BANKING SERVICE QUALITY AND BORROWERS PERCEPTION WITH REFERENCE TO ICICI BANKING IN NAGAPATTINAM DISTRICT

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ABSTRACT

India has been one of the fastest growing economies in the world since the early 90s and India is fourth largest economy of the world after US in terms of purchasing power parity. This is because of the important role played by the financial sector comprising a large number of well managed banking services both in public and private sectors. India’s second largest bank is the ICICI Bank offering a wide range of financial services to its customers through its delivery channels. Customer satisfaction is taken as a yardstick for measuring the quality of service and providing excellent customer service decides the effectiveness of service delivery process. Only through excellent customer service, an organization can consistently exceed customer expectations. In order to achieve customer satisfaction, every service organization must understand and improve service delivery process and implement valid and reliable service performance measures to measure the same. To assess the degree of customer satisfaction, a SERVQUAL instrument is administered to study the quality of service and the gaps were identified in the services offered by ICICI Bank, Nagapattinam District in all five dimensions of service quality.

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INTRODUCTION

Banks have their own significant role to play in the economic system of any country. Various types of banks perform various functions according to their prescribed...
roles defined by their Memorandums and Articles of Association. Central bank is the bank of the Government and is required to monitor and supervise the banking activities in a politically defined and specified geographical region. Agricultural and industrial banks cater to the needs of farmers and industrialists. Commercial banks generally have a wider network of their branches and look after the financial requirements of the general public (Mian, 2008). Commercial banks have maximum interaction with the general public and that is why, central banks are always keen to improve their service quality and productivity. The banking industry in India is facing certain challenges i.e. challenges of quality service, customer satisfaction, customer retention, customer loyalty. Quality service plays a major role in achieving customer satisfaction, and creating brand loyalty in banking sector.

1.1 Banking Service Quality

Bindal, Sarika et al. (2014), the service quality factor tangible is defined by whether the physical facilities and materials associated with the service are visually appealing at the bank. These are all factors that customers notice before or upon entering the bank. Such visual factors help consumers from their initial impressions. A crucial challenge in service marketing is that customers cannot see a service but can see the various tangibles associated with it - all these tangibles, the service facilities, equipment and communication materials are clues about the intangible service. If unmanaged, these clues can send to the customer’s wrong messages about the service and render ineffective the marketing strategy of the company.

On the other hand, improving quality through tangibles means attention to the smallest details that competitors might consider trivial. Yet, these visible details can add up for customers and signal a message of caring and competence. Customers may reveal new aspects of service quality in banking that are important to them, and these would have to be incorporated in the scale so as to further explore the concept of service quality in the banking arena.

1.2 Customer Perception of Service

Customer’s perception of service quality can generally be divided into the perception of reliability, responsiveness, assurance, empathy and tangibles. These aspects will be discussed more profound later on, as the SERVQUAL model is explained. Together with the product price and quality, service quality forms the broader concept of customer satisfaction. Ultimately, if customer’s experiences exceed their expectations, customer satisfaction together with situational and personal factors will result in customer loyalty (Wilson, Zeithaml, Bitner and Gremler 2008, 79). It is of great importance, to win customer loyalty especially for smaller businesses. Small businesses do not have the same budget as larger companies, and keeping existing customer is by far much cheaper than finding new ones. Offering excellent customer service will not only lead to customer loyalty, it will also give smaller firms a competitive advantage against larger companies (Longenecker, Moore, Petty, Palich 2005, 290).
However, customers’ service expectations vary according to store type, customers expect a much more wide-ranging service in specialty stores compared to discount stores.

1.3 Objective of the Study

The study attempts to investigate empirically the following objectives:

1) To study the impact of customers’ perception on various dimensions of banking service quality.

2) To analyze the effectiveness of Effectiveness of Reliability variables on Borrowers perception over the services of Bank.

METHODOLOGY

This study measures the reliability service quality of ICICI Bank and its impact on overall service quality perception of customers in Nagapattinam District. The service quality dimensions applied in foreign countries are used here to evaluate the customer perception of service quality in Indian situations. There are 8 branches of ICICI in Nagapattinam District. The urban branches of the bank were chosen for the study. There are 210 respondents are randomly selected from the urban branches for the purpose of collecting responses. Both primary and secondary data have been collected for the research work. A pretested structured questionnaire was used to measure the customer perception on banking Reliability service quality of ICICI BANK. The questionnaire was admitted among 120 sample respondents to collect needed data and information for the study. The researcher collected information from various sources such as journals, books, reports, magazine and articles. She also visited the District Head Office of ICICI Bank.

2.1 Selection of Bank and Study Area

The District headquarters is Nagapattinam. This District is enveloping 11 Panchayat Unions, 4 Municipalities, and 8 Town Panchayats on its development side. On the Revenue side, it is housing 2 Revenue divisions with 7 Taluks and 523 Revenue Villages.

ICICI Bank has delivered its functions through eight branches located in rural and Semi-urban area of Nagapattinam district. 7 branches are located in Rural and 1 branch located in the Semi-urban area of Nagapattinam District.

The eight branches are namely, Konenirajapuram branch, Mayiladuthurai branch (Mayuram), Nagapattinam Main, Kollidam branch, Anaimelagarm branch, Komal branch, Thiruvelangadu branch and Mayiladuthurai branch (Madhadhana Street).

2.2 Collection of Data

Both primary and secondary data have been collected for the research work.

(i) Primary data: A pretested structured questionnaire was used to measure the customer perception on banking service quality of ICICI BANK. The questionnaire
was admitted among 380 sample respondents to collect needed data and information for
the study.

(iii) Secondary data: The researcher collected information from various sources
such as journals, books, reports, magazine and articles. She also visited the District
Head Office of ICICI Bank, Nagapattinam for the purpose of discussion and conducted
in-depth interviews with Bank Officials.

