A Study of Customer Expectation and Perception of Services offered by Banks in Rural Odisha

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Abstract

The advancement of technology has significantly changed the customer expectations towards different services. In a highly competitive world, a bank needs to focus on satisfaction of customers with its products in order to reap maximum gain in the market. Major focus of the study is to identify the gaps that exist between customer expectations and perceptions with regard to the service quality and the areas that need to be improved to deliver superior quality of service in selected rural branches public sector banks in Odisha. The 30 items concerning 5 dimensions of the SERVQUAL instrument was used to measure the service quality of the banks. The parameters of service quality are Tangibility, Reliability, Responsiveness, Assurance, and Empathy. This study also investigates the rural bank customer's expectations and their perceptions on the rural banks' performance. Data was collected from two hundred samples from rural areas of Odisha State. It was found that there exists a gap between customer perceptions and expectations in rural Odisha, and emphasis should be given on three dimensions of service quality namely, Responsiveness, Assurance and Empathy to close the GAPS.

Keywords: Customer Expectation, Customer Perception, Banks, SERVQUAL, Rural Odisha.

1. Introduction

Banking operations are becoming increasingly customer dictated. Development of rural area and sustained growth of banking sector are two sides of a single coin. Rural the word has become synonymous with growth in the emerging economics. The face of rural Odisha is changing very fast. Rural Odisha is increasingly becoming a market for banking products. Rural market has now created opportunities for growth of deposits, Loans for consumer durables, housing, educational, two wheelers, etc. along with the thrust given by Government of Odisha for increased flow of Credit to agriculture and Farm sector. Commercial banks have started making forays in rural Odisha. With the phenomenal increase in the country's population and the increased demand for banking services; speed, service quality and customer satisfaction are going to be key differentiators for each bank's future success. Thus it is imperative for banks to get useful feedback on their actual response time and customer service quality aspects of retail banking, which in turn will help them take positive steps to maintain a competitive edge. This has made growth of business even in rural sector, and also keenly competitive phenomenon unknown to the banks thereto before.

The service quality has gained importance in last decade due to its unique characteristics of services involving intangibility, inseparability, variability and perishability. The researchers have been coming up with different structure in various dimensions of service quality. Technical – functional quality and image model by (Gronoors 1984), Gap model (Customer expectation and perception of expectation and perceived service by (Parasuraman et al 1985). Nowadays service quality has become one of the important determinants in measuring the success of industries. Marketers agree that service quality has truly presented a significant influence on customers to distinguish competing organizations and contribute effectively to customer satisfaction (Parasuraman, Zeithaml, and Berry, 1985; Mersha, 1992; Avkiran, 1994; Marshal and Murdoch, 2001). This of course has impacted on the coverage of the bank and its financial sustainability. In a competitive world of today, successful banking outfits must be able to satisfy their customers in order to attract new customers and retain the loyalty of both old and new customers that will impact rightly on their financial sustainability and coverage (Arora, 2005). Zhou (2004) and Lopez et al., (2007) examined the impact of service quality dimensions on customer satisfaction and found that service quality was the key determinant of customer satisfaction and reliability was the most important dimension of service quality. Banking services are feasibly providing access to savings and withdrawal, fund transfer, Loan services

and advisory/consultancy services. Some customers may because of the poor quality of services of banks get discouraged from patronising a bank regardless of the suitability of its core banking services. In addition, commitment, attentiveness, friendliness, care and courtesy are found to be significant factors influencing customer satisfaction (Johnson 1997).

2. Banking in Rural Odisha

The vast network of financial Institutions helps the economy to augment its savings for more efficient utilization. There has been a phenomenal growth and spread of banking services throughout the country particularly in rural areas. Financial Institutions play vital role in the development process of any state through supply of capital for production. Nearly 83 per cent of Odisha's population lives in rural areas (Annual Action Plan Odisha: 2012-13). Besides, savings and investment affects the economy directly as growth is calculated upon savings and production. Commercial Banks were directed to open large number of rural branches and have shouldered the responsibility of mobilizing the public savings for developing the economy of the State.

