

CORE SERVICE QUALITY IN BANKING AND INSURANCE: A STUDY IN MADURAI

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Abstract

Customers in the Service Industry are becoming more educated, better informed and more internationalized. Indian service industry becomes more and more knowledge based. The demand for high quality services expands with increases in customers' education and knowledge on services. The financial sector reform in India was designed to infuse 'greater competitive vitality in the system'. It is very difficult to retain the existing customers in the service industry since the availability of substitutes is becoming more and more. It is essential to study about the service perception on service qualities for some policy implications. Hence, the present study focuses on this aspect.

Key Words: *Service Quality, Core Service Quality, Banking Services, Insurance Services*

Introduction: Services Marketing in the Globalised Era

The liberalization of Indian economy ushered in an era of competitive marketing leading to the radical changes in the entire gamut of products and services. The service sector, hitherto limited in nature and scope, changed into a competitive mode appropriating the front stage touching almost every sphere of human activity, viz., banking, insurance, information technology, welfare etc. and accounted for approximately two-thirds of worldwide Gross National Product (GNP) right from the beginning of the twenty first century (Kara et al. 2005ⁱ).

Delivering quality service is considered an essential strategy for success and survival in today's competitive environment (Dawkins and Reichheld, 1990ⁱⁱ; Parasuraman et al. 1985ⁱⁱⁱ; Reichheld and Sasser 1990^{iv}; Zeithamal et al. 1990^v). In the literature, the construct of quality is conceptualized based on perception (Hishamuddin, et al. 2008^{vi}) service quality is defined as 'global judgment, or attitude, relating to the superiority of the service (Parasuraman et al. 1988^{vii}).

Statement of the Problem

Today, more than ever, service organizations are searching for a competitive edge, a strategic uniqueness, which will distinguish them from their competitors. In the service sector, even the reputed service providers no longer have the advantage of large profit margin differentials. Intense competition between the private, public and foreign players has eroded this profit margin advantage to a considerable extent. Service providers have begun to concentrate on other mechanisms for achieving points of difference. One of the

strategic routes seen as an answer by many academics and practitioners has been an increased concentration on customer satisfaction through a focus on service quality. If successfully applied, this approach will demonstrate improved profits, increased market share and service loyalty. Expressed simply, service providers providing high service quality as perceived by their customers, tend to be the most profitable. On the other hand, poor service quality is identified as the primary reason why customers switch to competitors. Apart from this, the service providers realize that the costs of retaining existing customers are lesser than the cost of attracting of new customers. This is the important problem in the service sector.

Review of Previous Studies

Price and Arnould (2013)^{viii} found that consumer can feel that they become friends with the service personnel and that these friendships involve affection, disclosure, social support, reciprocity, and trust.

Devlin and Azar (2014)^{ix} confirmed the perceptions and argued that branding in financial services is relatively weak, with many banks lacking saliency and true consumer based brand equity.

Mujahid and Mamum (2012)^x revealed that the success factors of insurance agents are empathetic persuasion, knowledge of the package, and rationalized appeal of agent. Other important factors are general selling capability, physical factor and adaptability.

Ahmed and Neetu (2014)^{xi} revealed that the prompt claim settlement is the most important factor considered by the customers of insurance companies in India. The service quality of the insurers is not up to the level of expectation of the customers in the insurance industry.

Borah (2012)^{xii} reported that the customers' perception on the quality of the insurers have a significant impact on customers satisfaction and subsequently on customers loyalty on the insurers.

Objectives of the Study

Based on the proposed research model, the objectives of the study are confined to:

1. To exhibit the profile of the customers at the insurance and banking sector;
2. To measure the customers' perception on various service qualities of the service providers;

Research Design

Research design is the blue print of the various methods for conducting the research projects. It includes the procedures for obtaining the information needed, the way in which they are processed and the method of the presentation of the result. Even though, the research designs are too many, the present study followed the descriptive research

design. The study has its own confined objectives and the pre determined methodology to fulfill the objectives of the study.

