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Basic Minor and Major Ramifications of Service Quality in Retail Banking

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ABSTRACT

Nowadays the quality plays a vital role at everyplace, whether it is a service quality or product quality. In this Journal I am focusing on the service quality, that how much it gives an impact on the customer's loyalty and satisfaction towards the Retail banking. Sometimes the perception of the customers tend to the public sector retail banking due to the trustworthiness apart from the private banks. The only thing which may develop a difference between these two Sectors is only a Service Quality. The Service quality revolve around the customer mind and that's the time when any of these two banking sector's put their positive or negative impact on the customers attitude. There are numerable researchers which had done research work on the service quality which flash's the light on the basic and straightforward views which describes some of the causes that affect the Service Quality in Retail banking.

Keywords: Basic Minor, Major Ramifications, Retail Banking.

1. INTRODUCTION

Retail banking in India has fast emerged as one of the major drivers of the overall banking industry and has witnessed enormous growth in the recent past. Retail banking refers to the provision of banking services to individuals and small businesses where in the financial institutions are dealing with a number of low value transactions. This is in contrast to wholesale banking where the customers are large, often multinational companies, governments and government enterprises and financial institutions deal in small number of high value transactions. Retail banking is a banking service that is geared primarily towards individual consumers. This concept is not new to the banks but is now viewed as an important and attractive market segment that offers opportunities for growth and profits.

Retail banking is usually made available by commercial banks, as well as smaller Community banks. Unlike wholesale banking, retail banking focuses strictly on consumer markets. Retail banking is typical mass-market banking where individual customers use local branches of larger commercial banks.

The term "Retail Banking" encompasses various financial products viz., different types of deposit accounts, housing, consumer, auto and other types of loan accounts, demat facilities, insurance, mutual funds, credit and debit cards, ATMs and other technology based services, stock-broking, payment of utility bills, reservation of railway tickets, etc. It caters to diverse customer groups and offers a host of financial services, mostly to individuals. It takes care of the diverse banking needs of an individual. Retail banking is a system of providing soft loans to the general public like family loans, house loans, personal loans, loans against property, car loans, auto loans, etc. The products are backed by world-class service standards and delivered to the customers through the growing branch network, as well as through alternative delivery channels like ATMs, Phone Banking, Net Banking and Mobile Banking. Customers and small businesses get benefited from increased credit access, speedy and objective credit decisions, whereas lenders get benefited from increased consistency and compliance.

Retail banking and retail lending are often used as synonyms but in fact, the latter is just part of retail banking. In retail banking all the needs of individual customers are taken care of in a well-integrated manner. Retail banking is however, quite broad in nature. It refers to the dealing of commercial banks with individual customers, both on liabilities and assets sides of the balance sheet. The retail banking environment today is changing fast. The changing customer demographics demand to create a differentiated application based on scalable technology, improved service and banking convenience. Higher penetration of technology and increase in global literacy levels have set up the expectations of the customers higher than never before. Increasing use of modern technology has further enhanced reach and accessibility.

The market posed various challenges to provide multiple and innovative contemporary services to the customers through a consolidated window so as to ensure that the bank's customers get "uniformity and consistency" of service delivery across time and at every touch point across all channels. The pace of innovation is accelerating and security threat has become the prime factor of all electronic transactions. High cost structure rendering mass market servicing is prohibitively expensive. So, retail banking industry to be successful their service quality is important for the banks to grow and increase the loyal and satisfied customer base. Present day tech savvy bankers are more looking at reduction in their operating costs by adopting scalable and secure technology thereby reducing the response time to their customers so as to improve their client base and economies of scale. It is not possible for any bank to grow just by reduction of their operating cost but it is possible only by way of quality of services provided to the expectation and satisfaction of the customers. The customers are loyal to their banks only if the banks offer quality services up to their expectations. Hence, the present study is undertaken to explore various aspects underlying service quality and its impact on customer loyalty and customer satisfactions in retail banking.

2. LITERATURE SURVEY

Albert Caruana has stated first outlined the concept of service loyalty and proceeded to differentiate between service quality and customer satisfaction. He had proposed a mediational model that linked service quality to service loyalty via customer satisfaction. A Postal survey was undertaken among 1000 retail banking customers and appropriate measures were identified. 20.5 % response rate was obtained. It was clearly observed from the results that customer satisfaction did play the intermediate role in the effect of service quality on service loyalty. Further the effects of a number of demographic indicators on service loyalty were also reported. Limitations of the study were noted, implications were discussed and possible areas for further research were indicated.