Table 1
Banking Network in Odisha

Number and Types of Banks	Number of Branches
Public Sector Banks (25)	2,413
Private Sector Banks (11)	294
Regional Rural Banks (5)	910
Total Commercial Bank Branches	3,617
State Co-operative Banks	336
State Cooperative Agriculture and Research Development Bank & others	5
Total Number of Bank Branches	3,958
I. Rural	2162
ii. Semi-urban	1041
iii. Urban	755

Source : SLBC Report 2013

In Odisha 3958 bank branches are in operation. There are 755 Urban, 1041 semi – Urban and rest 2162 Rural Branches. Rural and semi urban branches constitute 81% of the total branches (S.L.B.C. Report 2013). Public sector banks and RRBs and cooperative Banks play a major role for flow of credit for an average of 11610 persons one bank is working in Odisha. But for rural and semi urban area for a population of 12405, one bank branch is in operation. On a comparison to all India stipulation of average population per branch office (APPBO) 17000, Odisha is well banked. CD ratio is an indicator for flow of credit to different sectors. As per statutory requirement all the Banks have to maintain a CD ratio of 60%. The present CD ratio is 89.31%. The total deposit has gone up to Rs.157617.33 crore as on 16.11.2013. With regard to advances as on 16.11.2013 the total Advance was Rs.140487.21 crore. Priority sector advance constitutes 56.27%. Odisha being mostly an agrarian state, more infusion of agricultural credit is required. SHG bank linkage plays a vital role for advance to women and weaker section.

3. Service Quality Defined

Delivering consistently good service quality is difficult but profitable for service organizations (Zeithaml et.al. 1988). Service quality can be defined as the difference between customer expectation for service performance prior to the service encounter and their perceptions of the service received (Asubonteng et al., 1996). Service quality is the delivery of excellent or superior service relative to customer expectations (Zeithaml and Bitner 1996). Service quality is recognized as a multidimensional construct. Service quality revolve around the idea that it is the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed (Lewis and Booms 1983). Talwar Committee (1975) viewed that customer service as a dynamic concept and recommended that the bank should assess and reassess the customers' perceptions about bank services. In this respect, Goiporia Committee (1991) emphasized on friendly banker customer relationship. In this context, Parasuraman (2000) opined that superior customer service and marketing excellence are the two sides of the same coin. Service quality is the competence of a product or service to carry out its specified tasks (Ennew et al., 1993). Parasuraman, Berry and Zeithaml (1991) have developed SERVQUAL model to measure the service quality by comparing the expectations of customers for services (SE) with their perception of services (SP) received. Service quality should address the present and future needs of the consumers.

4. Review of Literature

Hasanbanu (2004) has studied the customer service in rural banks. He found that the rural customers are not aware of the purpose for which loans are available and how they can avail them. Customers generally do not know the complete rules, regulations and procedures of the banks because the bank personnel do not take interest in educating their customers. Sharma and Kaur (2004) have studied customer satisfaction in rural banks. They used the Likert scale and found that rural customers are not satisfied with the strategies adopted by Grameen Banks (Regional Rural Banks). The findings by Phuong and Har (2000) have indicated that the most important criteria determining the bank selection by undergraduate consumers are higher interest rate for saving, convenient location and overall quality of services. These are followed by the availability of self-banking facilities, charges on services provided by banks, lower interest rate on loans, long operating hours, availability of student privileges and recommendations by friends and relatives. The findings of a study by Almossawi (2001) indicate that the chief factors determining the bank selection are: bank's reputation, availability of parking space, friendliness of bank personnel and availability and suitable location of ATMs. Significant differences, however, were observed between male and female students. Basu and Shrivastava (2005) indicate that Indian rural poor have very little access to credit from formal sources. With the current change in the functional orientation of banks, Kumar (2008) observed that the main driver is changing customer needs and expectations. Lenka, Suar, and Mohapatra (2009) in a case study of Orissa, have analysed service quality of Indian commercial banks and are fostering customer loyalty. The paper found that better human, technical and tangible aspects of service quality of the bank branches increase customer satisfaction. Human aspects of service quality were found to influence customer satisfaction more than the technical and tangible aspects. With this backdrop an analysis has been made to examine whether the increased competitive pressure has been leading to increased efficiency in the public sector commercial banks in general. An empirical study has, therefore, been undertaken to assess the nature of services rendered by the public sector banks in the area under study.

