



## Perceived services quality of public and private banks: an application of the BANKSERV Model

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### Abstract

The purpose of this study is to examine the services quality of banking sector in Sri Lanka. Researchers use different approaches to measure services quality such as SERVQUAL, SERVPERF and BANKSERV. Much of the service quality literature has focused on two measures, SERVQUAL and SERVPERF. However, BANKSERV model is especially developed for examine the services quality of banking sector. Because of that, Researchers have selected this model to extensively test banking industry. The current study measured services quality of public and private sector banks in Matara district in Sri Lanka. Survey method was used as the main research method for the study, and the sample consisted of 147 respondents selected on the convenience method based on their age, income, educational level. The variables of the study were Staff Conduct, Credibility, Communication and Access to teller service. Study data were collected using a self-administered questionnaire and the questionnaire was developed mainly focusing on 04 variables of the BANKSERV model. The results show that, the services quality of public and private sector banks have no significant differences. As well as these findings help to customers to take an excellent decision when they select a banker.

**Keywords:** Communication; Credibility; Services quality; Staff Conduct

### Introduction

Delivering quality services has been shown to be an important strategy for marketers who are trying to differentiate their service offerings by establishing customer value and satisfying customer needs (Ozment and Morash 1994). The purpose of the current research was to explore the services quality of public and private banks in Matara District, Southern Province, Sri Lanka. Retail banking industry was selected for the study due to a number of reasons. It is one of the most well organized industries in the service sector in Sri Lanka. Further, it is an industry with intense competition. In addition, it has been found that there is a high incidence of usage of multiple banks and switching in this industry (Wijetunga, 2003). Finally, it makes a very high contribution to the Sri Lankan economy.

### Literature Review

#### *Services Quality*

“Because of the intangibility, multifaceted nature of many services, it may be harder to evaluate the quality of a service than goods” (Lovelock, 2001). Service quality perceptions are generally defined as a

Consumer's judgment, or impression about, an entity's overall excellence or superiority (Bitner and Hubbert, 1994; Boulding, et al. 1993; Cronin and Taylor 1992; Parasuraman, Zeithaml, and Berry 1985, 1988). Alternatively Customer judgment of service is often described in terms of the discrepancy between consumers' expectations of service and actual service performance. Grönroos (1984), for example, emphasized the use of expectations as a standard of reference, against which performance can be judged, Parasuraman, Zeithaml, and Berry (1985). Service quality (SQ) has become an important research topic because of its apparent relationship to costs (Crosby, 1979), profitability (Buzzell and Gale, 1987; Rust and Zahorik, 1993; Zahorik and Rust, 1992), customer satisfaction (Bolton and Drew, 1991; Boulding, et al., 1993), customer retention (Reichheld and Sasser, 1990), and positive word of mouth. As result of that, service quality (SQ) is widely regarded as a driver of corporate marketing and financial performance.

By the way, Service quality is a critical issue in the service industry and of particular importance for financial service providers who characteristically offer products that are homogeneous in nature (Stafford,

Stafford and Wells, 1998). Furthermore, service quality is both directly and indirectly related to bank loyalty via satisfaction (Bloemer, De Ruyter and Peters, 1998). Service quality literature has focused on two measures, SERVQUAL and SERVPERF. The BANKSERV instrument was developed to measure service quality in retail banking as perceived by customers. It was designed to allow customers to reflect on their expectations and perceptions in single statements.

**SERVQUAL Model**

SERVQUAL provides a technology for measuring and managing service quality (SQ). An application of SERVQUAL in retail banking found problems with its dimensionality and the usefulness of expectation scores (Lam, 1995). However, they simply reported the mean scores of consumer expectation and perception of service performance measures and failed to determine the relative impact of various SERVQUAL items on overall service quality and satisfaction.

**BANKSERV Instrument**

The BANKSERV model was developed in Australia to measure service quality in retail banking as perceived by customers (1994). BANKSERV adopts a 'perception-expectation' approach to the measurement of service quality. The BANKSERV instrument, developed by Avkiran (1994), an instrument, designed to allow customers to reflect on their expectations and perceptions in single statements. The 17 service quality items that make up BANKSERV had factor loadings of .05 or greater and encompassed four dimensions of services quality of banks. Those dimensions and their definitions are depicted in Table 01.