Albert Caruana, (2002) "Service loyalty: The effects of service quality and the mediating role of customer satisfaction", European Journal of Marketing, Vol. 36 Issue: 7/8, pp.811-828, <https://doi.org/10.1108/03090560210430818>

Roger Hallowell had represented the findings that were obtained from from a large bank's retail-banking operations. He had used various multiple measures of satisfaction, loyalty, and profitability to enlighten the relationship of customer satisfaction to customer loyalty and then customer loyalty to profitability. He then considered the effects of increased customer satisfaction on profitability (assumed hypothesized causality) which suggested that the attainable increase in satisfaction could have improved profitability, dramatically.

Roger Hallowell, (1996) "The relationships of customer satisfaction, customer loyalty, and profitability: an empirical study", International Journal of Service Industry Management, Vol. 7 Issue: 4, pp.27-42, <https://doi.org/10.1108/09564239610129931>

Robert Johnston had worked efficiently in his research regarding service quality in retail banking. He had provided managers an empirically derived framework which helped them to assess the impact of any service quality initiative. He had classified the quality factors in terms of their relative importance and then as per their effect on satisfaction and dissatisfaction. Stated that the study was based on 100 interviews and on an analysis of over 200 customers in the UK banking industry. Research had suggested that the various actions, which included such as increasing the speed of processing information and customers were in turn, had the significant effect in terms of delighting customers. This study showed that the many other activities, such as improving the reliability of equipment, would have lessened the dissatisfaction rather than delighting the customers. This research had also advised to ensure the deal the dissatisfies first than the satisfiers. Moreover, it highlighted the two areas for the banks to a discrete advantage, like genuine commitment and attentiveness by front-line staff. This also stated that the banks need not to pay attention to less required areas and that money, which had been invested in those, could be redirected in somewhere else.

Robert Johnston, (1997) "Identifying the critical determinants of service quality in retail banking: importance and effect", International Journal of Bank Marketing, Vol. 15 Issue: 4, pp.111-116, <https://doi.org/10.1108/02652329710189366>

Terrence Levesque had stated customer satisfaction & retention as two more critical elements for retails banks and had investigated their major determinants and also their future intensions in the retail bank sector, in his research. He had identified the determinants first in his study , which included : Service Quality Dimensions (for instance : getting a work done right at the first time) , Service Features (for instance : competitive interest rates) , Service Recovery , Service Problems and Products , being used. It had been found that the service problems and the bank's service recovery ability had a major impact on customer satisfaction and their intentions to switch.

Terrence Levesque, Gordon H.G. McDougall, (1996) "Determinants of customer satisfaction in retail banking", International Journal of Bank Marketing, Vol. 14 Issue: 7, pp.12-20, <https://doi.org/10.1108/02652329610151340>

Minjoon Jun, Shaohan Cai, Their study is mainly focused on the issues related with service quality of Internet banking. Tales of critical incidents with customers in internet banking were content –analyzed. They identified 17 dimensions of internet banking service quality, which further classified into three broad categories – customer service quality, online systems quality banking and service product quality. The derived dimensions included: for customer service quality, ten dimensions such as reliability, responsiveness, competence, courtesy, credibility, access, communication, understanding the customer, collaboration, and continuous improvement; for online systems quality, six dimensions such as content, accuracy, ease of use, timeliness, aesthetics, and security; and for banking service product quality, one dimension of product variety/diverse features. They also revealed, after considering the frequency of references to the 17 dimensions that no substantial differences existed between Internet-only banks and traditional banks which offered Internet banking service. The most frequently mentioned dimensions were reliability, responsiveness, access, and accuracy. Some advises and recommendations were provided to improve the Internet banking service quality and customer satisfaction.

Minjoon Jun, Shaohan Cai, (2001) "The key determinants of Internet banking service quality: a content analysis", International Journal of Bank Marketing, Vol. 19 Issue: 7, pp.276-291, <https://doi.org/10.1108/02652320110409825>

Faye X. Zhu, Walter Wymer, Injazz Chen, this paper explored the impact of information technology (IT) that it had on service quality in the consumer-banking sector. A model related to service quality had been proposed, which linked the service options based on customer perceived information technology to traditional service dimensions, which are were measured by SERVQUAL, basically in the context of satisfaction & service quality perceived by customer. This model was tested by a structural equation modeling approach, in which sample data was collected from retail bank customers. It also incorporated many variables which had affected the perception of customers related to IT based services. From the results of study, it had been found that on one hand IT based service had a direct impact on the SERVQUAL dimensions & on the other hand, they had an indirect impact on the customer satisfaction and customer perceived quality. Moreover, through study of this paper also showed that the evaluation of IT-based service done by customers were affected mainly by their preference towards services, perceived IT polices & their experience after the IT based services.

Faye X. Zhu, Walter Wymer, Injazz Chen, (2002) "IT-based services and service quality in consumer banking", International Journal of Service Industry Management, Vol. 13 Issue: 1, pp.69-90, <https://doi.org/10.1108/09564230210421164>

Shirshendu Ganguli, Sanjit Kumar Roy : In their research paper, no. of steps was being used to reach a proper conclusion.

