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SERVICES & RETAIL

Service Quality in Banking Industry: A Review of Empirical Studies from 1994 To 2011

Mohd. Adil and Dr. Mohammed Naved Khan

The Role of Expectations in Investment Decisions: The Analysis of Recent Mid Term Monetary Policy Review Meetings
Prof. Anshuman Gupta

Adoption of Internet Banking in India -
A Customer Relationship Management Perspective
Dr. Asif & Md. Asadul Haque

Retail Banking in India - An Overview
Dr. Asif Ali Sayed & MR. Shaktibodh Bhatnagar

HUMAN RESOURCE DEVELOPMENT

Assessment and Impact of Quality of Life on Psychological Empowerment in Education Industry
Pankaj Handa and Mandeep Singh

Employee Engagement: A Route to Business Success for Organizations
Dr. (Mrs.) Sheeba Hamid And Mohd. Sadiq

A gait towards chasing Dreams- A paradigm shift in Nursing populace.
Dr. Jaya Yadav

Leader's Role in Employee Engagement and Employee Retention
Tejinder Jeet Singh and Sandhya Singh

A Study on the Perception of Work-Life Balance among Healthcare Professionals
(A Comparative Study of Public and Private Sector Hospitals in Agra)
Shiv Kumar Sharma and Shweta Chaudhary

Branding of Higher Education : Factor Analysis
(A case of Maharashtra State)
Vinod Dumbre & Dr. Siddharh Verma

Marketing Strategies for life insurance sector
Dr. Puneet Mishra & Mr. Anuj Tyagi

INFORMATION TECHNOLOGY

Geospatial Web Services Framework for Natural Resources Management in India
Sakhare Pratap, Barik Rabindra and Yadav Arun

A Literature Compendious of Speaker Recognition
Akhilesh Chandra & Dr. Ashish Chaturvedi



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SERVICE QUALITY IN BANKING INDUSTRY: A REVIEW OF EMPIRICAL STUDIES FROM 1994 TO 2011

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Banking and financial services are critical part of the services sector and play an important role in the economy of developed and developing countries alike. An endeavor to study services marketing and service quality issues dates back to the mid-1960s, however, within the past two decades or so, academicians, researchers, economists, marketers, and political people have become increasingly interested in the domain and significant researches have been done on the topic and several attempts have been made to capture its meaning. The present study attempts to provide a concise and thoroughly documented portrayal and interpretation of findings from empirical studies that have appeared in major publications in the context of service quality issues in the banking industry. The period of review ranges from 1994 to 2011. From a pragmatic viewpoint, it is expected that the paper will serve as a useful source of information for researchers interested in modeling patterns of quality service.

Keywords : Service quality, banking industry, conceptual paper, India.

Introduction

The service sector is playing an increasingly important role in the economy of many countries in the world and its importance has been stressed in the research priorities evident from recent studies (e.g. Ostrom et al., 2010). However, an endeavor to study services marketing and service quality issues dates back to the mid-1960s (Rathmell, 1966). Within the past two decades or so, economists, marketers, political and social scientists have become increasingly interested in the area and a lot of research has been reported on related topics (Parasuraman et al., 1985, 1988, 1991, 1994; Zeithaml et al., 1985, 1990, 1993) and several attempts have been made to capture its meaning and assessment (Narang, 2010). Banking and financial services are an important part of the services industry (Mishkin, 2001). In line with the trend towards a more integrated global banking environment, many regulatory, structural and technological changes have taken place within the world banking industry (Angur et al., 1999). In the aftermath of globalization, the operating environment for banking industry has become more dynamic and competitive (Kumar et al.,

2010). Banks now know that delivering quality service to customers is essential for success and survival in today's global and competitive banking environment (Wang et al., 2003). Today, therefore, the topic of service quality is increasingly recognized as being one of the key strategic value to organizations belonging to both the manufacturing and service sectors (Lewis, 1991).

The subject under review will be of great help not only to the specialists but also to the scholars because of intriguing dimensions being associated with the service quality in banks. Without wishing to appear unduly restrictive, it should be emphasized at the outset that the intent and scope of this paper is rather limited. To the best of knowledge there exist few conceptual studies that have attempted to exhaustively cover the topic in Indian context, in contrast to significant contributions made by researchers from Western world. Most of the studies to date, have concentrated primarily on service quality in US and European banking industries while studies focusing on service quality in developing countries (Yavas et al., 1997; Angur et al., 1999; Sureshchandar et al., 2003) are

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Editorial

I feel great in bringing forth the eleventh issue of the **"International Journal of Management Development and Information Technology"** which is annual publication of HIMCS, Mathura. The journal was launched as an annual publication in 2003 to educate and stimulate the minds of business and IT leaders and academia around the world by keeping them abreast of the latest theories and practices.

It's been a decade since MDIT was launched. The approach always has been to publish articles which, though are scholarly in nature, have a practical orientation towards emerging management issues. Also, we are keeping up with the trend of previous years, of dedicating our efforts to a certain theme, like year 2012 we dwelled upon how local entrepreneurship can be further bolstered. Year 2012 witnessed annual conference on **"Entrepreneurial Challenges"** and that we had a special industrial seminar right at the inception of the year, annual conference and hence the overall journal theme was also, more or less, woven around Entrepreneurial challenges. Similarly, year 2013 witnessed annual conference on "Role of Leadership in the era of e-commerce" with speakers like Dr Arvinder Singh, Vice President, Lal Path lab and Motivational speaker Parikshit Jobanputra. The year further witnessed a series of discussions, brainstorming sessions and talk by Shri Girish Pandey, Income tax commissioner, Agra; Mr R. P. Singh, Vice President, JK cement, Udaipur; Prof Michael Barbas, Sharda University all woven around the theme "Effective Leadership".

