

Impact of Income on Perception of Service Quality of Banks

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ABSTRACT

In spite of the rapid growth of financial service sector, managers realise that to employ service quality as a competitive tool, they have to identify impact of demographic variables like income on service quality. This paper examines the impact of income on the perception of service quality. Bahia and Nantel formulated a specific scale for gauging observed service quality in retail banking. This scale consists of six dimensions: access; effectiveness and assurance; price; service portfolio; tangibles; and reliability. This scale was used for collecting data in the situation of banking services. ANOVA was used to find out the answers to the research questions. The study concluded that there is no impact of income on the six dimensions of the service quality. The study has significant implications for banks for developing marketing strategies.

Keywords - Banks, Service Quality, Income, Demographic

1. INTRODUCTION

Quality of product and service affects profitability and financial performance of the firms (Zeithaml et al., 1996). So, it has become necessary for the firms to provide quality services to their customers. Demographic characteristics like gender, occupation and experience are significant factors which affect perceptions of cost effectiveness and E-Banking Service quality while non-significant differences are found for income, education, variety seeking factors and age in case of cost effectiveness and E-Banking Service quality (Trang, 2022). Consumers of different socio-demographic perceive service quality in a different way. The objective of this study is to find out the impact of income on perception of service quality.

2. Literature Review

2.1 Perception of Service Quality

Bahia and Nantel (2000) prepared a scale for measuring perceived service quality of bank services. The scale comprises 31 items which span six dimensions: access, tangibles, effectiveness and assurance, services portfolio and reliability. Seth et al. (2008) develop a scale to measure perceived service quality having both service quality and technical quality aspects. During the last few years, a great amount of research has been done in the area of service quality. Parasuraman et al. (1985) develop a model of service quality. In the extant literature, several studies were done to find out the impact of demographic variables on the perception towards service quality.

Zeithaml (1985) explored relations among different demographic variables and different kinds of variables related with preparation for and completion of supermarket shopping. Results show that different demographic variables have an effect on supermarket shopping variables. Seth et al. (2008) proposes an instrument for measuring perceived service quality having both aspects of service quality and technical quality aspects. The resulting validated instrument consists of dimensions including responsiveness, assurance, reliability, convenience, tangibles and customer perceived network quality.

Paul and Sharmila (2021) conducted a study on customers' satisfaction towards the service provided by private banks. The study concluded that there is a significant difference in the view of satisfaction of customers on the basis of their education, age, income and marital status. Ranaweera and Neely (2003) conducted a study on a holistic model of customer retention involving service quality perceptions, customer indifference, inertia and price differences. The study concluded that perceptions of service quality have a linear connection with customer retention even if it is mass service having low service contacts.

Zeimathal (1988) combined insights from an exploratory study and proof from previous study in a conceptual model that defines and relates price, perceived value and perceived quality. In the same study, propositions related to concepts and their association are offered, and then supported with proof from the literature. Jain and Gupta (2004) calculate the diagnostic power of the two service quality scale i.e. SERVQUAL vs. SERVPERF scales. The study concluded that while gauging overall service quality of a firm one must use SERVPERF scale.

Olorunniwo and Hsu (2006) examine the chance that the typology examination of a service along with operationalization of the service measurement scale can establish the nature of service quality (SQ) construct and its connection with those of customer satisfaction (SAT) and behavioral intentions (BI). The study concluded that "Responsiveness," "Reliability," "Tangibility," "Accessibility" and "Knowledge," dimensions contribute to the service quality. The study also confirms that SAT completely mediates the impact of SQ on BI.

Karatepe et al. (2005) reports on the construction of a service quality scale. It involves qualitative and quantitative study. The study resulted in a 20 item four dimensional scale having interaction quality (seven items), service environment (four items), reliability (four items) and empathy (five items) having sound psychometric properties. In the same study managerial applications and scale development procedures are discussed.

Saleh et al. (2017) examine the different perceptions of consumers of Islamic banking and conventional banking systems in an emerging market. The study also reconsiders the SERVQUAL model of customer banking services to gauge their impact on loyalty and customer satisfaction. The scrutinized service quality dimensions exercise changing effects on customer gratification arbitrated over the observed image of banking services. Islamic bank clients' opinions of the safety and reputation, level of consistency and receptiveness were significantly greater than those of conventional banks. Existing studies on service quality is given in Table 1.

3. Research Methodology

This section comprises of method of research, sample design and sample size, data analysis method and research instrument.

3.1 Method of research

Questionnaire was used for conducting the study. In the questionnaire a seven-point Likert scale (1=strongly disagree to 7= strongly agree) was used to measure answers to the applicable questions. Quantitative research approach was used to find out impact of income on the perceptions of the service quality. A sample size of 51 customers was used for data collection. Convenience sampling was used. Data was collected through google forms distributed to customers of public and private sector banks. Data was analyzed using SPSS version 16.

