

Service Quality and Its Impact on Customer Satisfaction – Case Study in Development Banks in Southern Province in Sri Lanka

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Abstract

Customer satisfaction is one of the major objectives of each organization. In service industry the quality of the service is highly affected to the satisfaction of customer other than all other factors. This phenomenon is same to the development bank industry in Sri Lanka. This study aims to analyze, how service quality affected to the satisfaction of customers of two development banks in Southern Province and this is to furtherance of my previous study. It is adopted survey method, as main research methodology and questionnaire as research tool for understand the customer and managers perception. The quality related variables such as reliability, reactive ness, self-reliance, good rapport and sensible were checked through questionnaire. Further it was used observation method to collect more information of the performance of these organizations.

Finally it was concluded that both bankers are quality conscious, one bank pay individualize attention to each customer and both are towards customer satisfaction through improvement of quality of service.

Keywords: *Service quality and its impact on customer satisfaction: case study in development banks.*

Introduction

In Sri Lanka, it is about 45% of organization are engaged in service marketing activities (Department of census, 2004). In service marketing, service quality is one of the most important tasks to achieve for competitive advantage and customer satisfaction. Because always, customers are comparing their perceived service with expected service for measure their satisfaction (Kotler, 2004). If perceived service is below the expected service the survival of that organization will be challenged. It seems that the Value of perceived service is highly related with the variables of the service that those customers received. These variables included, price of the service, location or the place of the service, promotion strategies of the service, people who are providing it and physical evidence or physical facilities that they are using to deliver their services.

Further, service organization can deal with three types of marketing namely, internal marketing: train and motivate employees to

serve customers well, external marketing: Prepare price distribution and promotion activities, interactive marketing: the employees skill in serving the customer (Kotler, 2004). All these speculations say that the level of satisfaction and the level of perceived service are highly correlated with the arrival rate of above factors to the expected level of service consumers. In this regard and to give maximum satisfaction to their customers' service organizations can follow three tasks namely: service quality, competitive differentiation and service productivity (Ibid, p.471).

Further, through those strategies service organization can develop competitive advantage and one of the major ways to develop competitive advantage of a service firm is to deliver consistently higher quality service than competitors (Kotler,2004). Regardless of the type of the service, quality of service can be determined by reliability, responsiveness, assurance, empathy and tangibles (Parasuraman and marketing Berry.

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1985). According to the researchers the banking services are comparatively high in the province. All kinds of banks including commercial (private and public), savings, development, are engaging in the banking activities at the province. They are playing a key role in financial activities. Though such an encouraging environment prevails no any research activity addresses to evaluate the quality of their services.

Further, service quality affected by people, processes, place, price promotion etc. Hence its need to balance in between both supplies and demands side. There the service marketers must first determine the nature and the aim of the service offering, that is, where the service will be aimed at people or at things and whether the service itself will result in tangible or intangible actions (Czinkota, etal. 1997). Furthermore, the intangibility of the service reduces the manager's ability to provide samples which makes communicating the services offered much more difficult than communicating an offer of goods. This philosophy shows that before deliver the service putting actions in to tangibles of it is very difficult. Thereby this study focuses to evaluate how two development banks use service quality to satisfy their customers.

Data Collection and Methodology

The study investigates the service quality and strategies in two development bankers in southern province in Sri Lanka with in the period February 2004 - mid May 2004. For this purpose the study has done two sample surveys through questionnaire. Sample one and questionnaire one is focused to collect the data of customers (clients of these two banks). Sample two and questionnaire two focused to collect data of the managers of these two organizations. Further the sample one consists of 50 customers of NDB and 100 customers of D.F.C.C. selected at randomly through the customers in Matara, Hambantota and Galle districts.

In order to investigate all relevant information on customers, the study divided questionnaire into five parts, namely Reliability, reactiveness,

self-reliance, good rapport and sensible. All of the questions other than the last question in questionnaire one comprised with closed - ended questions. The respondent can makes his choice out of five categories as: Exactly not agree, Not agree, No special, Agree and Exactly agreed. In order to allow a respondent to answer in his or her own words, last question of the questionnaire one keep as open-ended question.

Sample two of the questionnaire consists of six managers from each bank selected at randomly through branches. In order to get free viewpoints of managers all the questions of questionnaire two keep as open-ended. This was administered through personnel interviews by the author.

Most of the recipients (76%) of the questionnaire two responded through mail and group of well-qualified graduate send to obtain the opinion of the rest (24%). Finally, it was scrutinized effectively.