Accordingly, the operational definition suggested by BANKSERV has four dimensions and individual 17 service quality indicators. The instrument's reliability, dimensionality, and validity were all empirically tested and the results were "encouraging both in their own right and when compared with other studies" (Avkiran, 1994, p. 16).

Table 01. Definition of terms

Staff Conduct:	Responsiveness, civilized conduct, and presentation of branch staff that will project a professional image to the customers.
Credibility	Maintaining staff -customer trust by rectifying mistakes and keeping customers informed.
Communication	Fulfilling banking needs of customers by successfully communicating financial advice and serving timely notices.
Access to Teller Services	The adequacy of the number of staff serving customers throughout business hours and during peak hours.

**Methodology**

**Study Variables**

Data was collected in order to measure the perceived service quality by using 04 variables of the BANKSERV model. The researchers selected this

model since it was specifically developed and extensively tested in the banking industry. Study data were collected using a self-administered questionnaire and the questionnaire was developed mainly focusing on 04 variables of the BANKSERV model. The variables and the items used which variable are given in Table 02.

Table 02: Study variables

Variable	Items
Staff Conduct:	Help, prompt, greet, concern, polite, neatness, apology
Credibility	Informed, mistake, security
Communication	Learn, knowledge, advice, account types, serve when
Access to Teller Services	Tellers, number of staff

**Data collection**

The study took the form of a consumer survey. The population was all retail banking customers in Matara District, Sri Lanka. The sample was selected from Matara District, Sri Lanka. It comprised 147 respondents selected on the convenience method based on their age, income, educational level. These customers represented 04 major commercial banks

operating in Matara District, including 02 public banks and 02 private sector banks. The sample consisted of 53% females and 47% males. The composition of the sample is given in Table 03.

**Questionnaire**

Study data were collected using a self-administered questionnaire and the questionnaire was developed

mainly focusing on 04 variables of the BANKSERV model. The variables and the items used which variable are given in Table 02. The questionnaire comprised of two sections. The first section of the questionnaire consisted of general questions and second section

included the questions on services quality of banks. Likert scales anchored from “strongly agree (1)” to “strongly disagree (7)” were used to measure the responses.

Table 03. The Composition of the Sample

		Frequency	Percent
Gender	Female	78	53.1
	Male	69	46.9
	Total	147	100.0
Level of Education	Primary	1	.7
	Secondary	85	57.8
	Tertiary	61	41.5
	Total	147	100.0
Family Income	Low	13	8.8
	Middle	134	91.2
	Total	147	100.0

### Results and Discussion

The selected sample of this study is small and the variables are univariate. So that, T-test is used as the analyze method in this study. The internal consistency of the study measures were assessed using Cronbach's Alpha. Accordingly, it was found that reliability of the study measures were above 0.6 for all the variables (Table 04). Overall Cronbach's Alpha was .790

Table 04: Reliability Statistics

	Cronbach's Alpha if Item Deleted
Staff Conduct	0.693
Credibility	0.673
Communications	0.755
Access to Teller Services	0.840

Data analysis of the survey attempted to identify the extent of services quality of banks and was done under

two dimensions. First, demographic influences on services quality were assessed and then, differences in services quality between public and private banks were assessed.

### Demographic Influences on Services Quality

#### Services Quality- Gender Differences

Means and standard deviations for the services quality of the banks based on gender is given in Table 05. The results of the t-test conduct to examine the differences between males and females are given in Table 06. Accordingly, the results showed that Staff Conduct, Credibility, and Communications are significantly different between males and females ( $p < 0.05$ ). The relevant means values given in Table 05, Show that females have higher perceptions on these services quality dimensions. It means, female think there are good quality in banking service under these four dimensions

Table 05. Means and Standard Deviations for the services quality based on gender

	Gender	Mean	Std. Deviation
Staff Conduct	Female	5.2344	0.8101
	Male	4.5756	1.2579
Credibility	Female	5.2949	1.0513
	Male	4.2512	1.1324
Communications	Female	4.6487	1.0908
	Male	3.9362	1.2914
Access to Teller Services	Female	4.5128	1.6979
	Male	4.1159	1.7174

Table 06. Gender Influences on Services Quality

	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
						Lower	Upper
Staff Conduct	3.818	145	.000	.6589	.1726	.3178	1.0000
Credibility	5.793	145	.000	1.0437	.1802	.6876	1.3997
Communications	3.626	145	.000	.7125	.1965	.3241	1.1009
Access to Teller Services	1.407	145	.162	.3969	.2821	.1607	.9545

*Services Quality- Age Differences*

Table 7 gives of, Means and standard deviations of services quality of the banks based on respondents' age. We conducted t-test to examine the differences between age groups of sample. The results are given in Table 08. According to these Result, there are some differences within these age group based on communication factor ( $p < 0.05$ ). The relevant means values given in Table 07, Show that 17-25 age group has higher perceptions on these services quality dimensions.