3.2 Measurement of variables

Present literature was used to developed measures of all constructs. To operationalize all variables multi-item scales (seven- point likert scale) answer layouts were used.

- 3.2.1 *Effectiveness and assurance*. Effectiveness and assurance was operationalized using 13 indicators such as confidence, recognition, confidentiality, valorization of the client, interruption, well-trained personnel, knowledge of the client, no contradictions in decisions between personnel and management, delivering when promised, good reputation, feeling of security, no delays due to bureaucratic factors and indications (communications) of quality. The items representing all these indicators were taken from Bahia and Nantel (2000).

Table 1. Select Work in Service Quality in Banks

Author(s)	Journal	Emphasis of study	Conceptual (C) or Empirical (E)	Findings
Saleh et al. (2017)	International Journal of Bank Marketing	To scrutinize divergent perceptions of clients of Islamic and conventional banking systems.	E	Islamic bank clients' insights of the level of receptiveness were significantly greater than those of conventional banks.
Moghavvemi et al. (2018)	International Journal of Bank Marketing	To inspect the complete customer satisfaction and service quality of both foreign and local banks in Malaysia.	E	Knowledge and staff capabilities, as well as ease of the bank is additional important for local bank customers.

Ranaweera and Neely (2003)	International Journal of Operations & Production Management	To provide complete model of customer retaining incorporating price perceptions, service quality perceptions, inertia and customer indifference.	E	Opinions of service quality have a straight linear connection with customer holding even in bulk services with little client interaction.
Jain and Gupta (2004)	Vikalpa	To evaluate the investigative authority of two service quality scales.	E	SERVPERF scale provides an extra convergent and discriminant valid clarification of service quality construct.

- 3.2.2 *Access*. Access of banking services includes five indicators, this being sufficient number of ATMs, modern equipment, sufficient number of open tellers, waiting is not too long and queues that move rapidly. The study adopted all items for this measure from Bahia and Nantel (2000).
- 3.2.3 *Price*. This dimension refers to five measurement indicators: the bank contacts me, good explanation of service fees, balance amount from which service charges begin, reasonable fees and keeping the client informed. For this construct indicators were taken from Bahia and Nantel (2000).
- 3.2.4 *Tangibles*. This construct comprises four measurement items: precision on accounts statements, cleanliness, decoration of facilities and efficacious work environment. All the measurement items for this construct were taken from Bahia and Nantel (2000).
- 3.2.5 *Service portfolio*. This refers to whether banks provide complete gamut of services and the range of services is consistent with the latest innovations in the banking services. Measures for this construct were taken from Bahia and Nantel (2000).
- 3.2.6 *Reliability*. This dimension refers to two measurement items: absence of errors and precision of filing systems. The study adopted two items from Bahia and Nantel (2000).

5. Data analysis and results

This section discusses the effect of income on perception of service quality. The study used ANOVA to assess the effect of income on perception of service quality of banks. There are no significant differences between income groups and perceptions of six dimensions of the service quality. It can be seen in Table 2 that respondents in all income groups somewhat agree with “effectiveness and assurance” dimension of the banks. A mean score of 5.17, 5.46 and 5.75 for the income group “Less than 50,000”, “50,000 to 80,000” and “Over 80, 000” respectively confirms this. As per Table 2, respondents in the income group “50,000 to 80,000” and “Over 80,000” somewhat agree with access dimension in the case of banks while respondents of income group of “Less than 50,000” agree with access dimension. A mean score of 4.78, 5.13 and 5.33 for income group “Less than 50,000”, “50,000 to 80,000” and “Over 80, 000” respectively confirms this.

6. Conclusion

There are non-significant difference between demographic characteristics like income and perceptions of six dimensions of the service quality. Banks should these things in mind while preparing marketing strategy.

Table 2. Perceptions of Six Dimensions of Service Quality Across Income

	N	Mean	F	Sig.
Effectiveness and assurance				
Less than 50,000	11	5.17	1.435	0.248
50,000 to 80,000	21	5.46		
Over 80, 000	19	5.75		
Access				
Less than 50,000	11	4.78	0.529	0.593
50,000 to 80,000	21	5.13		
Over 80, 000	19	5.33		
Price				
Less than 50,000	11	4.82	1.313	0.279
50,000 to 80,000	21	4.67		
Over 80, 000	19	5.35		
Tangibles				
Less than 50,000	11	5.11	0.579	0.564

50,000 to 80,000	21	5.18		
Over 80, 000	19	5.53		
Service portfolio				
Less than 50,000	11	5	0.774	0.467
50,000 to 80,000	21	5.09		
Over 80, 000	19	5.47		
Reliability				
Less than 50,000	11	4.36	0.92	0.406
50,000 to 80,000	21	4.98		
Over 80, 000	19	5.10		

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