5. Objectives and Methodology

The study on customer expectation and perception of banking services have important implications for bankers and academicians alike, as it will provide important insight into the dynamics of customer satisfaction with service quality of public sector banks operating in Rural parts of Odisha. The main focus of the study are :

1. To study the customer perception on service quality banks in rural Odisha;
2. To evaluate the service quality of banks in rural Odisha;
3. To analyze the level of customer satisfaction across various demographic parameter of banks in rural Odisha; and
4. To analyze the level of customer awareness about various banking products banks in rural Odisha.

This study is based on a survey conducted in different parts of Odisha more concentrating in North-Eastern part of the State. Primary as well as secondary data were collected. The theoretical foundation of the study is based on various secondary sources such as books on service quality, articles, quality magazines, and published papers. A cross sectional field study has been designed for the proposed study. The primary data was collected through a modifified version of the SERVQUAL Instrument suggested by Parasuraman et.al. (1988). The respondents were required to indicate their perceptions and expectations of the services offered in a seven-point scale by the respective bank customers in rural odisha. The study includes the customers of 5 leading public sector banks - Bank of India (BOI), State Bank of India (SBI), UCO Bank, Punjab National Bank(PNB) and United Bank of India(UBI). The sample size for the study was 400 customers. Initially the questionnaires were distributed among the respondents selected at random in few pre-identified branches of above public sector banks in selected rural areas. With lot of persuasion and follow up only 200 filled in the questionnaires were received and considered for the present study. This categorization was based on the responses of the customers. The parameters of service quality used in this study are Tangibility, Assurance, Reliability, Responsiveness and Empathy.

6. Data Analysis and Interpretation

The data collected from the respondents are analysed here keeping the broad objectives in mind. The demographic profile of the respondents are given below.

6.1.Demographic Profile of the Respondents

Table 6.2A
Gender-wise Classification

Gender	No. of respondents	Percentage
Male	155	77.55
Female	45	22.45
Total	200	100

Table 6.2B
Age-wise Classification

Age	No. of respondents	Percentage
Below 30yrs	8	4
30- 40yrs	94	47
40-60 yrs	92	46
60 yrs and Above	6	3
Total	200	100

Interpretation

According to table 6.2A, 77.55 % respondents are belonging to the category of male. And the remaining 22.45% respondents are belonging to the category of

female. Similarly, 6.2B describes that 4% respondents are belonging to the age category of Below 30yrs., 47% respondents are belonging to the category of 30- 40yrs and40-60 yrs respondents constitute 46%, and rest 3% respondents are belonging to the category of 60 yrs and Above. The same also can be observed from the charts given below.

Table 6.2C
Education-wise Classification

Education	No. of respondents	Percentage
Up to Matriculation	87	43.5
Graduate	29	14.5
Professional	8	4
No formal education	76	38
Total	200	100.00

Interpretation

From the table 6.3C, 43.5% of respondents are belonging to the category of Up to Matriculation. And 14.5% of respondents are belonging to the category of Graduate. And 4% of respondents are belonging to the category of Professional. And 38 % of respondents are belonging to the No formal education.

Table 6.2D
Occupation Wise Classification

Occupation	No. of respondents	Percentage
Service	48	24
Agriculture	80	40
Professional	8	4
Self-employed	64	32
Total	200	100

Interpretation:

From the above table we can say that 24% of respondents belong to the category of service, 40% of respondents are belonging to the category of agriculture and professional constitute 4% of respondents and 32% of respondents are belonging to the category of Self-employed.

Table 6.2E
Income Wise Classification

Income	No. of respondents	Percentage
Less than 1 lakh	120	60
1-2 lakh	35	17.5
2-3 lakh	37	18.5
3-4 lakh	8	4
Total	200	100

Interpretation:

The above table concludes that 60% of respondents are falling under the income level of Less than 1 lakh , 17.5% of respondents are falling under the income level of 1-2 lakh, 18.5% of respondents are falling under the income level of 3-4 lakh,and 4% of respondents are falling under the income level of 3-4 lakh.

