

IMPACT OF SERVICE QUALITY ON CUSTOMER RELATIONSHIP MANAGEMENT IN THE BANKING SECTOR

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ABSTRACT

This research paper makes an attempt to analysis the impact of service quality on customer relationship management in the banking sector in Bodi Taluk of Theni District of Tamil Nadu State. The researcher used questionnaire method to collect data from the respondents. The survey revealed that service quality had an impact on customer relationship management.

Keywords: Service Quality, Customer Relationship Management, Empathy, Reliability, Responsiveness.

INTRODUCTION

Prior to 1991, banking sector in India was operating in a protected environment and was dominated by nationalized banks. No attention was paid at the time for identification and satisfaction of customer's needs and service quality issues (G.Sathiyavalli et al, 2011). Customer relationship management is one of the strategies to manage customer as it focuses on understanding customers as an individual instead of as part of group (Lambert, 2010). The concept of relationship marketing has emerged within the field of service marketing and industrial marketing (Berry, 1983; Jackson, 1985; Gummesson, 1987, Christopher et al, 1991; Gummesson, 1991). Increasingly companies realized that consumers are their most important asset and view customers relationship are mutual beneficial exchanges and as opportunities that need to be managed (Bowman and Narayandas 2001) losing customers not only leads to lost sales and opportunities but also creates a pressure on the organization to splurge resources to acquire new customers (Anthanassopoulos, 2000) . In recent years banking has witnessed changes not only in customer's demands for better service, quality buy also new technologies innovations and entry of completion from other businesses (Gardender et al., 1999). The primary objective of employing technology in services has been to reduce operating costs (Kelly 1989) to provide prompt and efficient services to customer. Improving service quality and facilitating relationship building with customer is a prime concern for banks (Arpita Khare 2010). Banks are considering improving service quality is a tool for retention of customers. Service quality is a focused evaluation that refers the customer perception in reliability, assurance, responsiveness, empathy and tangibles

(Parasuraman et al., 1998). Service quality is a concept that has aroused considerable interest and debate in research literature as difficulties in both defining and measuring it with no overseas consensus emerging on either occurs` (Winiewski 2001). Zeithaml and Bitner (1996) suggest that a customer relationship with a company is strengthened when the customer makes a favorable assessment about the company's service quality and weaker when a customer makes negative assessment about the company's service quality.

Service quality has been described as a form of attitude that results from comparisons of expectations with performance (Parasuraman et al, 1985, Cronin and Taylor (1992). Service quality has been reported as having apparent relationship to costs (Crosby, 1979), Profitability (Buzzell and Gale, 1987, Zahorik and Rust, 1992 and Rust and Zahorik 1993), Customer satisfaction (Bolton and Drew, 1991 and Boulding et al 1993), customer retention (Reichheld and Sasser 1990). Several studies have been made to examine the importance of service quality on retention of current customers. (Fornell and Wernerfelt, 1987; Rust and Zahorik, 1993; Gerson, 1998; Oliver, 1999, Clark, 2002; Jones and Farquhar, 2003; Aldlaigan and Buttle, 2005; chen and Chang, 2006). As various researchers have proved that trust, service quality, competence, commitment, communication, conflict handling management have an impact on customer relationship management, this paper examines whether service quality influence customer relationship management in Indian Banking Sector.

REVIEW OF LITERATURE

In continuation to the research articles quoted above, there are some more articles that define service quality and relationship between service quality and customer satisfaction. Hartline and Ferrell (1996), Zeithaml and Parasuraman (2004) and Gupta and Zeithaml (2006) define service quality as a difference between customer expectations and their perception of services. Gritti and Foss (2007) opined that banking sector should develop and maintain long term relations with the customer may avoid many problems and improve firm's performance, and also focus on customer needs and service quality may result in customer retention. Improved service quality will result in customer satisfaction (Cronin and Taylor, 1992 Bitner et al., 1994) Service quality is an antecedent of customer satisfaction (Parasuraman et al., 1994). Hence study of influence of service quality on customer satisfaction and customer relationship at banks is essential at any point of time.

RESEARCH METHODOLOGY

The population considered for this study is private sector and public sector banks in Bodi Taluk of Theni District. In Bodi Taluk, there are 8 public sector banks and 6 private sector banks. Both primary and secondary data are used for the study. The data was collected from 150 customers of private and public sector banks in Bodi Taluk. The sampling unit for the study is customers of public sector and private sector banks in Bodi Taluk.

The researcher adopted purposive sampling method to collect data from the respondents. The researcher approached 250 customers of private sector and public sector banks customer personally at various locations of the banks and were able to collect data only from 150 respondents. The researcher adopted the SERVQUAL model developed by A. Parasuraman et al (1988) and suitable modification has been made. The research instrument used for the study is structures questionnaire. The questionnaire consists of two parts. The part I consist of demographic profile of the respondents and Part II comprised 22 statements relating to service quality. The respondents were asked to rate the service quality variable at the five

point scale. This survey was conducted during the period of June 2012 to December 2012. With this background the study is undertaken to examine the impact of service quality on customer relationship management.