Sampling

The size of the sample is fixed as fifty each from banking and insurance customers. Sampling is done on the basis of willingness of customers from the list of customers who are recently dealing with the service providers given by the branch managers.

Collection of Data

Since the present study mainly depends on the primary data, special care was taken to design the questionnaire. The questionnaire was divided into two important parts. The first part of the schedule focuses on the profile of the customers whereas the second part of the questionnaire discusses their perception on various service qualities.

Frame Work of Analysis

For analyzing the data collected during the investigation, statistical tools like t-test, percentage analysis and factor analysis were used according to the relevance of its application.

Limitation of the Study

The present study is subjected with the following limitations:

1. The scope of the study is confined only to the customers in insurance and banking sector at Madurai district;
2. The sample size is not determined scientifically, the sampling distribution is based on non-probability sampling procedure since the details of population are not disclosed by the service providers;

Core Service Quality of the Service Providers

The core service quality of the service providers has been measured by different authors in different dimensions. Basically, it starts from five dimensions namely reliability, responsiveness, assurance, tangibles and empathy. The included variables to measure the service quality are Fifty one. Due to increase in globalization, modernization and liberalization, the services and facilities offered by the banks and insurance companies are increasing at a faster rate. Hence, apart from the core services, value added services; electronic services are extended to retain their customers in a competitive environment. In the present study, the included variables to measure the core service quality in the service providers are listed in Table 1.

Table 1: Variables in Core Service Quality of Service Providers (CSQ)

Sl.No.	Variables in CSQ	Sl.No.	Variables in CSQ
1.	Electronic services	26.	Parking facilities
2.	Provision of free services	27.	Ease of usage of online information
3.	Accuracy of online information	28.	Customers feel comfortable in interacting with employees
4.	Customers informed about service performance	29.	All services under one roof
5.	Number of branches established by service providers	30.	Customer feedback services
6.	Employees are trust worthy	31.	Assured services
7.	Ease of contact with officers	32.	Adequate space in facilities
8.	Provision of profit sharing investment product	33.	Employee has the best interest at heart
9.	Telephone and internet service	34.	Sincere in solving the problems
10.	Convenient location	35.	Willing to help customers
11.	Good layout	36.	Easy and convenient
12.	Timeliness of online information	37.	Variety of services
13.	Employees readiness to customers request	38.	Attending the phone call
14.	Special services to elders/ disabled persons	39.	Performing service right in first time
15.	Assures the words promised	40.	Good comfort
16.	Maintaining error-free records	41.	Ease of contact with managers
17.	Aesthetics of online information	42.	Reliable services
18.	Service charges	43.	Security and privacy of online information
19.	Provision of services as promised	44.	Provision of free interest loan
20.	Ease of contact with employees	45.	Convenient business hours
21.	Individual attention	46.	Nice interior design
22.	Availability of all facilities	47.	Knowledgeable employees
23.	Understand the needs of customer	48.	Content of online information
24.	High quality of facilities	49.	Competitive service quality
25.	Providing prompt service to customer	50.	Personal care on services
		51.	High quality amenities

The above said 51 variables are rated by the customers at five point scale on the level of perception. The assigned scores on these scales are from 5 to 1 respectively. Initially, the scores on perception of the core service quality variables among the customers have been included for the narration analysis. The Exploratory Factor Analysis (EFA) has been executed. Initially, the test of validity of data for EFA has been conducted with the help of Kaiser-Meyer-Ohlin measure of sampling adequacy and Bartlett's test of sphericity. The minimum threshold of the KMO measure is 0.50 whereas the level of significance of

Chi-square value is not greater than 5.00 per cent level (Rao and Saikia, 2006^{xiii}; Vanniarajan and Stephen, 2009^{xiv}). In the present study, the KMO measure of sampling adequacy is 0.8137 which is greater than the minimum threshold of 0.5. The level of significance of Chi-square is at zero per cent level. Both these two tests satisfy the validity of data for EFA. The variables which have a factor loading of less than 0.4 are eliminated by CFA and also the variables which have higher factor loading in more than one factor have been eliminated from EFA (Vanniarajan and Manimaran, 2009)^{xv}. In the present study, the EFA has eliminated the variables namely parking facilities, assuring the words promised, attending the phone call, reliable services and personal care on services on the above said conditions. The EFA results in ten important core service quality factors (CSQFs). The number of variables in each core service quality factor, its reliability, Eigen value and the per cent of variance explained by each factor are summarized in Table 2.