Purpose

The aim of this paper was to identify the generic service quality dimensions of technology-based banking and the further examine the effect of those dimensions on customer satisfaction and loyalty.

Design/methodology/approach

Dimensions of the generic service quality were identified by using an exploratory factor analysis (EFA). Further the reliability and validity of the factors, customer satisfaction and loyalty were established through factor analysis (CFA) using AMOS 16.0 s/w. The related hypotheses were then tested by using structural equation modeling, AMOS 16.0.

Findings

Four generic service quality dimensions in the technology-based banking services were identified in this paper, which were: technology security and information quality, customer service, technology usage easiness and reliability and technology convenience. It had been found that the easiness in usage of customer service and technology and reliability had a significant and positive impact on customer loyalty and satisfaction. Positive impact of technology convenience and customer satisfaction on customer loyalty had been found as well.

Practical Implications

As per this paper, dimensions of service quality has improved the perceived service quality in the minds of customers with respect to IT based banking. It had been found in this study that after examining the impact of service quality dimensions on customer loyalty and satisfaction in IT based banking, could provide some valuable insights for banks which in turn facilitate them to focus in improving the customer loyalty and their satisfaction towards the firms.

Originality/value

The concept of generic service quality and IT based banking and its importance for customer satisfaction and loyalty in case of technology-based banking had been introduced through this paper.

Shirshendu Ganguli, Sanjit Kumar Roy, (2011) "Generic technology-based service quality dimensions in banking: Impact on customer satisfaction and loyalty", *International Journal of Bank Marketing*, Vol. 29 Issue: 2, pp.168-189, <https://doi.org/10.1108/02652321111107648>

J. Joshua Selvakumar His study had stated that in banking sector, service quality is the most significant criteria and asset for satisfying and evaluation the customers, which in turn increase the average retention rate and loyalty of customer. In this study, assurance, reliability and empathy had been mentioned as important among the service quality determinants. Before this research, it was evitable that the expectations & perceptions of customers were different across service sectors. So, this paper examined the effect of determinants of service quality on customer satisfaction in both public and private banks in India. The aim was to understand the gap between perceived and actual service quality which in turn could improve the customer satisfaction extremely.

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Aby Abdul Rabb: In the research, he had monitored State bank of India in Kanyakumari District to evaluate the satisfaction of the customers from their banking services. The author had interviewed 150 customers to thoroughly examine, how the banks catered their banking needs for his literature search on banking services. Many factors were taken into consideration to determine the Customer satisfaction, for instance: banking services, Employees behavior towards customers, infrastructure of bank, loan oriented services and many more other value added services. Various tools had been used, for instance: Chi-Square test, charts and percentage analysis, to do analysis of study. Outcomes from the study had showed an important relationship between banking services and the various variables of customer satisfaction. A Medium satisfaction level had been found among the customers. SBI could have used the results, advices, from the research to increase the customer satisfaction and to enhance his reputation in market.

A. A. Rabb. *International Journal of Management and Commerce Innovations* ISSN 2348-7585 (Online) Vol. 2, Issue 2, pp: (429-443), Month: October 2014 - March 2015, Available at: www.researchpublish.com

Raja Irfan Sabir, Osama Gafoor, Naeem Akhtar, Iqra Hafeez, Asad Ur Rehman :The main aim of their research was to study the factors, which were affecting the customer satisfaction in the banks of Pakistan and moreover, to find out the relationship between Service Quality, customer loyalty and customer satisfaction. Survey research method along with quantitative study had been used in the research. Four different cities were chose to collect the required data: Okara, Pakpattan, Sahiwal and Arifwala. Structured questionnaire was used to get the data from 72 respondents. Study results had showed the significant relationship between customer satisfaction and attributes of service quality along with the positive relationship between customer loyalty and customer satisfaction. This study had proved that service quality leads to customer satisfaction which in turn leads to customer loyalty. It had been found that providing superior services to the customers is the only way to get advantage in nowadays competitive world.

Ghafoor, Akhtar, Hafeez & Rehman (2014) www.irmbjournal.com June 2014 *International Review of Management and Business Research* Vol. 3 Issue.2

Dr. Naveen Kumar and Dr. V. K Gangal In this research, authors had described customer satisfaction, a very ambiguous concept and as per them in actual, satisfaction level varies from person to person and product to product. They had mentioned that both psychological and physical variables were responsible for the state of satisfaction. These variables further correlated with behaviors of satisfaction like, recommend and return rate. In the study, they had explained that other options which a customer might have or other products, against which a customer could compare the organization's products, were also responsible for the variation in the satisfaction level. Tremendous increase in population had increased the demand of banking services. Key differentiators, which were considered for each bank's success in market were: speed, customer satisfaction and service quality. Hence, it was mandatory for each bank to get good feedback from customers regarding their actual response time and their perception towards service quality of retail banking. Further, it would have helped them to take necessary action to remain in competitive world. This paper has helped a lot to study about the banks of new generation in India.