Observations were used to understand the performance of these organizations and other books, journal articles, magazines etc. use to investigate available literature.

Data Analysis

Data analysis is essentially descriptive and whenever applicable quantitative analysis has been used. Statistical techniques are used as quantitative methods. Mainly two statistical techniques are used for analysis as Arithmetic Mean and Percentage Analysis. The objectives of the study have been well addressed by the data analysis and the descriptive analysis will make a foundation for further research.

Reliability and Customer Satisfaction

Reliability is one of the major factors the customers are considering with the service. The reliability describes that the ability to perform promised service accurately. Further it outlines the performances such as consistency and accuracy. The study indicates that the percentages on reliability of those two banks are laying in appreciable rate (Mean

average of customer survey shows, 98% of NDB and 99% of DFCC). This shows that both bankers are in line with the promise, where NDB speedy on time delivery and customer satisfaction, DFCC is to be a leader in development banks, enhance the service capacity and need satisfaction of customers. With the reliability customer expectations are in line with the followings.

Customers are expecting that the bankers maintain their stipulated promise in time and accurately and efficiently.

Supporters of the promise should advocate the contract.

The transactions should in line with the agreement.

Expecting security with all the activities of bank.

Confidentiality of transactions.

Constantly maintain the promise and other service activities.

The survey results revealed that, these two development bankers are highly concentrated on the reliability. Further the most of the customers are rely upon with the reliability of these two banks (Mean average of customer survey where N.D.B.98% and D.F.C.C. is 99%). Especially there organizational activities are incorporated with their promise, and agreement violation are not took place, security and confidentiality of transactions are maximum. Day-to-day activities such as accurately maintain the entry records, informing customers on interest rates changers, making customer aware of the various bank schemes, in time transaction, accurate keeping of all records are constantly maintained. But only 2% of N.D.B. and only 1% D. F. C. C. customers are not rely upon of the promise, that is because they said these two bankers are not constantly maintain the promise in time.

These findings are supported by the manager's survey. Managers (100% of NDB and 100% of DFCC) bare that, they perform their all activities towards there promise and majority of customer needs are looked-after by project officers (Executives). Legal staff, accounting

staff and general clerical staff members, provides supporting services. All the customer dealings took place with a separate project officer assigned to him/her for all needs. The responsibility of the officer is to look after all customer needs for the best satisfaction of the customer. Thereby, service is on time. Both organizations are seeking ways and means to improve the process through random check-ups. If there are any customer complaints, they are given due consideration.

Further the research finds that, with the reliability concern of these two banks are in-lines, means that they are planning, organizing, directing activities are highly productive than the controlling. When comparing with the commercial and savings banks, the customers of these banks (Development) are limited. These banks can move toward partnership marketing; the company works continuously with the customer to discover ways to perform better (Kotler, 1999). But the best relationship marketing going on today is driven by technology.

Reactive ness and Customer Satisfaction

Reactive ness in other words, responsiveness describe that the willingness to help customers and provide prompt service (Kotler, 1994). Further it emphasized that the employees respond quickly and creatively to customers request and problems (Ibid, p.476). It seems that, always it emphasis the worker customer relation-ship. If one organization can develop their responsiveness in time, in other words if organization workers can develop positive customer relationship with their business definitely, they can maintain viable fit with environment. In this concern both of these bankers are highly responsive (mean average of both banks are 98%). They are maintaining a continuous dialogue between existing customers. Always they are having continuous dialogue on new information with their stakeholders. Both bankers are using face-to-face conversation, customer visits and new technological ways of communication to convey massagers.

Customers are seems to be very happy with

their responses because all the employees are working respectfully with them and they are allocating considerable time and other resources for them. Both of these organizations had made various arrangements to minimize customer problems with quick response to the requirements of the clients. They have prioritized the customer requirement and meet them as much as possible in time. All the employees seem that they are maintaining customer relationships in friendly ways. In relation to waiting time for negotiation of loans, repay monthly installments and other payments can be access with no waiting. Most of the customer of these two banks said that the responsiveness is highly great.