Year 2014, will witness a series of discussions on emerging social, economic, environmental, ethical, political issues. HIMCS is all set to initiate a unique concept in 2014 themed **"Journey of Youth (JOY) for Clean India"**, that is about to kick off on 25 March, Tuesday from Agra (UP) to Roorkee, Dehradun, Haridwar, (Uttarakhand) in a bid to spread awareness about current issues. The journey will take the form of a travelling carnival featuring theme "Clean India" in form of management plays "nukad natak" and musical performances. Panel Discussion woven around the same theme held with professors from IIT Roorkee and Petroleum University Dehradun as panelist. Following the journey, the conference on the theme, will present another academic opportunity for IT and management professionals. Readers can expect gist of research and insightful discussion undertaken during the conference 2014 in our next issue. This issue depicts various areas of Management & Information Technology and I am more than confident that interested students and research scholars as well as teaching fraternity would find it very useful. The journal further wants to accomplish lots of milestones in terms of defining and redefining paradigms to achieve excellence in the area of applied research.

We have had an overwhelming response from some very eminent editors and researchers globally to support as Editorial Team. I thank editorial board and advisory board for their continuous support and valuable inputs. Finally, I thank to each one of the authors for their outstanding contribution to this issue and to the reviewers for their punctual and valuable comments.

Prof Naveen Gupta

Editor-in-chief

comparatively more recent phenomenon and limited in number and extent. The present paper attempts to bridge this gap by providing a concise and thoroughly documented portrayal and interpretation of many of the findings from leading empirical studies ranging from 1994 to 2011. From a pragmatic viewpoint, then, the paper will serve as a useful information source for researchers interested in modeling patterns of quality service in banking industry. Finally, the measures employed and key findings of past and present studies should also prove to be valuable to researchers involved with the study of understanding and predicting consumer's expectations from banks in terms of service quality.

Literature Review

Service Quality

According to Gronroos (1984) service quality is "the outcome of an evaluation process, where the customers compare their expectations with the service they have received". On the other hand Parasuraman et al. (1988) define quality of service as "the global overarching judgment or attitude relating to the overall excellence or superiority of the service". Thus, the concept of service quality revolves around a disconfirmation of expectations about a service received (Yap et al., 2010). However, several researchers (Parasuraman et al., 1991; Agarwal et al. 2004; Narang, 2010) have posited that evaluation of service quality becomes difficult due to three characteristics that are inherent in services – intangibility, heterogeneity, and inseparability. Arasli et al. (2005) and Baumann et al. (2006) concur with each other that service quality allows the company to differentiate itself from its competitors by increasing sales and market shares, it results in the satisfaction and retention of customers and employees, thus reducing turnover rates, it leads to repeat purchase behaviour and brand loyalty and furthermore, new customers are attracted through positive word-of-mouth.

Service Quality in Banking Industry

Banking is a high involvement industry and delivering quality services and products to the customer is essential for success and survival (Wang et al., 2003). Customers tend to measure a bank's service quality in terms of the personal support they receive, rather than the technical support. Several researchers (Babakus et

al. 1992; Furrer et al. 2000; Aldaigan, et al. 2002 and Schneider and White, 2004; Narang, 2010) have supported that service quality depends on individual perceptions and connotes different meaning to different stakeholders such as government, doctors, medical/technical staff, patients, managers of hospitals. Arasli et al. (2005) explains that customer satisfaction is another important aspect for service organizations and is highly related with service quality. As service quality improves, the probability of customer satisfaction increases. Increased customer satisfaction leads to behavioral outcomes such as commitment, intent to stay (customer retention), creation of a mutually rewarding relationship (bond) between the service provider and the user, increased customer tolerance for service failures and positive word-of-mouth advertising about the organization. Thus, "service quality is at the root of customer satisfaction and is linked to such behavioural outcomes as word of mouth, complaint, recommending, and switching" (Yavas et al. 2004).

Service Quality Measures

As the services possess the element of intangibility it is very difficult to have a standardized and scientific tool for measurement (Parasuraman et al., 1991). Parasuraman et al. (1985, 1988) developed 22-item SERVQUAL framework for measuring service quality to measure service quality along five dimensions: reliability, responsiveness, assurance, empathy, and tangibles. The instrument has been revised and used extensively in a variety of service settings. Although many studies have used the SERVQUAL model as a framework in measuring service quality, there has also been theoretical and operational criticisms directed towards this model in the service marketing literature. These criticisms have mainly revolved around the interpretation, implementation and dimensional structure of the instrument (e.g. Buttle, 1996; Babakus and Boller, 1992; Lam Wong and Yeung, 1997; Smith, 1995; Newman, 2001). Cronin and Taylor (1994) modified the gap-based SERVQUAL scale into SERVPERF, a performance-only index. Their study was later replicated by other researchers as well (Elliott, 1994; Angur et al. 1999; Fogarty et al. 2000; Jain & Gupta, 2004; Lee & Hwan, 2005; Vanniarajan & Anbazhagan, 2007). Cronin and Taylor (1994) argue that simply measuring performance provides a better