Measuring Service Quality Dimension in Private Banks and Private Insurance

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Abstract - *The focus on customer-centric marketing philosophies has received significant attention in the marketing literature by both scholars and practitioners. Practitioners and Scholars are increasingly looking for ways to understand, retain, attract and build intimate long term relationship with profitable customers Kotler (2006), Gronroos (1994).*

This research is an empirical study where primary data has been collected through a scale of Parasuraman, Zeithml, and berry 1986, 1988). The scale has been administered on 101 customers each of Private Banks and Private Insurer, chosen on a convenient basis. The purpose of this paper is to evaluate the service quality of Private Banks and Insurance companies, based on different levels of customers' perception regarding service quality with respect to Tangibles, Reliability, Responsiveness, Assurance and Empathy.

This paper will make a useful contribution given that there are only few studies dealing with the assessment of service quality dimensions in Private Banks and Private Insurance environments.

Keywords: - Customer, Services Quality, Customer satisfaction, Banker, Insurer, Private Banks and Insurance.

I. INTRODUCTION

In today's competitive business world, customer satisfaction is an essential performance index and basic differentiator of business strategies. So, the more the customer satisfaction; more is the business. Commerce always begins and ends with customers and that's why the customers are treated as the God of the business. Business enhancements, status, profit, image, brand etc of the organization depends on customers. Thus it is important for all the establishments to meet all the customer's expectations from scratch to top.

It is said that "Higher the satisfaction level, higher is the sentimental attachment of customers with the specific product/service or provider". This helps in making a strong and healthy customer and supplier/provider bonding. This unbeatable bonding forces the customer to be tied up with that particular provider and chances of defection are nil. Hence customer satisfaction is very essential aspect that each and every organization should focus to establish a renounced location in the globalized economy and enhance profit and business.

The focus on customer-centric marketing philosophies has received significant attention in the marketing literature by both scholars and practitioners. Practitioners and Scholars are increasingly looking for ways to understand, retain, attract and build intimate long term relationship with profitable customers Kotler (2006), Gronroos (1994).

II. CUSTOMER SATISFACTION

Globalization has increased the competition in banking and insurance sector to attract potential customers. Every banker and insurer tries to provide superior services to keep satisfied customers. Customer happiness/contentment is a sign of customer satisfaction and has always been the most

crucial object for any organization to exist in the cut throat competition.

Kotler et al. (2002) opines "Customer satisfaction has been defined as the extent to which a product's perceived performance matches a buyer's expectations".

Giese and Cote (2000) postulate: "Customer satisfaction is identified by a response (either cognitive or affective) that pertains to a particular focus (i.e. a purchase experience and/or with the associated product) and that occurs at a certain time (i.e. post-purchase or post-consumption)".

Service quality

In general, the quality is basically classified into five categories, viz. transcendent, product led, process or supply led, customer led and value led. The definition of service quality is based on customer-led quality definition where quality is defined as satisfying customer's requirements (Deming, Juran, Feigenbaum and Ishikawa), relying on the ability of the organization to determine customers' requirements and then meet these requirements.

The service industries are mostly customer driven and their survival in competitive environment largely depends on quality of the service provided by them. In this context, quality of service furnished by banking sector is very important and profitability of their business is closely connected to the quality of service they render.

III.   REVIEW OF LITERATURE

Panwar U.S. and Hyde A.M. (2012) in their study on "Measuring Service Quality in Government Banks with special reference to Indore District" found that there is no significant differences in the service quality levels of respondents when analyzed with respect to age, gender, and education level, So it is evident that no separate promotional schemes to be designed for the whole set of customers of the banks.

Devadasan N. et al. (2011) in their study on "Community health insurance schemes & patient satisfaction; evidence from India" found that at both ACCORD and KKVS, there was no significant difference in the levels of satisfaction between the insured and uninsured patients. The main reasons for satisfaction were the availability of doctors and medicines and the recovery by the patient.

Deepika Upadhyaya et al. (2011) in their research on "Service Quality Perception and Customer Satisfaction in Life Insurance Companies in India" ranked the factors according to importance the consumer reckon can be written in the descending order as Pricing > Employee Competence > Product & Service > Technology > Physical Appearances > Trust > Service Delivery > Advertising > Service Management. It implies that customers go for better priced life insurance policy; they also concluded that customers who are strongly familiar with interpersonal services will never be satisfied with purely technology based services. This is probably even more important in the relationship based cultures of India. Customers seems to want technology to be integrated into interpersonal, relates own personal technology readiness.