If one looks these Organizations they can see these organizations are maintaining Customer relationships regarding to the reactive: The sales person sells the product and encourages the customer to call if he or she has any questions or Complaints. But if these organizations want to satisfy customers in full potential, they can apply other strategies like customer value building approaches. In theory, it shows that this ways can be seen in three aspects (Leonard et. al., 1991). **First**, *adding financial benefits* to the customer relationship. E.g. Bank can sponsor for best customer award program, special facilities for frequent customers, corporate customers etc. **Second** *add social benefits as well as financial benefits*. In hear company personnel work on increasing their social bonds with customer by learning their individual needs and individualizing and personalizing their service e.g. Make recommendation rather than make justification, show appreciation rather than wait for misunderstandings, accept responsibility rather than shift blame, plan future rather than rehash the past. routinize responses rather than emergency responsiveness, get problems rather than only respond to problems, talk of our future together rather than talk about making good on past etc.. They can *turn their customer in to clients*. According to Donnelly, Berry,

and Thompson customers respond quickly and creatively to customers' may be nameless to the institution; clients cannot be nameless. Customers are served as part of the mass or as part of the large segments; clients are served an individual basis. Customers are served by anyone who happens to be available; the professional assigned serves clients. **Third** *add structural ties as well as financial and social benefits*. E.g. organization can supply clients with special systems like electronic information system to their houses. Study would prefer to say that, if these organizations follow above strategies they can earn high competitive edges and can face effectively for changing environment than present.

Self-reliance and Customer Satisfaction

Self-reliance outlines that, the knowledge and courtesy of employees and their ability to convey trust and confidence (Kotler, 1994). Further it describes that, each and every employee's credibility: the company and employees are trustworthy and have the customer's best interests at heart. Not only the credibility of employees but also the services rendered by them should process free from danger, risk or doubt. On the other hand every employee should have competence or the employees should process with the required skill and knowledge. In relation to this particular quality both banks are keeping their eye on it (mean average of customers survey 93% at N.D.B., 94 at D.F.C.C.). In both banks all the project officers are graduates or fully qualified professionals. They have been properly trained on project appraisal and general banking operations. According to the managers of these two banks says an employee cannot thrive in a bank if he/she is not trustworthy. The integrity of the officers is highly monitored during recruitment and operations in progress.

Always they said that they have been chosen communication methods to suit the customer requirements at any time for any information.

Made commitment of both bankers are not withdrawing with the process. Thereby, risk and doubt in the mind of the customers is

minimized. Both banks are using computer system to keep and process records and they are always process with new systems. Customers (where 93% of NDB and 94% of DFCC) of these two banks (Present and Passovers) are greatly and positively comment with the assurance of these two banks. Most of customers (90%) of these banks are Sri Lankan. Results show that, all of them are expecting quick response and high assurance with the bank operations and with their employees.

Each and every need satisfaction behavior of customers is vastly related with their culture and cultural values. It seems that most of the customers of these banks (75% of they survey result) tolerance rate is very low. These two bankers are flowing same process with the lending process of money. Both bankers are security-based lenders than the cash flow based lending. Both bankers are keeping and eye open with a considerable effort on searching securities before lending and take considerable time duration. In some cases of the customers shows that (where 7% of NDB and 6% of DFCC) the time duration of the lending process are not match with their expectations. Some customers left the bank with out asking further services. Some refrain customers (3% from NDB 2% DFCC) though these customers having good cash flows with their business are questioning about the time duration for lending and lending based.

Further they complain on delaying of answers for their problems. In some cases these two banks took considerable time (e.g. 2 months, 3 months) for providing answers to their problems. According to the customer (refrain) reasons are as follows.

Problems of setting high quality standards.

For example bankers can have aims like answer phone calls within ten seconds and customer letters with in two day. Both the banker (NDB, DFCC) is answering the calls with in four, five minutes but they take more time to answer for customer letters.

Systems for monitoring service performance

The top service firms audit service performance, both their own and competitors," on a regular basis (Kotler, 2004). Though both of these organizations are following such an audit (Managers survey results) study can't see very big success. Collecting their installments and providing services on banking activities are their main audit activities. Study wishes to suggest that, these two development bankers can do some services like follow-up and provide assistance with Human resource training and development of their clients businesses, technology and other quality improvement of their customers businesses. Especially these two bankers can provide assistant to link their customers to Chamber of Commerce and industry for such developments.

System for satisfying complaining customers

Well-run service businesses respond quickly and generously to customer complaints. Study find that though these organizations are concerning and highly engaging of these activities, there are rooms for further development (e.g. they can provide supplementary services like, clients who wait more that ten minutes beyond their reservation time, but less than twenty can provide free drinks).