Table 2: Core Service Quality Factors (CSQFs) of the Service Providers

Sl.No.	CSQFs	Number of variables in	Eigen value	Percent of variance explained	Cumulative Percent of variance explained
1.	Modern services	6	5.4708	11.64	11.64
2.	Communication	6	5.2117	11.09	22.73
3.	Tangibility	6	5.0996	10.85	33.58
4.	Competitiveness	5	4.8084	10.23	43.81
5.	Accessibility	5	4.2596	9.06	61.31
6.	Compliance	4	3.9667	8.44	69.25
7.	Reliability	4	3.7332	7.94	75.84
8.	Responsiveness	4	3.0997	6.59	81.91
9.	Assurance	4	2.8545	6.07	81.91
10.	Empathy	3	1.9778	4.21	86.12
KMO measure of sampling adequacy: 0.7906			Bartlett's test of Sphericity: Chi-square value: 94.39*		

*Significant at zero per cent level.

The most important core service quality factor (CSQF) of the service providers is modern services since its Eigen value and the per cent of variance explained are 5.4708 and 11.64 per cent respectively. It is followed by the CSQFs namely communication and tangibility since its Eigen values are 5.2117 and 5.0996 respectively. The per cent of variance explained by these CSQFs are 11.09 and 10.85 per cent respectively. The fourth CSQF is competitiveness which consists of 5 variables with the Eigen value and the per cent of variation of 4.8084 and 10.23 per cent respectively.

The fifth and Sixth important CSQFs identified by the EFA are accessibility and compliance since its Eigen values are 4.2596 and 3.9667 respectively. The other CSQFs identified by the EFA is reliability, responsiveness, assurance and empathy since its Eigen values are 3.7337, 3.0997, 2.8545 and 1.9778 respectively.

Customers' Perception on Core Service Quality Factors

The customers' perception on CSQFs has been computed by the mean scores of the variables in each CSQF. The mean of each CSQF among the customers in the insurance sector and the banking sector have been computed to exhibit the level of perception on CSQFs. The 't' test has been administered to find out the significant difference among the two groups of customers regarding their view on CSQFs. The results are given in Table 3.

Table 3: Customers' Perception on CSQFs

Sl.No.	Variables in CSQFs	Mean scores among customers in		't' statistics
		Insurance sector	Banking sector	
1	Modern service	3.2491	3.7384	-2.2884*
2	Communication	3.4089	3.8199	-1.8089
3	Tangibles	3.3042	3.9084	-2.4108*
4	Competitiveness	3.2269	3.8649	-2.8997*
5	Accessibility	3.1776	3.8045	-2.8086*
6.	Compliance	3.2804	3.8669	-2.5697*
7.	Reliability	3.4469	3.7345	-0.8969
8.	Responsiveness	3.2682	3.6904	-1.8684
9.	Assurance	3.6683	3.5086	0.6177
10.	Empathy	3.5894	3.9969	-2.6188*

* Significant at five per cent level.

The highly perceived CSQFs by the customers in the insurance sector are assurance and empathy since their mean scores are 3.6683 and 3.5894 respectively. Among the customers in the banking sector, these two are empathy and tangibles since their mean scores are 3.9969 and 3.9084 respectively. Regarding the perception on the CSQFs, significant difference among the two groups of customers have been noticed in the case of modern service, tangibility, competitiveness, accessibility, compliance and empathy since their respective 't' statistics are significant at five per cent level.