Sandhu H. S. et al. (2011) in their study "Customer's Perception towards Service Quality of Life Insurance Corporation of India (LIC): A Factor Analytic Approach" concluded that seven factors play a vital role in influencing the perception of customers toward service quality of LIC. Proficiency is the main factor having impact on customer's perception towards life insurance service quality. By improving the performance of agents and employees, LIC can increase its customer's satisfaction; in addition, other factors that customers are concerned at LIC are physical, ethical excellence as well as functionality. Existing life insurance players and new potential entrants to Indian life insurance market must identify the weight of each factor having impact on customers' perception towards life insurance service quality. Based on each of these factors, life insurance sector can propose appropriate strategies.

Sharma R.K. (2011) in his research on "Service Quality Assessment in Insurance Sector: A Comparative Study between Indian and Chinese Customers" found that perceptions of service quality vary by nationality due to differences in social, economic and cultural environments.

Yusuf et al. (2009) in their research on "Attitudes of Nigerians towards insurance services: an empirical study" found that the attitudes of Nigerians customers towards insurance institution and services was negative because of their poor quality services rendered to the customers.

Affiaine Ahmad et al. (2008) in their research on "An Assessment on Service Quality in Malaysia Insurance Industry" found that there exists a huge gap between perception and expectation. The least gap was in Tangibles i.e. 0.8119 reported, in Reliability gap of 2.4223, in Responsiveness 2.3848, in Assurance gap of 1.9599, and in Empathy gap of 2.1270 were found.

Chowdhury Tamzid Ahmed et al. (2007) in their research on "Perceptions of the customers towards insurance companies in Bangladesh; A study based on the SURVQUAL model" indicated that the relationship between gender and type of insurance company selected was moderately supported ($\chi 2 = 6.522$ with 2 degrees of freedom, p = .03 < .05) depicts that male respondents like private insurance companies (specially foreign) as their insurance partner, whereas female respondents are in favour of public insurance companies though the rate of choice (49 and 32 female respondents are in support of public and private banks) by female clients towards public insurance company with respect to private insurance company is not that much high.

Jawaharlal U. and Pareek N. (2004) in their study on "Customer Services in Life Insurance" examined the importance of having efficient customer services in the life insurance industry. Because of severe competition in the insurance industry, it was found that the life insurance providers were creating new strategies to improve service quality. To improve the service quality, certain areas had to be considered. These included analyzing the need for having a policy, giving advice to lapse the policy, suggesting nomination methods, transferring of policies etc. The major lack in service quality was found at the time of claim settlement. The main reason for lack of quality service was lack of education and training of customers, agents, brokers etc.

Dhillon et al. (2003) studied the "Impact of relationship marketing and trends of customer relationship in selected Public Sector Banks (SBI) and private sector banks (ICICI) in Chandigarh" and concludes that ICICI bank is doing well in credibility, access, communication, understanding the customers, tangibles, reliability, responsiveness, competence and courtesy as their mean value is greater than that of SBI but from security point of view, SBI is better.

IV. RATIONALE

In today's competitive business world, customer satisfaction is an essential performance index and basic differentiator of business strategies. So, the more the customer satisfaction; more is the business. Business enhancements, status, profit, image, brand etc of the organization depends on customers. Thus it is important for all the establishments to meet all the customer's expectations from scratch to top and customer satisfaction is one of the most important among it.

The most popular and widely used service quality instrument is SERVQUAL. Business operations are incomplete without talking about banks and insurance; hence it is essential to know the current customer satisfaction of private banks and insurance sector using the SERVQUAL instrument (Perception scale only). This study measures the satisfaction attributes related to tangibles, reliability, responsiveness, assurance and empathy of Private Banks and insurance, through customer's survey.

V. OBJECTIVE

To measure and analyze the perception of customers towards Tangibles of Private Banks and Private Insurance.

To valuate the perception of customers towards Reliability of Private Banks and Private Insurance.

To assess the perception of customers towards Responsiveness of Private Banks and Private Insurance.

To study and analyze the perception of customers towards Assurance of Private Banks and Private Insurance.

To quantify and analyze the perception of customers towards Empathy in Private Banks and Private Insurance.

VI. HYPOTHESIS

H_{01}: There is no significant difference in Tangibles of Private Banks and Private Insurance.
H_{11}: There is a significant difference in Tangibles Private Banks and Private Insurance.
H_{02}: There is no significant difference in Reliability of Private Banks and Private Insurance.

H_{12}: There is a significant difference in Reliability of Private Banks and Private Insurance.

H_{03}: There is no significant difference in Responsiveness of Private Banks and Private Insurance.