Satisfying the employees as well as the customers

Excellently manage service companies believe that employee relations will reflect on customer relations. Study found that both organizations activities on employee relation and satisfaction are high. But this is too having room for further improvement. Specially study proposes management to carry out or strengthen their internal marketing programmers and can enhance the environment of employee support and rewards for good service performance.

Good rapport and customer satisfaction

Good rapport in other words empathy explain that the provisions of caring individualized attention to customers (Kotler, 1994). On the other hand employees should make an effort to understand the customer's needs and should provide individual attention with their services. In this concern both bankers NDB (Mean average of customer survey 96%) and DFCC (Mean average of customer survey 97%) are paying significant attention. Managers of both bankers reveals that their employees are using informal conversations to understand the customers' needs and they read the articles and bulletins on news papers and journals get an insight on new trends of industries which will be helpful to identify needs of their customers. Both bankers are maintaining an individual file to each customer. The information required by clients is given through E-mail, letters and other telecommunication methods and direct discussions. Always they are try to satisfy customer needs and wants as much as possible by seeking all the ways and means to do the same within their capacity and legal-frame. Both of these institutions are addressing the customer problems in same way. They mentioned that if customer in a willful defaulter, the bank has no sympathy on him. If the client has a genuine problem and seek their assistance, they try their level best to help and safeguard the customers business by taking appropriate rehabilitation measures. Though these two bankers are paid individual attention to their customers, some of them are specially the customers who refrain (where 3% of NDB and 2% of DFCC) the organization are challenge towards empathy. They said that these bankers are not considering the clients expectation on quick response. With the security based lending their expectation again not success.

However in relation to the employee cooperation, efficiency of employees, problem of the banking activities are outstanding (where mean average of customer survey NDB 96% and DFCC 96%). Concerns with lending activities both bankers are always go for large amounts (more than 0.5 million Rs.).

Managers said that, to achieve the break even bank should have to for such amounts of money. Survey shows that, some movers (50% from the movers of NDB and 60% from the movers of DFCC) are moved these two banks due to that sealed. However if these banks can move to small lenders they can contribute more on development concern of the country.

Further, study found that main base for their lending is with securities. But if these two organization move to cash flow lending they are able to serve customer well than present.

Sensible and Customers Satisfaction

Sensible in other words tangibles describes that the appearance or Physical facilities, equipment, personnel and communication materials (Kotler, 1994 p. 476). If one organization wants to develop service quality simultaneously they have to maintain service tangibles. Always customers are looking for peace and facilitated environment. Today's customers are live in globalizing economy. They consistently match before buying the total customer value: service, value, performance or the benefits values, personnel values image values with the total customer cost: monetary, time, Energy and Psychic. Other than the money today customers is specially putting same weight on their time consume. All the clients of service organizations are consider time as same as money.

They are expecting variety of physical facilities such as:

New technological equipment

Satisfactorily and attractive level of visual appealing of Physical facilities

Conducive and convenient environment for banking activities such as Air-conditioning, pipe music, hot/cool water dispense, newspapers and magazines in sitting area, tea for customers visiting during tea times etc.

Special facilities provided to cope up with rush hours. (But for these two banks this situation is very rare since their clientele are very small).

Proper arrangement provided to place bank equipment in state of art (Equipment Layout) clients are expecting this lay-out which will suited with serviceability in every time.

- Little waiting time at the bank.

Facility for parking vehicles with security

Managers of both banks (100% of N.D.B. and 100% of DFCC) say that, they have attractively arranged all tangibles with in their bank and its environment. In concern with the customers where 99% of NDB and 93% of DFCC says that they are strongly agreed with the tangibles of these two banks. Especially customers are overjoyed with the all tangibles where D.F.C.C. customers are facing some problems with parking space for vehicles and with the attractive environment.

Conclusions

This paper examines the service quality and its impact on customer satisfaction in two development banks in southern province in Sri Lanka. In analyzing such the attention is focused on, reliability, reactive ness, self-reliance, good-rapport, tangibles and customer satisfaction.

It is note that these two development banks namely National Development Bank (N.D.B.), Development Finance co-operation of Ceylon (D.F.C.C.) were perfectly carry out all of five strategies. On the other hand customers revealed that both of banks are reliable and responsive where D.F.C.C. was highly concentrated on individualized attention and N.D.B. was with tangibles.

Finally it can be concluded that, these two bankers are development-oriented bankers to the nation. They are having further opportunities for development concern, especially with the service quality. If they do so, country benefited well and can have profitable investments and portfolio.

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