Score on Core Service Quality of the Service Provider among the Customers

The overall perception on core service quality of service provider has been estimated by the mean scores of the variables included in all core service quality factors. It is denoted by SCSQF. In the present study, the SCSQF is confined to less than 2.00, 2.00 to

3.00, 3.01 to 4.00 and above 4.00. The distribution of customers on the basis of their SCSQF is shown in Table 4

Table 4: Score on Perception on SCSQFs among the Customers

Sl. No.	SCSQF	Number of customers in		Total
		Insurance sector	Banking sector	
1.	Less than 2.00	70	14	84
2.	2.00-3.00	153	50	203
3.	3.01-4.00	74	213	287
4.	Above 4.00	62	115	177
	Total	359	392	751

The important SCSQF among the customers are 3.01 to 4.00 and 2.00 to 3.00 which constitute 38.22 and 27.03 per cent to the total respectively. The important SCSQF among the customers in the insurance sector are 2.00 to 3.00 and 3.00 to 4.00 which constitute 42.62 and 21.02 per cent to the total respectively. Among the customers in the banking sector, these are 3.01 to 4.00 and above 4.00 which constitute 54.34 and 29.33 per cent to the total respectively. The analysis reveals that the level of perception on CSQFs among the customers in the banking sector is higher compared to that among the customers in the insurance sector.

Summary of Findings

The summary of findings of the study is presented below:

1. Descriptive Statistics

The customers are primarily classified into customers in insurance and banking sector. The dominant gender among the customers in both sectors is male. The important age group among the customers is 31 to 40 and 41 to 50 years. The most important age group among the customers in insurance and banking sector are 31 to 40 and 41 to 50 years respectively.

The dominant marital status of the customers is 'married'. The important level of education among the customers is degree/diploma whereas the important occupational status of the customers is businessmen and private employees. The most important occupational status among the customers in insurance and banking sector are businessmen and private employees respectively.

The important monthly income among the customers is Rs.50,001 to 60,000 and Rs.20,001 to 30,000. The most important monthly income among the customers in insurance and banking sector are Rs.20,001 to 30,000 and Rs.50,001 to 60,000. The monthly income of the customers in banking sector is higher than that among the customers in insurance sector.

The important family size among the customers is 3 to 4 members whereas the important nativity among the customers in insurance and banking sector is 'urban'. The important earning members per family among the customers are one or two. The most important earning members per family among the customers in insurance and banking sector is only one.

The important family income per month among the customers is Rs.70,001 to 90,000 and Rs.50,001 to 70,000. The most important family income per month among the customers of insurance and banking sector is Rs.50,000 to 70,000 and Rs.90,001 to 1,11,000 respectively. The level of family income per month among the customers in banking sector is higher than that among the customers in insurance sector.

2. Customer's Profile in Service Sector

The important years of experience in the field among the customers are 16 to 20 and 11 to 15 years. The years of experience in the field are higher among the customers in banking sector than that among the customers in the insurance sector. The important years of experience in the present service providers among the customers are 2 to 6 years and 7 to 11 years. The years of experience in the present service provider is also higher among the customers in the banking sector than that among the customers in the insurance sector.

The important frequency of transaction per month among the customers is 2 to 4 and less than 2 times. The frequency of transaction per month among the customers in banking sector is higher than that among the customers in insurance sector. The important frequency of visit at the service office among the customers is above 10 and 8 to 10 in the past one month. It is higher among the customers in banking sector than that among the customers in insurance sector.

3. Core Service Quality of the Service Provider

The core service quality of the service provider is examined with the help of 51 variables. The narrated core service quality factors by the factor analysis are modern services, communication, tangibility, competitiveness, accessibility, compliance, reliability, responsiveness, assurance and empathy.

The significantly associating important profile variables regarding the view on core service quality factors are personality score, years of experience in the field, family income, monthly income, occupational status and level of education. The important discriminant core service quality factors among the customers in insurance banking sector are empathy and competitiveness which are higher at banking sector than at the insurance sector.

Concluding Remarks

The study concludes that the customers' perception on all service qualities of the service providers is higher at the banking sector than that at the insurance sector.

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