H_{13}: There is a significant difference in Responsiveness of Private Banks and Private Insurance.

H_{04}: There is no significant difference in Assurance of Private Banks and Private Insurance.

H_{14}: There is a significant difference in Assurance of Private Banks and Private Insurance.

H_{05}: There is no significant difference in Empathy of Private Banks and Private Insurance.

H_{15}: There is a significant difference in Empathy of Private Banks and Private Insurance.

VII.   METHODOLOGY

a) Sampling Technique: Convenient.
b) Sampling Unit: Customers of Private Banks and Insurance companies.
c) Sampling Size: 101 customers each from Private Banks and Private Insurance companies.
d) Tools for Data Collection: Service Quality scale SERVQUAL (perception scale only) of (Parasuraman, Zeithml, and berry 1986, 1988).
e) Tools for Data Analysis: Normality test, t- test.

VIII.   RESULT AND ANALYSIS

Reliability Test:
Reliability of the measure was assessed with the use of cronbach's alpha. The reliability coefficients of the five dimensions of SERVQUAL (Perception scale) were consistent with the original version conducted by Parasuraman et al. (1988). Cronbach's alpha test is designed as a measure of internal consistency that is all the items within the instrument measure the same thing. It allows measuring the reliability of different variables. It consists of estimates of how much variation in scores of different variables is attributable to change or random errors (Selltiz et al. 1976). As a general rule, a coefficient greater than or equal to 0.7 is considered acceptable and a good indication of construct reliability (Nunnally 1978), low value below the 0.5 implies that reliability may not be appropriate.

Even though Cronbach's coefficient of the scale of the original SERVQUAL had high internal consistency (.92) based on Nunnally's (1978) analysis, The Cronbach's coefficient of the total scale here is found to be (0.769). This supports Parasuraman et al.'s (1988) findings that the SERVQUAL instrument could be utilized in various services without adaptation because the SERVQUAL has high reliability and validity. The Cronbach's alpha for the questionnaire is (0.769) (Table 1). Hence, the scale used here can be said as reliable and can be used for analysis.

Reliability Statistics	
Cronbach's Alpha	*N of Items*
.769	22

Table 1

Tangibles: The analysis of tangibles of Private Banks and Private Insurance shows that the significance difference is .020 (Table-3) which is less than .05 that means there is a significance difference between the tangibles of the Private Banks and Private Insurance. So hypothesis H01 is rejected. So it is concluded that there is a significant difference in Tangibles of Private Banks and Private Insurance. Or it can be assumed that there is still a scope for Private Banks and Private Insurance in tangibles to improve.

Group Statistics					
	type of organisation	N	Mean	Std. Deviation	Std. Error Mean
total score of tangibles	Pvt. bank	101	22.68	3.970	.395
	Pvt. insurance	101	19.63	4.923	.490

Table.2

Independent Samples Test										
Levene's Test for Equality of Variances				t-test for Equality of Means						
									95% Confidence Interval of the Difference	
total score of tangibles		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
	Equal variances assumed	5.500	.020	4.846	200	.000	3.050	.629	1.809	4.290
	Equal variances not assumed			4.846	191.403	.000	3.050	.629	1.808	4.291

Table.3

Reliability: The analysis of Reliability of private banks and insurance shows that the significance difference is .000 (Table-5) which is less than .05 that means there is a significance difference between the Reliability of the Private Banks and Private Insurance. So hypothesis H02 is rejected, so it may be concluded that "There is a significant difference in Reliability of Private Banks and Private Insurance". Or we can assume that there is still a scope for Private Banks and Private Insurance in Reliability to improve.

Group Statistics					
	Type of Organization	N	Mean	Std. Deviation	Std. Error Mean
total score of reliability	Pvt. bank	101	27.03	4.251	.423
	Pvt. insurance	101	22.71	6.594	.656

Table.4

Independent Samples Test										
total score of reliability	Levene's Test for Equality of Variances			t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
	Equal variances assumed	15.391	.000	5.530	200	.000	4.317	.781	2.777	5.856
	Equal variances not assumed			5.530	170.867	.000	4.317	.781	2.776	5.858

Table.5

Responsiveness: When it comes to the Responsiveness the analysis of Responsiveness of private banks and private insurance shows that the significance difference is .587 (Table-7) which is greater than .05 that means there is no significance difference between the Responsiveness of the

Private Banks and Private Insurance. So hypothesis H_{03} is accepted or it may be concluded that: There is no significant difference in Responsiveness of Private Banks and Private Insurance.

