

## **Determination of Service Quality Factors of Private Commercial Banks in Bangladesh**

**Md. Ismail Haidar**\*

**Mohammad Saiful Islam**\*\*

### **Abstract**

*The present study determines the importance of perceived service quality factors of Private Commercial Banks (PCB) in Bangladesh and finds out the variability of these dimensions or factors across gender, age, education level, and occupation. Researches suggest that customers do not perceive quality in unidimensional way but rather evaluate quality based on multiple factors. In this study researchers considered six dimensions such as accessibility, reliability, tangibles, empathy, security, and assurance in determining the service quality factors of private commercial banks. For this purpose 300 customers who conduct consumer banking were interviewed with a structured questionnaire. The multiple regression analysis, a technique of multivariate analysis, adopted to determine the importance of the perceived service quality factors. Furthermore, cross tabulation, a technique of descriptive statistics, used to determine the variability of six dimensions across age, gender, education level, and occupation. The study finds that tangible is the most important factor in determining the service quality of private commercial banks followed by reliability, empathy, accessibility, and assurance. It also finds that these six factors or dimensions vary across gender, age, education level, and occupation.*

**Keywords:** PCB, Service Quality Factors

### **Introduction**

Banking is one of the most sensitive businesses all over the world. A bank is a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly or through capital markets. It is a highly regulated industry with detailed and focused regulators.

Bank, a service selling institution, plays a significant role in a contemporary world of money and economy. It influences and facilitates many different but integrated economic activities such as resource mobilization, poverty elimination, production, and distribution of public finance.

Bangladesh has a well-developed banking system, which consists of a wide variety of institutions ranging from a central bank to commercial banks and to specialized agencies to cater special requirements of specific sectors. The country started without any worthwhile banking network in 1947 but witnessed phenomenal growth in the first two decades. By 1970, it had acquired a flourishing banking sector. Since early 1990s, after the open market policy of the Bangladesh government, this sector has been growing rapidly. Presently, there are 49 public and private banks operating in Dhaka City, of which, 4 banks are in public sector, 30 banks are in private sector, 5

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\*Lecturer, Department of Marketing, Bangladesh University of Business & Technology (BUBT), Dhaka

\*\*Free Lance Researcher

specialized banks, and 10 foreign banks. The good behavior of the employees of the bank is the key aspect of customer service (National Commission Report, 1985). It is viewed by the customers that the services provided by the private banks are better compared to public banks (Mentzer, et al., 1993). Hence, it is essential to identify the factors responsible for the quality of the services.

This paper deals with the determination of service quality factors of private commercial banks in Bangladesh. The findings of this study would be useful to the policymakers of the private commercial banks to improve the service quality to the clients.

### **Objective of the Study**

The objective of the study is to find out the absolute and relative importance of the six proposed factors (accessibility, security, reliability, assurance, empathy, and tangible) as proposed by Parasuraman, Zeithaml, and Berry in determining perceived quality of services provided by private commercial banks in Bangladesh.

The study also analyzes the importance of the different service quality factors and possible variability of the importance of these six factors across gender, age, education level, and occupation.

### **Literature Review**

Service quality is a measure of how well a delivered service matches the customers' expectations. Quality in service is very important especially for the growth and development of service sector business enterprises (Powell, 1995). It works as an antecedent of customer satisfaction (Ruyter and Bloemer, 1995). According to ISO standard quality means the totality of features and characteristics of a product, process or service. Crosby (1979), a renowned researcher in service quality, defined quality as the 'conformance to requirements'. The guru of quality movement Juran (1988, 1992) defined quality as 'fitness for use' while Deming (1986) viewed quality as a process promising to result in products or services.

In late 1980s, Parasuraman et al., (1985, 1991, 1994) explained quality as a gap between what customers feel should be offered and what is provided. Even though there is no single definition on quality, they all have a single focus on how users look at it (Fiji, 1994; Parasuraman, 1985; Teas, 1994; Zeithaml, 1988; Khader, 1997). In 1996, Ramaswamy identified the following three different sets of measures for service quality that a company should be concerned with (Ramaswamy, 1996):

- \* Service performance measures are primarily internally focused and evaluate the current performance and hence it is ensured that it continues to be reliable to meet the design specification;
- \* Customer measures, on the other hand, are both internally and externally focused and aim at assessing the impact of the service performance on customers;
- \* Financial measures are indicators of the financial health of the organization.

The above theories and suggestions suggest many possible comparison standards including predicted service, ideal service, excellent service, desired service, deserved service, needs and values, cultural norms, promises, adequate service, best brand norm, brand norm, product type norm, favorite brand' model, comparative expectations, equity and fairness.

