly at front line levels. Employee training programs should focus on interpersonal communication and customer care factors in order to be able to meet the customers' need for personalized service.

Employees interacting with customers in a customer centric manner will be able to provide their service with empathy will be able to promptly recover service failures and also ensures the service delivered is consistent with the service promised. This will help to build profitable customer relationship which in turn results in high customer satisfaction and retention, extend the zone of customer tolerance for service failures, increase recommendations about the bank to others and increase customer loyalty.

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ANNEXURES

ANNEXURE 1: AGE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	50 and above	20	23.5	23.5	23.5
	41-50	36	42.4	42.4	65.9
	31-40	15	17.6	17.6	83.5
	21-30	14	16.5	16.5	100.0
	Total	85	100.0	100.0	

ANNEXURE 2: GENDER

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	37	43.5	43.5	43.5
	female	48	56.5	56.5	100.0
	Total	85	100.0	100.0	

ANNEXURE 3: EDUCATION

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	PhD	24	28.2	28.2	28.2
	post graduate	58	68.2	68.2	96.5
	university graduate	3	3.5	3.5	100.0
	Total	85	100.0	100.0	

ANNEXURE 4: OCCUPATION

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	office worker	19	22.4	22.4	22.4
	professor	34	40.0	40.0	62.4
	student	32	37.6	37.6	100.0
	Total	85	100.0	100.0	

ANNEXURE 5: DESCRIPTIVE STATISTICS [FOR EXPECTATION]

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
TANGIBLITY	85	6.00	7.00	6.6176	.30274	.092
RELIABILITY	85	6.00	7.00	6.6871	.28693	.082
RESPONSIVENESS	85	6.00	7.00	6.5912	.29085	.085
ASSURANCE	85	6.00	7.00	6.5353	.39369	.155
EMPATHY	85	6.00	7.00	6.5953	.32363	.105

ANNEXURE 6: DESCRIPTIVE STATISTICS [FOR PERCEPTION AND OVERALL SATISFACTION AS WELL AS RECOMMENDATION TO OTHERS]

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
TANGIBLITY	85	2.75	7.00	5.1059	1.06512	1.134
RELIABILITY	85	3.00	7.00	4.7788	1.15842	1.342
RESPONSIVENESS	85	2.75	7.00	4.7824	1.20254	1.446
ASSURANCE	85	3.50	7.00	5.3265	1.06697	1.138
EMPATHY	85	2.60	7.00	5.0094	1.08580	1.179
Q1OS	85	4	7	5.01	.838	.702
Q1R	85	3	7	5.51	1.181	1.396
Valid N (list wise)	85					

Where, Q1OS= OVERALL SATISFACTION; Q1R = POSITIVE WORD OF MOUTH

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ANNEXURE 7: PEARSON CORRELATION MATRIX (FOR PERCEPTION**)**

		TANG.	REL.	RES.	ASS.	EMP.	Q1OS	Q1R
TANGIBLITY	Pearson Correlation	1	.893(**)	.885(**)	.800(**)	.883(**)	.789(**)	.676(**)
	Sig. (2-tailed)	.	.000	.000	.000	.000	.000	.000
	N	85	85	85	85	85	85	85
RELIABILITY	Pearson Correlation	.893(**)	1	.957(**)	.911(**)	.914(**)	.873(**)	.808(**)
	Sig. (2-tailed)	.000	.	.000	.000	.000	.000	.000
	N	85	85	85	85	85	85	85
RESPONSIVENESS	Pearson Correlation	.885(**)	.957(**)	1	.824(**)	.890(**)	.844(**)	.696(**)
	Sig. (2-tailed)	.000	.000	.	.000	.000	.000	.000
	N	85	85	85	85	85	85	85
ASSURANCE	Pearson Correlation	.800(**)	.911(**)	.824(**)	1	.787(**)	.698(**)	.694(**)
	Sig. (2-tailed)	.000	.000	.000	.	.000	.000	.000
	N	85	85	85	85	85	85	85
EMPATHY	Pearson Correlation	.883(**)	.914(**)	.890(**)	.787(**)	1	.866(**)	.748(**)
	Sig. (2-tailed)	.000	.000	.000	.000	.	.000	.000
	N	85	85	85	85	85	85	85
Q1OS	Pearson Correlation	.789(**)	.873(**)	.844(**)	.698(**)	.866(**)	1	.788(**)
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.	.000
	N	85	85	85	85	85	85	85
Q1R	Pearson Correlation	.676(**)	.808(**)	.696(**)	.694(**)	.748(**)	.788(**)	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.
	N	85	85	85	85	85	85	85