Dr. N. Kumar and Dr. V.K Gangal *International Refereed Research Journal*, www.researchersworld.com .Vol.II, Issue-4, Oct.2011 [177]

Jiana Daikh the objective of this research was to first the study the relationship between customer loyalty and customer satisfaction & then then implementation of this relationship in the market industries including products and services, especially financial institutions. He had decided to engage faculties and students at Johnson and Wales University of all ethnicities, national and international students, to collect the preliminary sample data (N=80). H1 was developed as the hypothesis of the study. T-test was being used to address the hypothesis. A Positive relationship had been found between customer satisfaction and customer loyalty in this study. Further, it had been proved that the customer loyalty, despite being the main goal of every industry, very hard to achieve, even though customer satisfaction and service quality were not easy to achieve in competitive world. Other variables had also been mentioned that could affect customer loyalty, such as, competition found in fast moving world and the technological advancement. This research had indicated the customer loyalty as a fleeting issue (today's loyal customer would not be tomorrow's loyal customer) and hence, suggested the industries to work hard to achieve its goals.

Jiana daikh, "A Research Proposal: The Relationship between Customer Satisfaction and Consumer Loyalty" (2015).MBA Student Scholarship Paper 42.http://scholarsarchive.jwu.edu/mba_student/42

Dr. Jyoti Agarwal The author had considered banking section like many other financial service industries in the study and then had described their various challenges, being faced by these institutions, such as: new technologies, high competition, and rapid changes in market, economic uncertainties and increase in demanding customers. In banking industry, customer is the main focus, so researcher had kept this view in her mind while explaining the customer satisfaction in Indian banking sector. Descriptive research design had been used and data was collected through questionnaire. Two banks had been chosen, State bank of India and ICICI bank located in Aligarh and Uttar Pradesh, for collecting the information. 50 respondents were contacted personally to get the actual and genuine responses regarding quality of services, provided in banks. The service quality model of Zeithamal, Parsuraman and Berry (1988) had been used in the research. This study had showed that the difference in service quality and customer satisfaction in Public sector banks was wide as compared to Private sector banks.

Dr. J Agarwal International Journal of Computing and Business Research (IJCBR) ISSN (Online): 2229-6166 Volume 3 Issue 1 January 2012

Ayaraman Munusamy, Shankar Chelliah and Hor Wai Mun had considered customer satisfaction as main goal and objective in business-to-customer (B2C) type of environment, sometimes, quite an issue. Customer's perplexed mind had been considered as most difficult task for any organization by them. They had mentioned that many other researchers and studies were also conducted to understand the customer's mind but stills a mystery. The main focus of this research was to measure the customer satisfaction through delivery of service quality in the banks of Malaysia. To study the relationship between service quality dimensions and customer satisfaction, a quantitative research was used. This study showed that the assurance had the positive relationship, reliability had negative relationship, empathy had positive relationship, responsiveness had positive relationship but all they had no important effect on customer satisfaction. The study had highlighted the implications for marketers in order to improve the delivery of service quality in the banking sector.

International Journal of Innovation, Management and Technology, Vol. 1, No. 4, October 2010 ISSN: 2010-0248

Vukosavljevic Danijela, Djurovic Jasminka, Radojicic Srecko: Importance of customer satisfaction had been researched in this paper. Researchers had considered relationship management as the corporate policy of a financial institution, bank of Serbia. Research had been done on these institutions and for the framework of the research, core values of the customer satisfaction index and theories had been taken into account. Throughout 2014, survey on customer satisfaction was carried out. All the client segments along with 700 loan clients of the bank and geographical regions were covered, where banks were operated. Through this survey, drop out reasons of clients had been found. Results from the survey had supported the impact and importance of customer satisfaction on the designs of future services of banks. Further improvement in customer conditions, relationship management, and access to financial services, social responsibility and contribution to the society were taken into notice after the survey.

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3. CONCLUSION

All the researchers have mentioned the concept the customer satisfaction, customer loyalty, service quality along with their inter relationship. A positive relation has been found between profitability and customer satisfaction. Commitment and attentiveness of bank employees are the important pillars in earning the satisfaction and loyalty of customers. Service quality in internet banking is also vital to be dealt with carefulness. Easiness and reliability of technology in banks attract more customers and attain their loyalty. Difference has also been found in public and private banks. Receipt of perceived and actual service quality has been studied different. Wide difference has been found in public banks as compared to private banks. It has been concluded that service quality led to customer satisfaction which in turn led to customer loyalty. These three has been considered as the main differentiators for the success of banks in market.