Charts (1 To 7) for
Demographic Profile of Respondents

Chart - 1

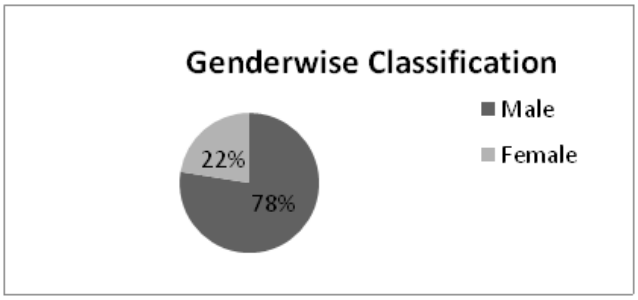


Chart - 2

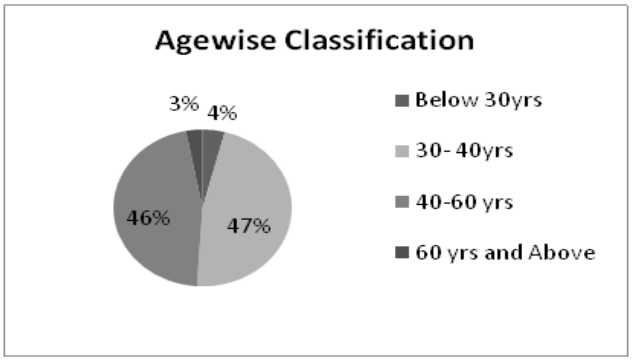


Chart - 3

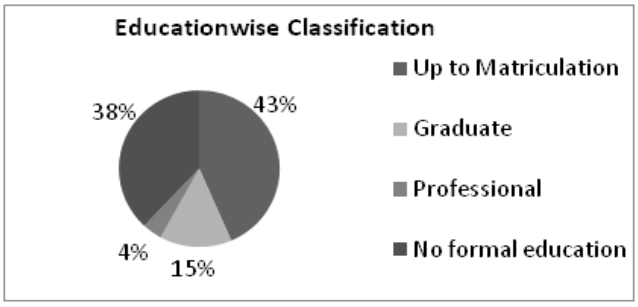


Chart - 4

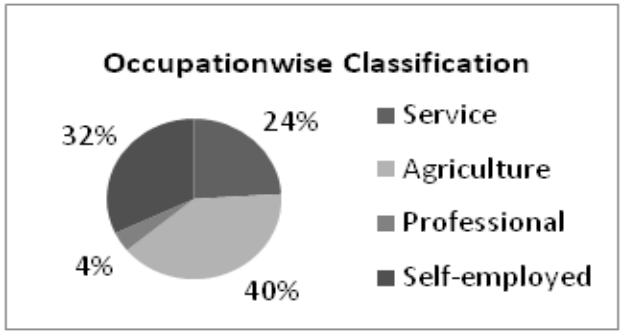


Chart - 5

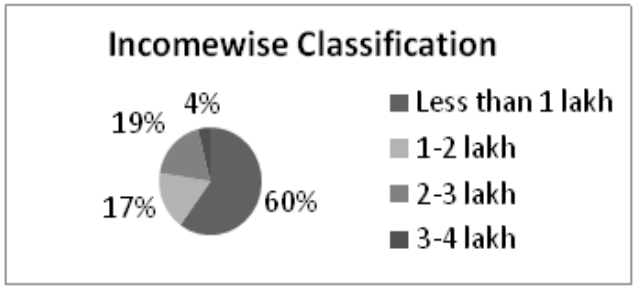


Chart - 6

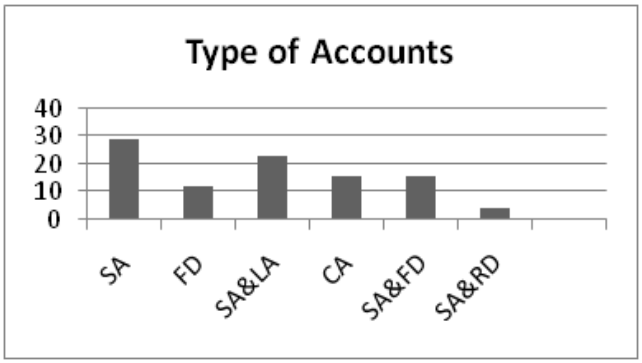
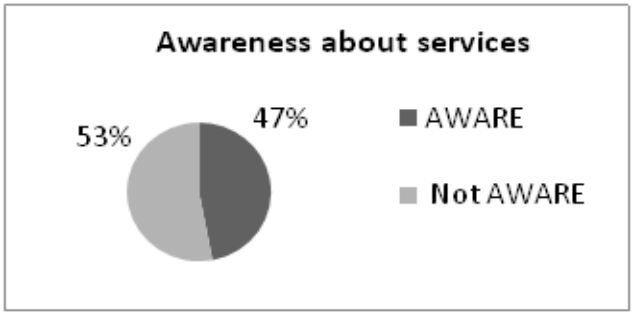