ANALYSIS OF DATA
3.1 The Effect of Reliability Variables on Borrowers Perception Over the
Services of Bank:

In order to check The Effect of banking reliability variables on borrowers
perception over the services of Bank, multiple regression analysis is conducted to know
the significant factor which highly influence the bank borrowers customers perception
over the services of ICICI bank as well as insignificant factors which not influence the
bank borrowers over the services of Bank.

Table No. 1: Result of ANOVA – Banking Recovery Variables vs Overall
Borrowers Perception Over the Banking Services

<table>
<thead>
<tr>
<th>Source</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F-Ratio</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>10.4219</td>
<td>5</td>
<td>2.08439</td>
<td>1.37</td>
<td>0.2380</td>
</tr>
<tr>
<td>Residual</td>
<td>250.958</td>
<td>165</td>
<td>1.52096</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total (Corr.)</td>
<td>261.38</td>
<td>170</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Primary Data

The output shows the results of fitting a multiple linear regression model to
describe the relationship between Borrowers Overall customer perception over the
Banking services and 5 independent banking reliability variables. The equation of the
fitted model is

\[
\text{Borrowers Overall Customer Perception Over the Banking Services} = 2.24803 + 0.143006 \times \text{REL1} + 0.0384909 \times \text{REL2} + 0.118397 \times \text{REL3} - 0.121056 \times \text{REL4} - 0.0528635 \times \text{REL5}
\]

Since the P-value in the ANOVA table is greater or equal to 0.05, there is not a
statistically significant relationship between the variables at the 95.0% or higher
confidence level. The R-Squared statistic indicates that the model as fitted explains
3.98727% of the variability in Borrowers Overall customer perception over the Banking
services. The adjusted R-squared statistic, which is more suitable for comparing models
with different numbers of independent variables, is 1.0778%. The standard error of the
estimate shows the standard deviation of the residuals to be 1.23327. The mean
absolute error (MAE) of 1.00079 is the average value of the residuals. The Durbin-
Watson (DW) statistic tests the residuals to determine if there is any significant
correlation based on the order in which they occur among 171 bank borrowers. Since the P-value is greater than 0.05, there is no indication of serial autocorrelation in the residuals at the 95.0% confidence level.

It is concluded that among the five Reliability variables of banking services which used to predict the impact on overall borrowers perception over the banking services, REL3 (Appearance of Waiting area) and REL4 (ATM Facility and Arrangement) are creates a significant impact on borrowers perception regarding banking services. However, the remaining Reliability variables, REL1, REL2 and REL5, have not made any significant impact on overall customer perception It is notice that the highest P-value on the independent variables is 0.5701, belonging to Borrowers REL2. Since the P-value is greater or equal to 0.05, that term is not statistically significant at the 95.0% or higher confidence level. Consequently, it should consider removing Borrowers REL2 from the model.

Table No. 2: Result of Model Summary – Banking Recovery variables vs overall Borrowers perception over the Banking services

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Estimate</th>
<th>Standard Error</th>
<th>T Statistic</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-squared</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R-squared (adjusted for d.f.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard Error of Est.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean absolute error</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Durbin-Watson statistic</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lag 1 residual autocorrelation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Primary Data

Table No. 3: Result of Regression Analysis – Banking Reliability Variables vs Overall Borrowers Perception Over the Banking Services

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Estimate</th>
<th>Standard Error</th>
<th>T Statistic</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONSTANT</td>
<td>2.24803</td>
<td>0.449829</td>
<td>4.99752</td>
<td>0.0000</td>
</tr>
<tr>
<td>REL1</td>
<td>0.143006</td>
<td>0.156194</td>
<td>0.915567</td>
<td>0.3612</td>
</tr>
<tr>
<td>REL2</td>
<td>0.0384909</td>
<td>0.0676485</td>
<td>0.568984</td>
<td>0.5701</td>
</tr>
<tr>
<td>REL3</td>
<td>0.118397</td>
<td>0.0723367</td>
<td>1.63674</td>
<td>0.0103</td>
</tr>
<tr>
<td>REL4</td>
<td>0.121056</td>
<td>0.085122</td>
<td>1.42215</td>
<td>0.0156</td>
</tr>
<tr>
<td>REL5</td>
<td>-0.0528635</td>
<td>0.0775043</td>
<td>-0.682072</td>
<td>0.4962</td>
</tr>
</tbody>
</table>

Sources: Primary Data
FINDINGS

The present’s salient findings of this study, conclusion and suggestions offered for improving the service quality of sample banks’ urban branches in Nagapattinam District. This study also unearthed the scope for further research in this area.

1) Among the five Reliability variables of banking services which used to predict the impact on overall borrowers’ perception over the banking services, REL3 (Appearance of Waiting area) and REL4 (ATM Facility and Arrangement) are creates a significant impact on borrowers’ perception regarding banking services.

2) The highest P-value on the independent variables is 0.5701, belonging to Borrowers REL2. It should be considered to remove Borrowers REL2 from the model.

CONCLUSION

Several studies revealed that there is a positive relationship between quality of services and customers’ satisfaction. By improving service quality banks can enhance customer satisfaction and loyalty, and, as a consequence, achieve sustainable revenue. Service quality is a multidimensional concept, incorporating a number of aspects of both past and present service experience. Today the customer services preference keeps on changing at a rapid speed. Customer is the king in the present day banking. Indian banking has aided the economic development in an effective way during the post-independence period. The banking sector has shown remarkable responsiveness to the needs of the planned economy.
Second, describe the implications of your findings to theory and practice. Answer the question, “How does my study add to psychological theory?” Also, think about practical applications of your findings. Perhaps give some additional directions for future research.

REFERENCES