Among the contemporary instruments for measuring service quality, SERVQUAL has got attention by the researchers in various fields including insurance, bank, education, Information Technology (IT), etc. as it deals with users views regarding services (Parasuraman et al., 1985). Parasuraman, Zeithaml and Berry (1985) identified ten determinants of service quality that may relate to any service- credibility, security, access, communication, understanding the customers, tangibles, reliability, responsiveness, competence, and courtesy. Later these ten generic dimensions were reduced to five by Parasuraman, Zeithaml and Berry (1988). These dimensions are reliability, responsiveness, tangibles, assurance, and empathy. The five dimensions and the above mentioned ten dimensions are the two sides of the same coin except access and security. Logic suggests that the absolute as well as relative importance of these dimensions in determining perceptions of service quality will vary from service to service, from customer to customer, from consumption situation to consumption situation, and from culture to culture. In this study, for determining service quality of private commercial banks in Bangladesh researchers have considered the following six (6) dimensions:

**Tangible** means physical evidence of the service such as appearance of physical facilities, tools, and equipments, personnel and communication materials.

**Reliability** means ability to perform the promised service dependably and accurately.

**Assurance** means knowledge and courtesy of employees and their ability to convey trust and confidence.

**Empathy** means informing the customers in a language they can understand, understanding customer's specific needs, and providing individualized attention.

**Accessibility** means easy accessible service, convenient hours of operation, and convenient location of service facility.

**Security** refers to physical safety, financial security, confidentiality.

### Methodology of the study

This study is based on both primary and secondary data. Secondary data were collected from different published articles, books, and websites. The primary data were collected through personal interview while respondents were conducting banking activity. It has covered the opinion of clients of eight local Private Commercial banks and three foreign commercial banks in Dhaka (Appendix-B). A total of 300 respondents were taken as sample based on non-probability technique. Convenient sampling technique was utilized for selecting sample. Respondents were asked to respond about their perceptions of the quality of services provided by private commercial banks in Bangladesh in terms of the above mentioned six services quality dimensions. To record the responses of the sample respondents, a structured questionnaire was used (Appendix A). In the questionnaire, seven statements were made: six for the above mentioned six factors or service quality dimensions and one for the overall service quality of the private commercial banks. Five point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) was used to collect data from respondents. Four demographic variables, namely, age, gender, education level, and occupation were taken to determine the variability of six

dimensions across those variables. The multiple regression analysis is a technique of multivariate analysis, adopted to determine the importance of the perceived service quality factors. Furthermore, cross tabulation is a technique of descriptive statistics, used to determine the variability of six dimensions across age, gender, education level, and occupation.

### Model Development

When a problem involves three or more variables, it is subjected to multivariate analysis. When the data are on interval scale and one wish to find out the levels of perceived service quality, given the levels of two or more independent variables, multiple regression analysis would be conducted. Therefore, the models are specified as follows:

$$Y \text{ Satisfaction} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6$$

Where, Y= Satisfaction about service quality,  $\beta_0$  = Constant,  $\beta_1$ -6 = regression coefficient to be estimated,  $X_1$  = Tangible,  $X_2$  = Accessibility,  $X_3$  = Reliability,  $X_4$  = Assurance,  $X_5$  = Empathy,  $X_6$  = Security

The coefficient  $\beta_0$  represents the intercept but all  $\beta$ s (except  $\beta_0$ ) are partial regression coefficients. The least squares criterion estimates the parameter in such a way as to minimize the total errors. Regression output is automatically produced by the SPSS program. After analyzing the multiple regressions output, researchers will identify underlying dimensions, or factors, that explain the correlations among a set of variables.

### Data Analysis and Findings

The empirical result of the study is presented in the SPSS output below-

**Table 01: Model Summary (Multiple Regression of Service Quality)**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.892(a)	.796	.791	.32885

a Predictors: (Constant), Security, Accessibility, Reliability, Empathy, Tangibles, Assurance

In the model summary, multiple R= .892, means that relationship between dependent and independent variables is strong,  $R^2$  =.796, a value close to 1. This means that explanatory variables are strongly associated to explain the service quality factors of private commercial bank and the adjusted  $R^2$  =.791, which tells that after taking into account the number of regressor, the model explains 79.1% of the variation in determining the service quality factors of private commercial banks in Bangladesh.

**Table 02: ANOVA (b), Service Quality**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	123.312	6	20.552	190.049	.000(a)
	Residual	31.685	293	.108		
	Total	154.997	299			

a Predictors: (Constant), Security, Accessibility, Reliability, Empathy, Tangibles, Assurance

b Dependent Variable: Service Quality ( Satisfaction)

From the ANOVA table, researchers can say that the P-value to obtain F-value (190.049) is almost zero, leading to the rejection of null hypothesis. So overall acceptability of  $\beta_i$  has been tested by analysis of variance (ANOVA), which also shows the acceptability of the model at the 5% significance level.