*Services Quality of Public and Private Banks*

Means and standard deviations for the services quality of public and private bank shown by Table: 09. The results of the t-test (Table: 10) shows the differences between public and private bank. According to these results, researcher identified some significant differences in Access to Teller Services, Credibility and Staff Conduct between public and private  $p < 0.05$ ). The relevant means values given in table 09, Show that public banks have higher perceptions on these services quality dimensions.

Table 07. Means and Standard Deviations of services quality based on Age

		Mean	Std. Deviation
Staff Conducted	17-25	4.9686	1.1346
	26-35	4.7337	1.2259
	36-50	5.1277	0.8235
	Total	4.9252	1.0917
Credibility	17-25	5.1545	1.2090
	26-35	4.7062	1.4385
	36-50	4.6241	0.7602
	Total	4.8050	1.2055
Communications	17-25	5.0293	0.7504
	26-35	4.0780	1.4532
	36-50	3.9872	1.0354
	Total	4.3143	1.2375
Access to Teller Services	17-25	4.2683	1.9465
	26-35	4.2881	1.6744
	36-50	4.4255	1.5707
	Total	4.3265	1.7128

Table 08. Age Influences on Services Quality

		Sum of Squares	df	Mean Square	F	Sig.
Staff Conduct	Between Groups	4.169	2	2.084	1.767	.175
	Within Groups	169.845	144	1.179		
	Total	174.014	146			
Credibility	Between Groups	7.121	2	3.560	2.500	.086
	Within Groups	205.067	144	1.424		
	Total	212.187	146			
Communications	Between Groups	29.281	2	14.641	10.850	.000
	Within Groups	194.319	144	1.349		
	Total	223.600	146			
Access to Teller Services	Between Groups	.687	2	.343	.116	.891
	Within Groups	427.640	144	2.970		
	Total	428.327	146			

Table 09. Means and Standard Deviations for the Services quality of Public and Private Bank

	Type of the Bank	N	Mean	Std. Deviation
Staff Conduct	Public	94	5.1216	0.8197
	Private	53	4.5768	1.3969
Credibility	Public	94	5.0674	1.1110
	Private	53	4.3396	1.2360
Communications	Public	94	4.3447	1.2232
	Private	53	4.2604	1.2725
Access to Teller Services	Public	94	4.6755	1.6522
	Private	53	3.7075	1.6567

Table 10. Differences between Public and Private Banks

	t-test for Equality of Means						
	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
						Lower	Upper
Staff Conduct	2.982	145	0.003	0.5448	0.1827	0.1837	0.9058
Credibility	3.661	145	0.000	0.7278	0.1988	0.3348	1.1207
Communications	.395	145	0.693	8.430E-02	0.2132	-0.3371	0.5057
Access to Teller Services	3.407	145	0.001	0.9680	0.2841	0.4065	1.5294

### Conclusions

Researchers conducted this research to examine services quality of public and private bank by using BANKSERV model. This paper has applied alternative scale for the measurement of service quality as perceived by customers of retail banks. The major advantage of BANKSERV is that there is strong theoretical support for a performance-only measure of service quality (Cronin and Taylor, 1992; 1994). It is vital that banks monitor service quality in retail banking as perceived by customers on a regular basis. Only they will know if strategies in place to improve customer service levels are in fact effective.

According to this model, researchers observed four variables that are staff conduct, credibility, communication, and access to teller service. These variables were analyzed based on gender, age and private and public bank. The analysis shows that female respondents have preferable perception on the services quality dimensions than males. According to these results, 17-25 age groups convey favorable perception towards the service quality. Mainly, the research shows that respondents have favorable perceptions of services quality of public banks than private banks. To this end, it would be beneficial to directly compare the capabilities of BANKSERV in terms of their ability to adequately measure the service quality in financial sectors.

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