Where, Q1OS= OVERALL SATISFACTION; Q1R = POSITIVE WORD OF MOUTH
**** Correlation is significant at the 0.001 level (2-tailed).**

ANNEXURE 8: KMO AND BARTLETT'S TEST (EXPECTATION)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.620
Bartlett's Test of Sphericity	Approx. Chi-Square	1427.161
	df	231
	Sig.	.000

ANNEXURE 9: KMO AND BARTLETT'S TEST (PERCEPTION)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.715
Bartlett's Test of Sphericity	Approx. Chi-Square	1427.161
	df	231
	Sig.	.000

ANNEXURE 10: TOTAL VARIANCE EXPLAINED (EXPECTATION)

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.252	28.417	28.417	4.279	19.450	19.450
2	2.989	13.588	42.005	2.880	13.089	32.539
3	2.643	12.012	54.017	2.853	12.968	45.507
4	1.712	7.780	61.797	2.847	12.943	58.450
5	1.427	6.487	68.285	1.734	7.883	66.333
6	1.250	5.684	73.969	1.680	7.635	73.969
7	.898	4.083	78.052			
8	.764	3.473	81.525			

Extraction Method: Principal Component Analysis; 6 components extracted

ANNEXURE 11: TOTAL VARIANCE EXPLAINED (PERCEPTION)

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	14.005	63.661	63.661	14.005	63.661	63.661
2	2.173	9.878	73.539	2.173	9.878	73.539
3	1.568	7.127	80.666	1.568	7.127	80.666
4	1.289	5.859	86.526	1.289	5.859	86.526
5	.851	3.868	90.394			
6	.591	2.686	93.080			

Extraction Method: Principal Component Analysis; 4 components extracted

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ANNEXURE 12: EXPECTATION - PERCEPTION

	Variables and Items (Factors)	Grand Mean Score & Gap			Paired sample test at 95%	
		(E)	(P)	E - P	t-statistic	Sig. (2-tailed)
I	**Tangibles**	**6.6176**	**5.1059**	**1.5117**	**13.918**	**0.000***
Q1	The bank has modern-looking equipments	6.69	5.41	1.28	9.532	0.000*
Q2	The bank has visually appealing physical facilities	6.53	4.68	1.85	10.405	0.000*
Q3	The bank has neat-appearing employees	6.67	4.87	1.80	13.159	0.000*
Q4	The bank has appealing materials associated with the service (such as passbook, debit card, deposit/withdrawal forms or statements)	6.58	5.46	1.12	8.015	0.000*
II	**Reliability**	**6.6871**	**4.7788**	**1.9083**	**16.522**	**0.000***
Q5	When employees promise to do something by a certain time, they do so.	6.76	4.42	2.34	14.163	0.000*
Q6	The bank shows sincere interest in solving when customers have a problem,.	6.75	4.48	2.27	15.323	0.000*
Q7	The bank performs the service right at the first time.	6.84	4.76	2.08	18.486	0.000*
Q8	The bank provides its services at the time it promises to do so.	6.49	4.65	1.84	12.150	0.000*
Q9	The bank keeps on error-free records.	6.59	5.58	1.01	7.358	0.000*
III	**Responsiveness**	**6.5912**	**4.7824**	**1.8088**	**14.946**	**0.000***
Q10	Employees of the bank tell the customers exactly when services will be performed.	6.60	5.08	1.52	8.741	0.000*
Q11	Employees of the bank give prompt service to customers.	6.67	4.86	1.81	16.414	0.000*
Q12	Employees of the bank are always willing to help customers.	6.46	4.74	1.72	11.157	0.000*
Q13	Employees of the bank never aloof or too busy to respond to customers requests.	6.64	4.45	2.19	17.095	0.000*
IV	**Assurance**	**6.5353**	**5.3265**	**1.2088**	**10.614**	**0.000***
Q14	The behavior of employees of the bank instills trust and confidence in customers.	6.61	4.91	1.70	10.151	0.000*
Q15	Customers of the bank feel safe in their transactions.	6.67	5.76	0.91	6.895	0.000*
Q16	Employees of the bank are consistently polite with customers.	6.42	5.07	1.35	10.550	0.000*
Q17	Employees of the bank have the knowledge to answer customer questions.	6.44	5.56	0.88	6.413	0.000*
V	**Empathy**	**6.5953**	**5.0094**	**1.5859**	**14.325**	**0.000***
Q18	The bank gives customers individual attention.	6.53	4.76	1.77	9.805	0.000*
Q19	The bank has operating hours convenient to all its customers.	6.56	5.91	0.65	6.107	0.000*
Q20	The bank has employees who give customers personal attention.	6.65	4.92	1.73	9.704	0.000*
Q21	The bank has the customers' best interests at heart.	6.68	5.01	1.67	12.344	0.000*
Q22	Employees of the bank understand the specific needs of their customers.	6.55	4.45	2.10	19.645	0.000*
*	Total	6.6086	4.9909	1.6176	15.292	0.000*