The estimated regression equation is –

$$\hat{Y} = -.008 + .300X_1 + .150X_2 + .283X_3 + .048X_4 + .172X_5 + .039X_6$$

By taking 5% level of significance the estimated regression equation stands-

$$\hat{Y} = -.008 + .300X_1 + .150X_2 + .283X_3 + .048X_4 + .172X_5$$

**Table 03: Coefficients (a), Service Quality**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.008	.128		-.060	.952
	Tangible	.300	.037	.305	8.178	.000
	Accessibility	.150	.034	.163	4.370	.000
	Reliability	.283	.033	.307	8.651	.000
	Assurance	.084	.034	.095	2.491	.013
	Empathy	.172	.031	.209	5.619	.000
	Security	.039	.030	.044	1.296	.196

a Dependent Variable: Service Quality ( Satisfaction)

From table 3, it is found that tangible, accessibility, reliability, assurance, and empathy are statistically significant at 5% level of significant. However, security is not statistically significant at 5% level of significant. These findings can be showed in the following table-

**Table 04: Variable Relationships and Summary of the Findings**

Relationship	Status
$\beta_1$ * Tangible $\rightarrow$ Service Quality( Satisfaction)	Supported
$\beta_2$ * Accessibility $\rightarrow$ Service Quality( Satisfaction)	Supported
$\beta_3$ * Reliability $\rightarrow$ Service Quality( Satisfaction)	Supported
$\beta_4$ * Assurance $\rightarrow$ Service Quality( Satisfaction)	Supported
$\beta_5$ * Empathy $\rightarrow$ Service Quality( Satisfaction)	Supported
$\beta_6$ * Security $\rightarrow$ Service Quality( Satisfaction)	Not Supported

Based on sample, tangible ( $\beta_1=.300$ ,  $p<.05$ ) is the most important factor to determine the service quality of private commercial banks. This factor deserves the most attention from the administration and policy makers responsible for building a better and more customer centered service. Reliability ( $\beta_3=.283$ ,  $p<.05$ ) is the second important factor to determine service quality of private commercial banks. Customers want to receive the right quality of service at all time, as promised by the bank. In addition, they prefer accurate billing of their accounts. Empathy ( $\beta_5=.172$ ,  $p<.05$ ) is the third important factor to determine the service quality of private commercial banks. Customers always want personalized care from their banker. Customers perceive accessibility ( $\beta_2=.150$ ,  $p<.05$ ) as the fourth important factor to determine the service quality. Customers want easy access to banking and also want comfortable and easily understandable banking procedures. The Customers prefer flexibility to meet their financial needs. Customers perceive assurance ( $\beta_4=.084$ ,  $P<.05$ ) as the fifth important factor to determine the service quality to customers. Customers think that banks recruit competent employees, who will be possessed with good knowledge about banking and with courteous attitude.

**Table 05: Cross tabulation of Gender and Service Quality Factors**

		Service Quality Factors					
		Tangible (%)	Accessibility (%)	Reliability (%)	Assurance (%)	Empathy (%)	Security (%)
Gender	Male	91	77	72	71	69	64
	Female	95	83	81	77	70	68

*%: the percentage of the respondents with the response value 4(agree) and 5 (strongly agree)*

From table 05, it is found that perceived level of service quality varies across gender. Tangible varies 4%, similarly accessibility 6%, reliability 9%, assurance 9%, empathy 1%, and security 4%. Also it is found that female respondents showed higher perceptions than male respondents regarding the facts that banks have good facilities, are more reliable and caring, have ease of access, have knowledgeable employees, and are more secured.

**Table 06: Cross tabulation of Age and Service Quality Factors**

		Service Quality Factors					
		Tangible (%)	Accessibility (%)	Reliability (%)	Assurance (%)	Empathy (%)	Security (%)
AGE	Above 40	97	94	94	98	94	94
	20 to less then 40	93	78	76	70	64	61
	Less then 20	80	90	70	80	80	80

*%: the percentage of the respondents with the response value 4(agree) and 5 (strongly agree)*

Table 06 implies that perceived level of service quality varies across age. Respondents, aged above 40, believe that banks having good facilities (97%), are easily accessible (94%), are more reliable (94%), have good knowledgeable and courteous employees (98), take personalized care (94%), and are more secured (94%) . People who are aged above 40 put greater emphasis on those criteria than other respondents.