Chart - 7



6.2. Banking Habits of the Respondents

Table 6.3A
Type of Bank Accounts

Type Of Bank Accounts	No. of respondents	Percentage
Savings accounts (SA)	58	29
Fixed deposit(FD)	24	12
Savings and Loan accounts (SA&LA)	46	23
Current accounts (CA)	32	16
Savings and Fixed deposit(SA&FD)	32	16
Savings and Recurring deposit(SA&RD)	8	4
Total	200	100

Interpretation

It can be seen from the table 6.3 that 29% of the respondents maintain savings account in the bank. 16% of them maintain the current account and Savings & Fixed deposit. Only 4% of the respondents maintains the recurring deposit, 23% of the respondents have loan accounts and 12% are the account holders have Fixed deposits. The data indicates that larger portion of the customers have either savings or loan accounts in rural areas.

Table 6.3B
Awareness About The Services Provided By Banks

Awareness About The Services	No. of respondents	Percentage
Aware	94	47
Not aware	106	53
Total	200	100

Interpretation

The data in Table 6.3B indicates that 47% of the respondents are aware about the services provided by the banks. 53% of the respondents are not aware about the services provided by the banks. Majority of respondents are not aware about the various services that provided by banks.

6.3. Service Quality Analysis

Table 6.4A
SERVQUAL GAPs – Item wise

	Bank service Quality Factors	Perception	Expectation	Gap
1	Modern equipments and instruments facilities	5.34	6.28	-0.94
2	Comfortable and attractive working environment	5.3	5.34	-0.04
3	Visually appealing exterior	4.47	4.11	0.36
4	Visually attractive interior	4.53	4.81	-0.28
5	Location of Bank	5.4	5.51	-0.11
6	Neat and professional appearance of Banker	5.13	4.42	0.72
	Tangibles	5.03	5.08	-0.05
7	Error free service	5.74	5.94	-0.21
8	Providing services as promised	5.38	6.17	-0.79
9	Providing services as per the promised schedule	4.66	5.34	-0.68
10	Providing prompt service to customers	4.66	5.89	-1.23
11	Keeping records accurately	5.65	5.89	-0.23
12	Effectiveness of employees in critical incidents	4.5	6.17	-1.67
	Reliability	5.1	5.9	-0.8
13	Inform when service will be performed	4.81	6.3	-1.49
14	Polite and kind especially when employees are very busy	4.23	5.28	-1.05
15	Efficiency and quickly response of the employee	4.46	6.25	-1.78
16	Willingness to provide advice and suggestions to customers	4.21	5.55	-1.34
17	Facility to meet a bank managers or supervisors	4.9	5.6	-0.7
18	Employees reply in any query of the customers	4.6	6.47	-1.88
	Responsiveness	4.54	5.91	-1.37
19	Able to trust employees of the Bank	4.87	6.08	-1.21
20	Safe in transactions with the Bank	5.17	6.17	-1.00
21	Adequate support to employees	4.94	6.36	-1.42
22	Employees' knowledge to answer clearly and understandably	4.38	5.74	-1.35
23	Providing appropriate& timely information to customer	4.58	6.08	-1.5
24	Employees are consistently polite, pleasing and courteous	4.52	5.83	-1.31
	Assurance	4.74	6.04	-1.3
25	Convenient operating hours	4.49	5.89	-1.4
26	Bankers should know what exactly customer needs	3.53	4.98	-1.45
27	Employees devote enough time to the customers	3.51	5.08	-1.57
28	Customers' best interest at heart	3.66	5.19	-1.53
29	Providing services even on holidays	3.51	5.06	-1.55
30	Concerned about the problems and willing to help customers	3.77	5.4	-1.63
	Empathy:	3.74	5.26	-1.52