*Significant at p < 0.001; E= Expectation; P= Perception

ANNEXURE 13: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.915(a)	.837	.826	.349

a. Predictors: (Constant), EMP_P, ASS_P, TANG_P, RES_P, REL_P

ANNEXURE 14: COEFFICIENTS (a)

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
Model 1	(Constant)	2.427	.241		10.087	.000
	TANG_P	-.010	.022	-.053	-.471	.639
	REL_P	.205	.039	1.419	5.277	.000
	RES_P	-.046	.031	-.262	-1.483	.142
	ASS_P	-.112	.025	-.572	-4.582	.000
	EMP_P	.046	.019	.299	2.396	.019

a. Dependent Variable: Q1OS

ANNEXURE 15: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.873(a)	.763	.760	.411
2	.905(b)	.819	.815	.361
3	.911(c)	.830	.824	.351

a. Predictors: (Constant), REL_P
b. Predictors: (Constant), REL_P, ASS_P
c. Predictors: (Constant), REL_P, ASS_P, EMP_P
d. Dependent Variable: Q1OS (i.e., overall satisfaction)

ANNEXURE 16: CORRELATIONS

		Q1OS	Q1R
Q1OS	Pearson Correlation	1	.788(**)
	Sig. (2-tailed)	.	.000
	N	85	85
Q1R	Pearson Correlation	.788(**)	1
	Sig. (2-tailed)	.000	.
	N	85	85

** Correlation is significant at the 0.01 level (2-tailed).

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ANNEXURE 17: MOST IMPORTANT

		Frequency	Percent	Valid Percent	Cumulative Percent	Rank
Valid	reliable	67	78.8	78.8	78.8	1
	responsiveness	13	15.3	15.3	94.1	2
	assurance	1	1.2	1.2	95.3	4
	empathy	4	4.7	4.7	100.0	3
	Total	85	100.0	100.0		

ANNEXURE 18: LEAST IMPORTANT

		Frequency	Percent	Valid Percent	Cumulative Percent	Rank
Valid	tangible	48	56.5	56.5	56.5	1
	responsiveness	16	18.8	18.8	75.3	3
	assurance	4	4.7	4.7	80.0	4
	empathy	17	20.0	20.0	100.0	2
	Total	85	100.0	100.0		

ANNEXURE 19: CASE SUMMARIES

Dimensions	N	Mean	Rank
Tangibles (R1)	85	13.95	5
Reliability (R2)	85	33.62	1
Responsiveness (R3)	85	17.92	3
Assurance (R4)	85	19.44	2
Empathy (R5)	85	15.07	4
Valid N (list wise)	85		

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