ANALYSIS AND RESULTS

Profile of the Sample

The profile of the respondents, Age wise, Gender wise, Education qualification, occupation. Nature of the family, monthly income, type of bank account, duration of maintaining accounts with the bank is shown in Table 1.

Table 1. Demographic profile of the respondents

Factors	Group	Number of Respondents	Percentage of Respondents
Gender	Male	121	80.7
	Female	29	19.3
Age	Below 20 Years	8	5.3
	21 Years – 30 Years	40	26.7
	31 Years – 40 Years	45	30.0
	41 Years – 50 Years	29	19.3
	Above 50 Years	28	18.7
Education Qualification	Up to +2	14	9.3
	UG	81	54.0
	PG	53	35.3
	Others	2	1.4
Occupation	Government Employee	11	7.3
	Private Employee	65	43.3
	Business Man	74	49.4
Nature of Family	Joint Family	12	8.0
	Nuclear Family	138	92.00
Monthly Income	Below Rs. 20,000/-	64	42.7
	Rs. 20,001 to 40,000	66	44.0
	Rs. 40,001 to Rs. 60,000	20	13.3
Type of Bank Account	Current Account	98	65.33
	Savings Account	40	26.67
	Fixed Deposit Account	12	8
Duration of holding accounts in bank	Less than 3 Years	43	28.7
	3 to 5 Years	55	36.7
	Above 5 Years	52	34.6

The sex wise comparison of sample reveals that majority of the customers is male (80.7 percent). In terms of age, it is evident that 30 percent of the respondents are in the age group of 31 years to 40 years, undergraduate account for 54 percent, 49.4 percent are business man, 92 percent of the respondents are living in Nuclear family. The monthly income statistics revealed that 44 percent earn Rs. 20,001 to Rs.40,000 and 36.7 percent of the respondents have maintaining their account in a bank between 3 to 5 years and percent holding current account in a bank.

Reliability Test

The Cronbach's Alpha is calculated to test reliability of collected data in table 2. The coefficient of 0.50 (or) higher is considered as acceptable. The scale reliabilities for the all the measures exceeded the value of 0.50 which provides reliable measures of the variable of interest (Reynaldo.199)

Table 2. Reliability Statistics

S.No	Measures	Cronbach's Alpha	No of items
1.	Tangibles	0.901	4
2.	Reliability	0.930	4
3.	Responsiveness	0.869	4
4.	Assurance	0.890	4
5.	Empathy	0.778	5
Over all		0.837	22

Exploratory Factor Analysis

As KMO (Kaiser-Meyer-Olkin measure of sampling adequacy) value is 0.784 and significant value in Bartlett's Test of Sphericity is 0.000 factor analysis can be performed.

Table 3. KMO and Barlett's Test

Kaiser-Meyer-Olkin Measures of Sampling Adequacy		0.784
Bartlett's Test of Sphericity	Approx. Chi-Square	0.002
	df	231
	Sig.	0.000

The Eigen values and the rotation sums of squared loadings are shown in table 4.

Table 4. Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1.	5.232	23.781	23.781	5.232	23.781	23.781	3.996	18.164	18.164
2.	4.088	18.581	42.362	4.088	18.581	42.362	3.138	14.263	32.427
3.	2.520	11.455	53.817	2.520	11.455	53.817	3.062	13.918	46.345
4.	2.299	10.450	64.267	2.299	10.450	64.267	3.040	13.817	60.162
5.	2.060	9.364	73.631	2.060	9.364	73.631	2.963	13.469	73.631

Extraction Method: Principal Component Analysis.

The result of principal component analysis noticed that there are five factors whose Eigen values exceed 1.0. The factors eigen value revealed that total variance explained by the factor. From the 22 items, five dimensions were extracted and this has been confirmed by the eigen values for the extracted dimensions with 5.232, 4.088, 2.520, 2.299, 2.060 respectively (greater than the recommended level of 1). It is noted that the five factors explained 73.631

of the total variance. The five factors explained 23.781, 18.581, 11.455, 10.450 and 9.364 of variance respectively.