**Table 07: Cross tabulation of Education and Service Quality Factors**

		Service Quality Factors					
		Tangible (%)	Accessibility (%)	Reliability (%)	Assurance (%)	Empathy (%)	Security (%)
Education	Graduate	94	81	77	83	72	62
	Undergraduate	98	85	82	70	69	75
	HSC	62	69	69	44	62	50
	SSC	33	33	0	67	0	33

*%: the percentage of the respondents with the response value 4(agree) and 5 (strongly agree)*

From table 07, it is seen that perceived level of service quality varies across education. Undergraduate respondents believe that banks having good facilities (98%), are more reliable (82%), are easily accessible (85%), and are more secured (75%) than other respondents. However Graduate respondents believes that banks' employees are more knowledgeable and courteous (83%), and take more personalized care (72%) – higher perceptions of Undergraduate students than those of other respondents regarding the aforementioned criteria.

**Table 08: Cross tabulation of Occupation and Service Quality Factors**

	Service Quality Factors					
	Tangible (%)	Accessibility (%)	Reliability (%)	Assurance (%)	Empathy (%)	Security (%)
Housewife	78	44	61	83	61	44
Occupation Businessperson	98	98	86	92	84	71
Service holder	92	74	74	67	64	62
Student	96	90	85	74	70	77

*%: the percentage of the respondents with the response value 4(agree) and 5 (strongly agree)*

From table 08, it is seen that the businessmen agree or strongly agree with level of tangibles (98%), accessibility (98%), reliability (86%), assurance (92%), and empathy (84%), which are higher than professionals' opinions. On the other hand, it is also found that students agree or strongly agree with level of security (77%)-a higher figure than that pertaining to professionals. These findings imply that businessperson realize that banks having good facilities, are easily accessible and more reliable, have more efficient employees, and more caring. Business people's perceptions surpass those of other respondents regarding the criteria. Moreover students showed higher perception than other respondents regarding the fact that banks are more secured.

### **Conclusion and recommendation**

Banks, over the years, have become a significant institution of an economy. The commercial banking is the backbone for the growth of an economy. Service businesses like banks are very much sensitive. Customers value the quality of the services of the banks to take up services. So, it is important to find out the factors that contribute the service quality of private commercial banks. This study was carried out to find out the important factors of service quality for private commercial banks in Bangladesh. From the statistical findings, researchers can conclude that tangible is the most important factor in determining the service quality of private commercial banks followed by reliability, empathy, accessibility, and assurance. The study also finds that the proposed six factors or dimensions of service quality vary across gender, age, education, and occupation. Tangible deserves to get prior emphasis to improve the quality of services of private commercial banks. Banks should also make the service easier for the customers, deliver promised service to customers at all time, train employees to be knowledgeable and courteous, and take personalized care of each customer.



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## Appendix-A: Questionnaire

1. My bank has good appearance of physical facilities, equipment, personnel, and communication materials.(Tangible)

Strongly agree	Agree	Neutral	Disagree	Strongly disagree
5	4	3	2	1

2. Banking procedures are easily accessible and ease of use in my bank.(Accessibility)

Strongly agree	Agree	Neutral	Disagree	Strongly disagree
5	4	3	2	1

3. My bank has the ability to perform the promised service dependably.(Reliability)

Strongly agree	Agree	Neutral	Disagree	Strongly disagree
5	4	3	2	1

4. Employees are knowledgeable and courteous and they have the ability to inspire trust and confidence in the mind of the customer.(Assurance)

Strongly agree	Agree	Neutral	Disagree	Strongly disagree
5	4	3	2	1

## 5. My bank providing caring, individual service to customer.(Empathy)

Strongly agree	Agree	Neutral	Disagree	Strongly disagree
5	4	3	2	1

## 6. My bank is free from danger or doubt.(Security)

Strongly agree	Agree	Neutral	Disagree	Strongly disagree
5	4	3	2	1

## 7. Service quality of my bank is satisfactory.

Strongly agree	Agree	Neutral	Disagree	Strongly disagree
5	4	3	2	1

## 8. Age :

Less then 20	20 to less then 40	Above 40
3	2	1

## 9. Gender:

Male	Female
2	1

## 10. Education levels:

S.S.C.	H.S.C.	Under graduate	Graduate
2		1	

## 11. Occupation:

Student	Service holder	Businessman	Housewife
4	3	2	1

**Appendix-B: List of Banks Surveyed and Sample Distribution**

Type of Bank	Banks Name	Sample Distribution
Local Private Commercial Bank	BRAC Bank Ltd	30
	Eastern Bank Ltd.	28
	Social Islamic Bank Ltd	25
	National Bank Ltd	26
	Prime Bank Ltd.	29
	National Credit & Commerce Bank Ltd.	25
	Islamic Bank Bangladesh Ltd.	27
	Mercantile Bank Ltd.	22
Foreign Commercial Bank	Standard chartered bank	29
	HSBC	26
	Dutch Bangla Bank Ltd.	33
<b>Total</b>		<b>300</b>