Group Statistics					
	Type of organization	N	Mean	Std. Deviation	Std. Error Mean
total score of responsiveness	Pvt. bank	101	12.47	5.540	.551
	Pvt. insurance	101	13.81	5.295	.527

Table.6

Independent Samples Test										
	Levene's Test for Equality of Variances			t-test for Equality of Means						
total score of responsiveness								Std. Error Differe nce	95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference		Lower	Upper
	Equal variances assumed	.296	.587	-1.766	200	.079	-1.347	.763	-2.850	.157
	Equal variances not assumed			-1.766	199.591	.079	-1.347	.763	-2.850	.157

Table.7

Assurance: When it comes to the Assurance the analysis in private banks and insurance shows that the significance difference is .001 (Table-9) which is less than .05 that means there is a significance difference between the assurance of Private Banks and Private Insurance. So hypothesis H_{04} is rejected or it may be concluded that "There is a significant difference in assurance of Private Banks and Private Insurance".

Group Statistics					
	Type of organization	N	Mean	Std. Deviation	Std. Error Mean
total score of assurance	Pvt. bank	101	21.54	3.640	.362
	Pvt. insurance	101	19.18	5.480	.545

Table.8

Independent Samples Test										
total score of assurance	Levene's Test for Equality of Variances			t-test for Equality of Means						
						Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
		F	Sig.	t	df				Lower	Upper
	Equal variances assumed	11.420	.001	3.615	200	.000	2.366	.655	1.076	3.657
	Equal variances not assumed			3.615	173.870	.000	2.366	.655	1.074	3.658

Table.9

Empathy: The analysis of empathy of private banks and insurance shows that the significance difference is 0.490 (Table-11) which is more than .05 that means there is no significance difference between the empathy of the Private Banks and Private Insurance. So hypothesis H_{05} is accepted or it may

be concluded that "There is no significant difference in empathy of Private Banks and Private Insurance".

Group Statistics					
	Type of organization	N	Mean	Std. Deviation	Std. Error Mean
total score of empathy	Pvt. bank	101	16.98	6.921	.689
	Pvt. insurance	101	18.46	6.664	.663

Table.10

Independent Samples Test									
Levene's Test for Equality of Variances			t-test for Equality of Means						
total score of empathy						Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)			Lower	Upper
	Equal variances assumed	.478	**.490**	-1.543	200	.124	-1.475	.956	-3.360	.410
	Equal variances not assumed			-1.543	199.715	.124	-1.475	.956	-3.360	.410

Table.11

IX.   CONCLUSION

This research explores the perception of customers regarding Tangibles, Reliability, Responsiveness, Assurance and Empathy towards the Private Banks and Private Insurance. It was observed that there is a significant difference in Tangibles, Assurance and Reliability between customers and with respect to the Responsiveness and Empathy no significant difference was found. The result indicated that the dimensions Tangibles, Reliability and Assurance need to be improved by Private Banks and Private Insurance.

The study has an important implication that the banker and insurer should provide similar services to all the customers and need to improve on the above factors. It is observed that in the Tangibles, Assurance and Reliability there exists a significant difference which need to be reduced by the managers. This information will lead to reduction of expenses on account of the factors where no significant difference exists.

Limitation of the study is that the present study analyses the customer satisfaction attributes of Private Banks and Private Insurance in a small region. Furthermore, a small sample may not be the representative of the whole population and hence, in future, the research can be conducted by taking a large sample to facilitate a robust examination of the satisfaction attributes of the banking and insurance. Future study can also be conducted to identify demographic wise dimensions. The extension of this study can also include the providers (bankers and insurers) perspective to have a better understanding of the problem domain.

X.   SUGGESTIONS

It is found out from the study that, since significant differences were found in the Tangibles, Assurance and Reliability, so these factors are to be worked out, while in case of Responsiveness and Empathy there exists no significant difference so it is evident that separate strategy for development of Responsiveness and Empathy may not be designed. This information will lead to reduction of expenses on account of separate strategies for development.

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Key Terms & Definition:

Consumer: Who so ever buy the goods/services provided by companies for his/her personal use is consumer

Customer: can be a consumer, but consumer may not necessarily be a customer, i.e. a

Customer is the person who buys the products for others use and the consumer is the person who ultimately consumes the product.

Customer's expectations are defined as what customers want or desire based on their antecedent experiences with the firm.

Service quality definition of is based on customer-led quality definition, where quality is defined as "satisfying customer's requirements, relying on the ability of the organization to determine customer's requirements and then meet these requirements".

Customer satisfaction is the computation of the feelings about the provider by the customers.