Table 5. Rotated Component Matrix

	Component				
	1	2	3	4	5
Time Taken for operation	0.930		0.196		
Consistency of service	0.893		0.184		
Quality of maintenance	0.878		0.142		
Time schedule for operations	0.844		0.131		
Employee interest in solving customer problem	0.799		0.138	0.134	
Modern Equipment and fixtures and ATM		0.900			
Employee professional appearance		0.894		0.130	
Physical facilities		0.855			
Quality and appearance of material		0.829		0.168	0.127
Employee' Courtesy	0.149		0.887		
Employee's Knowledge	0.179		0.836		0.106
Confidence and Safety	0.240		0.827		
Employee's Behaviour	0.159		0.821		
Employee's willingness		0.127		0.942	
Information and guidance				0.842	
Employee's promptness		0.181		0.816	
Employee's attitude				0.771	0.127
Convenient bank operating hours		0.118			0.796
Employee's Personal relation					0.793
Understand specific needs of customer	-0.127		0.232		0.772
Customer best interest	0.185				0.761
Individual Attention		0.147		0.291	0.668

The rotated component matrix shows that time taken for operation, consistency of service, quality of maintenance, time schedule for operations, employees interest in solving customer problem can be grouped into first factor, renamed as reliability, modern equipment and ATM, employee professional appearance, physical facilities, quality and appearance of material can be put under second factor renamed as tangibles, employee courtesy, employees knowledge confidence and safety, employee behaviour, can be grouped into third factor and renamed as assurance. Employee willingness, information and guidance, employees promptness, employees attitude can be put under fourth factor and renamed as responsiveness and convenient bank operating hours, employees personal relations, understanding specific needs of customers, customer's best interest, individual attention can be grouped into fifth factor and renamed as empathy.

Multiple Regression Analysis

In order to measure the impact of service quality on customer relationship management, factor analysis was performed and five factors has been identified as explained above. To measure the impact of identified five factors on customer relationship management, multiple regression analysis has been used. Table 6 explains contribution of various dimensions of tangibles to customer relationship management.

Table 6. Contribution of variables in the Dimensions of Tangibles.

Dependent Variables: Customer Relationship Management Score

Independent Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.541	0.157		16.137	0.000
Modern equipment and fixtures (X1)	0.081	0.71	0.148	1.140	0.256
Physical facilities (X2)	-0.011	0.053	-0.022	-0.209	0.835
Employee appearance (X3)	0.075	0.067	0.146	1.106	0.270
Quality and appearance of material (X4)	0.142	0.050	0.311	2.842	0.005

$Y = 2.541 + 0.081 X1 + -.011 X2 + 0.075 X3 + 0.0142 X4$, where Y is the estimated customer. Relationship management score. The above equation shows the impact of Tangibles on customer relationship management. For example, if opinion score of Modern equipment and fixtures increases by 1 unit, there will be a 0.081 unit increase in the score of customer relationship management. From this it is inferred that Quality and appearance of material is dominant variable that increase the customer relationship management.

Table 7. Contribution of variable in the dimensions of Empathy

Dependent Variable: Customer Relationship Management

Independent Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.072	0.208		9.968	0.000
Individual Attention (X1)	0.177	0.045	0.330	3.922	0.000
Convenient bank operating hours (X2)	0.049	0.051	0.088	0.963	0.337
Employee’s Personal relation (X3)	-0.028	0.054	-0.046	-0.518	0.605
Customer best interest (X4)	0.145	0.046	0.270	3.133	0.002
Understand specific needs of customers (X5)	0.033	0.049	0.061	0.675	0.501

$Y = 2.072 + 0.177 X1 + 0.049 X2 + -0.028 X3 + 0.145 X4 + 0.33 X5$, where Y is the estimated customer relationship management score. The above equation shows the impact of Empathy on customer relationship management. For example, if opinion score of Individual

Attention increases by 1 unit, there will be 0.177 unit increase in the customer relationship management. From this, it is noticed that individual attention and customer's best interest is dominant variable that increase the customer relationship management.

Table 8. Contribution of variables in the dimensions of responsiveness

Dependent Variable: Customer Relationship Management

Independent Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.375	.0251		9.445	0.000
Information and guidance (X1)	0.096	0.084	0.145	1.137	0.257
Employee's promptness (X2)	0.139	0.070	0.235	1.978	0.050
Employee's willingness (X3)	-0.030	0.148	-0.037	-0.204	0.838
Employee's attitude (X4)	0.110	0.069	0.166	1.584	0.115

$Y = 2.375 + 0.096 X1 + 0.139 X2 + 0.030 X3 + 0.110 X4$, where Y is the estimated service quality score. The above equation shows the impact of responsiveness to customer relationship management. For example, if the opinion scores of Information and guidance increases by 1 unit, there will be 0.096 unit increase in the customer relationship management. Employee promptness is dominant variable in responsiveness that increases the customer relationship management. The other two dimensions namely assurance and reliability could not fit regression equation with CRM.

CONCLUSION

The findings of the study noticed that out of 5 dimensions in the service quality, only three dimensions namely quality and appearance of materials, individual attention to customers and Customer's best interest had an impact on customer relationship management. The other two service quality dimensions like assurance and reliability had least impact on customer relationship management. In the three dimensions of service quality which impact CRM, variables like quality and appearance of materials, individual attention to customers, Customer's best interest, and Employee promptness have significant impact on customer relationship management.

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