

## SERVICE QUALITY ATTRIBUTES IN RETAIL BANKING SERVICES

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*Within the last two decades, service quality has become a main interest in the industrial world especially in the service industries. The key to success in winning the global competition now and in the future is to have high quality service. High quality of service is believed to influence over customer value and customer satisfaction, and furthermore customer satisfaction will affect customer loyalty directly. Therefore, the importance of service quality, value, and customer satisfaction seems justified to the survival of service companies, including the banking companies.*

*Keywords: service quality, banking, measure*

*JEL code: M31*

This study will investigate service quality attributes along with a measure of perceived value and satisfaction to determine the direct and indirect effect on bank customer's loyalty. The study will seek to identify the most important attributes/cues in bank settings, which may be used to review characteristics of the banks as experienced by customers.

### **1. Service quality cues or attributes**

Some studies noted that consumers organize information at various levels of abstraction ranging from simple product attributes to complex personal values.

Attributes that signal quality have been dichotomized into intrinsic and extrinsic cues. Intrinsic cues are attributes that are part of the physical composition of the product, for example flavor, color, freshness, size, fit, and style. They cannot be changed without changing the nature of the product and are consumed along with the product. Extrinsic cues are attributes that related to the product, but they are not product-specific and can serve as general indicators of quality across all types of products. Examples of extrinsic attributes include price, brand name, and level of advertising.

Other studies suggested that intrinsic attributes can be more important to consumers than extrinsic attributes in the following situation:

- during consumption of the product;
- in pre-purchase situations when consumers are actively search for intrinsic attributes;
- when the intrinsic attributes have high predictive value to judge quality.

Conversely, extrinsic attributes can be more important than intrinsic attributes when:

- consumer is in initial purchase situation, in which intrinsic attributes are not available (e.g. for services);
- consumer has insufficient time or interest to evaluate the intrinsic attributes;
- quality is difficult to evaluate.

Because services are intangible, consumers are more likely to use extrinsic cues to infer service quality prior to the actual purchase and consumption of the service. As a result, cues such as price, brand, advertising, word-of-mouth, and certain tangible service elements are important to consumers as they attempt to judge the quality of a service prior to consumption.

In a study of quality in four consumer service industries: long distance telephone, banking, credit cards, and an appliance repair and maintenance, Parasuraman et al. (1988) found consistent attributes of perceived quality across the four service industries. These abstract attributes included reliability, responsiveness, assurance, empathy, and tangibles.

In a period during the service delivery process, the customer is directly interacting with the personnel, physical facilities and other elements such as communication materials. Because services are intangible, consumers use tangible clues as proxies in evaluating the quality of services. If consumer perceives that the appearance of physical facilities, equipment, personnel, and communication materials are good, then his or her judgment will be positively affected. We refer to this as "**tangibles**".

The attribute termed "**reliability**" is associated to the ability of the service provider to perform the promised services dependably and accurately. Reliability is closely related to the concept of technical quality of service. The other attributes such as tangibles, responsiveness, assurance, and empathy are related to the concept of functional quality.

The "**responsiveness**" attribute of service quality refers to whether the service provider has the willingness to help customers and provide prompt service. When the service provider provides prompt service to its customers, the customer perceives that he or she is receiving good quality.

Customers frequently find difficult to evaluate the quality of the service if they have not experienced yet the particular service. It is believed that the level of the customer's trust plays important role in assessing the quality of the service provided by the service provider. The more the customer trusts the service provider, the better the customer's perception on the service quality. The attribute termed "**assurance**" is associated with the ability of the service provider to convey trust and confidence to the customers.

Finally, if customers perceive that they are not receiving concerned, personal, or individual attention from the service provider, then their quality judgment will be negatively affected. This is called "**empathy**". A brief description of each attribute is presented in Table 1.

**Table 1** The Definition of the Five Services Quality Attributes

<b>Attributes</b>	<b>Definition</b>
Tangibles	Appearance of physical facilities, equipment, personnel, and communication materials
Reliability	Ability to perform the promised service dependably and accurately
Responsiveness	Willingness to help customers and provide prompt service.
Assurance	Knowledge and courtesy of employees and their ability to convey trust and confidence.
Empathy	Caring, individualized attention the firm provides its customers.

These above five attributes are widely accepted in the literature, although they suffer from at least two major shortcomings. Firstly, they are very broad and lack specificity in serving as cues that consumer can use to infer service quality. For example, a problem with a service's "reliability" does not indicate the particular attribute that was unreliable. Secondly, the particular attributes or cues that comprise each dimension vary across service contexts. Some researchers suggested that the dimensionality of service quality might depend on the type of services under study. Many researchers conducted service quality research in retail banking setting, in which they modified the service quality dimensions to fit the bank specific characteristics, which are discussed below.