Table 6.4B
SERVQUAL Analysis – Dimension wise

The magnitude and direction of the difference (GAP 5) between expectation and performance along the quality dimensions determine the total perceived service quality (Parasuraman et al., 1985 and 1988). The gap score enables us to find out how consumers perceive service quality and try to identify what dimensions of service quality they are satisfied with. A positive gap indicates that customers perceived quality more than they expected. A gap of 0.25 (negative) is generally considered by researchers (Rohoni and Mahadevappa, 2006) as the margin to measure the gap between perception and expectation of service quality. In table 6.4A and 6.4B, the average perception and expectation mean scores for every attribute under all dimension of SERVQUAL scale and the differences between the two are presented. According to Parasuraman et al., (1988), overall service quality is measured by obtaining an average gap score of the SERVQUAL dimensions. In general, taking all respondents together, it is found that, customers' perceptions of service quality offered by banks did not meet their expectations (all gaps scores the dimensions are negative except 2 items of Tangibility dimensions of service quality). From the above Table 6.4B, it reveals that Dimensions that reported larger mean gaps were reliability (-0.80) responsiveness (-1.37), assurance (-1.30) and empathy (-1.52), while smaller mean gaps obtained is reliability (-0.05). 2 attributes of Tangibility shows a positive gap difference those are Visually appealing exterior of your Bank (0.36), Neat and professional appearance of your Banker (0.72). Out of 30 items of the five dimensions of service quality, only two attributes of Tangibility have positive gap in which the attributes under tangibility dimension have positive gap score more than 0.25. Among the 30 attributes under all dimensions, the gap scores Modern equipments and instruments facilities (-0.94), Comfortable and attractive working environment. (-0.04), Visually attractive interior (-0.28), Location of the Bank (-0.11) of Tangibles Dimension ; on Error free service of your Bank (-0.21), Providing services as promised (-0.79), Providing services as per the promised schedule (-0.68), providing prompt service to customers (-1.23), keeping records accurately(-0.23), Effectiveness of your bank employees' skills and ability for action whenever a critical incident takes place (-1.67), of Reliability Dimension; on Keeping customers informed about interest rates and service charges (-1.49), Being polite and kind especially when employees are very busy (-1.05), Efficiency and quickly response of the employee(-1.78), Willingness to provide advice and suggestions to guide customers(-1.34), Facility to meet a bank managers or supervisors (-0.7), Employees reply in any query of the customers (-1.88) of Responsiveness Dimension; Customers' Confidence on Employees (-1.21), Safe Feeling of Customers in Transaction (-1), Adequate Support to Employees (-1.42), Employees have the knowledge to answer clearly and understandably (-1.35), Providing appropriate& timely information to the customer regarding their accounts changes (-1.5), Employees of the Bank are consistently polite, pleasing and courteous (-1.31) of Assurance Dimension and Convenient Operating Hours (-1.4), Understanding Specific Needs of the Customers (-1.45), Employees devote enough time to the customers (-1.57), Giving caring and individual attention to customers by having the customers' best interest at heart (-1.53), Ready for providing services even on holidays to remove customers' problems (-1.55), Really concerned about the problems and willing to help customers (-1.63) of Empathy Dimension. It is clearly understood that these are the service attributes a bank is required to pay more attention to maintain their customers satisfied.

7. Conclusion

Service quality is, without any doubt, gaining more importance in banking industry in India. The study reveals that attributes under the three dimensions namely, Responsiveness, Assurance and Empathy are the major short falls of service quality rendered by banks. The present study suggests that the policy makers (managers) of banks should take appropriate decision to improve the quality of banking services in rural Odisha. At the outset, we have examined rural customers' expectation and perceptions of service quality. The four dimensions' except Empathy individual mean scores were each greater than 4, indicating that respondents perceived rural bank service to be of high quality. Respondents attached greatest importance to assurance (mean = 6.04), followed by Responsiveness (5.91). Reliability, with a mean score of 5.90, Empathy was with a mean score of 5.26 and Tangibility with (5.08) ranked fifth. The above scores derive that in the rural area to improve the services of the banks the responsiveness of the bank employees to the customers of the village areas needs maximum importance since in the customer profile do not include highly educated group of people. On the other hand rural customers are not highly concerned about tangible aspects of banking in comparison to reliability, assurance and empathy.

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