## 2. Service Quality Attributes of Retail Banking

In order to develop marketing strategy, service marketers, especially bank marketers need to understand the service attributes that are used by consumers in selecting banks. For example, consumers would use bank reputation, bank reliability, bank assurance, and physical facilities of the bank in selecting bank services. If marketers can understand which attributes are used to evaluate a service, they will be better able to manage and influence the customer's evaluations and perception of the offering.

Perceived quality of service tends to play an important role in high involvement industries like banking services. Banks have traditionally placed a high value on customer relationships with both commercial and retail customers. In the last ten years, the nature of customer relationships in retail banking has been changing, especially since the advent of automatic teller machines and internet banking.

The measurement of perceived service quality may remain a challenge. Previous research suggested that the dimensionality of service quality might depend on the type of services under study. Based on this background, studies have investigated various attributes, which determine consumers' perception of service quality of retail banking industry (Stafford, 1996; Angur et al., 1999; Bahia, 2000; Sureschandar et al., 2002).

The exploratory study conducted by **Stafford (1996)** reported the distinct elements (attributes) of bank service quality as perceived by customers. Seven attributes were found in assessing bank service quality. The first attribute, named "bank atmosphere"; included cleanliness, as well as an overall positive and courteous attitude by employees (kindness, friendliness, and pleasantness). The second attribute, 'relationship', indicates the importance of a personal relationship with the bank employees, where customers are recognized easily by long-term employee. The third attribute, "rates and charges", indicates that low costs and high interest rates can affect an individual's perception of bank service quality. The fourth attributes, "available and convenient services", indicates a full array of services that available, easily accessible and convenient. The fifth attribute, "ATMs", indicates available, convenient, and working automatic teller machines. The sixth attribute, "reliability/honesty", indicates the importance of a solid bank rating and honest, reliable employee. The seventh attribute, "teller", indicates adequate and accessible teller.

**Angur et al. (1999)** examined the applicability of alternative measures of service quality in the banking industry in India. Data were gathered from customers of two major banks in the retail banking industry (a leading public sector bank and a leading private sector multinational bank). The results suggested that the service quality concept in the retail banking of India as one of the developing economy is a multidimensional construct of service quality. Although the five-factor conceptualization of service quality proposed by Parasuraman et Al.(1985, 1988) did not entirely

hold, the results reinforce their proposal that the five dimensions are of varying importance, with reliability and responsiveness dimensions being the most important. In addition, the SERVQUAL scale appeared to provide much greater diagnostic information about service quality than the SERVPERF did. Although SERVQUAL is not without its critics, the result of Angur et al.'s showed that SERVQUAL is a better instrument for measuring service quality.

**Bahia and Nantel (2000)** conducted a study to develop a reliable and valid scale for the measurement of the perceived service quality of retail banking in Canada. They argued that the universality of the five dimensions of SERVQUAL across different types of services had been questioned in a number of subsequent studies. They also argued that these five dimensions are not fully generic. It is often necessary to incorporate additional items to dimensions because they are particularly important for some service categories. Another critique addressed to SERVQUAL since it has focused on the first marketing mix element (i.e. product) to improve quality. Further they developed a measurement of perceived service quality with reference to Parasuraman et al.' (1985) original ten dimensions and some additional items which are important to retail banking service, then they remodeled and tested the measurement scale. Based on this procedure, they proposed a scale that was called as bank service quality (BSQ). The BSQ comprises 31 items, which span six dimensions: effectiveness and assurance, access, price, tangibles, service portfolio, and reliability.

**Sureschandar, Rajendran, and Anantharaman (2002)** aspired to develop an empirical model of service quality with a specific focus on the banking sector. The objectives of their study are: (1) to identify the critical factors of service quality from the customers' perspective; (2) to develop an instrument to measure customer-perceived service quality based on the identified factors with a specific focus on the banking sector; (3) to empirically test the proposed instrument for unidimensionality, reliability and validity using a confirmatory factor analysis approach. They proposed the 5 critical factors of service quality from the customers' perspective i.e. human element of service delivery, core service or service product, systematization of service delivery, tangibles of service (servicescapes), and corporate social image. These factors resulted from modifying the original SERVQUAL instrument, by adding and/or reducing other relevant factors.

The five-dimensional structure could possibly serve as a meaningful framework for tracking a firm's service quality performance over time and comparing it against the performance of competitors. The wording of some individual items may need to be customized to each service setting. Items on some dimensions should be expanded if that is necessary for reliability. Thus, the banking industries must continuously measure and improve these dimensions in order to gain customers' loyalty.

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