CHAPTER 6

CONCLUSIONS, RECOMMENDATIONS AND SCOPE FOR FUTURE RESEARCH

6.1 Conclusions for Retail Banking Services

1. The measurement model for retail banking service quality identified five primary dimensions of Service Delivery, Core Services, Tangibles, reliability and Competence. The results further confirm that customers evaluate their overall perception of Service Quality in retail banking by assessing these five Service Quality dimensions. Also, the Tangibles have been found to be most important dimension of Service Quality based on its highest regression weights of the measurement model (using Amos) followed by Competence, and Service Delivery which have equivalent regression weights. The results provide support for findings of Arasli, Katircioglu and Smadi (2005), Cui et al. (2003) and Yavas et al. (1997) that Tangibles dimension of Service Quality has a significant effect on Customers perceptions of Service Quality in emerging economies.

2. In Tangibles, it was found for retail banking Service Quality, the role of buildings, equipment, physical layout to reflect the banking physical set up. The measurement model identified that the physical layout which facilitates customer services was found the most important in tangible dimension of retail banking service quality having the highest regression weight followed by employees professional appearance and visually appealing objects. This is supported by evidence from environmental psychology, which states that customers form inferences about a focal object or person based on environmental cues (Baker et al., 1994, 2002; Bitner, 1990, 1992).

3. The study has also revealed that to measure retail banking Service Quality, the measurement scale needs to combine the dimensions of SERVQUAL/SERVPERF and the
Grönroos service quality model. Accordingly, a customized model to measure retail banking service quality was used. The results provide support to the argument that SERVQUAL/SERVPERF or Grönroos model cannot be the exclusive base for service quality assessment (Zeithaml and Parasuraman, 2004) but can be regarded as the base on which any industry or service specific measure can be built (Parasuraman et al., 1988, 1991; Beckman and Veldkamp, 1995).

4. The structural equation model used to examine the inter relationships between the service encounter constructs and their effects on Behavioral Intentions revealed that there is an indirect linkage of Service Quality with Behavioral Intentions through Customer Satisfaction and Service Value in Indian context. This was because the fit indices for the Indirect effects model found to be acceptable (GFI>0.9;RMSEA<0.5; P(close>0.5) whereas for the Direct effects model, the indices were unacceptable as (GFI>0.9;RMSEA>0.5,P(Close<0.5).

5. It was also concluded from the study that although Service Quality, Service Value and Customer satisfaction are key drivers of Behavioral Intentions in retail banking services but Service Quality influences’ Behavioral Intentions, not directly but indirectly through Service Value and Customer Satisfaction. In other words, it’s Service Value which leads to Customer Satisfaction and which in turn leads to Behavioral Intentions. Also, it was concluded that Service Value directly influences Behavioral Intentions. This shows the importance of Service Value in today’s competitive scenario as a key differentiator compared to Customer Satisfaction because the SEM model has given higher regression weight to effect of SV on BI (0.536) and effect of SV on BI via CS.(0.123) compared to effect of CS on BI (0.256). The indirect effect of SQ on BI was found to be the highest in SEM (0.823). This shows the importance of Service Value in retail banking services.

6. Another important finding was that when inter-relationships between Service Quality, and Customer Satisfaction were studied, then it was found through SEM that Service Quality has
higher direct effect on Customer Satisfaction with regression weight of 0.499 as compared to the indirect effect of Service Quality on Customer Satisfaction through Service Value where the regression weight was found to be 0.388. Hence, banks need to focus on measuring Customer Satisfaction by improving the Service Quality for which five service quality dimensions are important as identified in conclusion 1. These results support the findings of Jamal and Nasser (2002), Lassar et al. (2000) and Yavas et al. (1997) who found that Service Quality is a reliable predictor of Customer Satisfaction in financial services in particular and services in general.

7. It was further concluded while studying various inter-relationships in case of retail banking services that Service Value and Service Quality are key antecedents of Behavioral Intentions having regression weights of 0.823 and 0.523 respectively. Also, it can be said that Customer Satisfaction is only an indicator variable and not a key antecedent for Behavioral Intentions. Hence Service Value and Service Quality are predictors of customers Behavioral Intentions.

8. It was also found after conducting the study that the structure of Service Quality in retail banking is multi-dimensional and multilevel which is hierarchical in nature with Tangibles taking predominance (regression weight of 0.924) and core service as the least important dimension (regression weight of 0.469) in today’s competitive banking scenario. In other words, the service product of the banks offered is not a key differentiator as perceived by customers of banking services.

6.2 Conclusions for Life Insurance Services

1. The measurement model for life insurance service quality identified five primary dimensions of Service Delivery, Sales Agent quality, Tangibles, Empathy and Core Service. The results confirm that customers evaluate their overall perception of Service Quality in life insurance services by assessing these five Service Quality dimensions. Also, the dimensions of Sales Agent Quality and Service Delivery have been found to be most important
dimensions of Service Quality based on its highest regression weights of the measurement model (using Amos) followed by Empathy, and Tangibles. The results provide empirical evidence for the notions that the interpersonal interactions that occur during service delivery often have the greatest effect on customers’ perceptions of service quality (Hartline and Ferrell, 1996; Bitner, Booms, and Mohr, 1994; Surprenant and Solomon, 1987). Further, Surprenant and Solomon (1987) suggest that a customer's perception of service quality is more process-driven (that is how the service is delivered) than outcome-driven (that is what a customer gets after the service delivery process and the buyer-seller interactions.

2. In Service Delivery, it was found for Life Insurance Service Quality, the attributes of “life insurer keeps customers informed about when services’ like claim cheque will be delivered,” “employees are dependable,” and “employees are willing to help(during claims processing,” are key attributes of Service Quality perceptions. Thus, services related to process of claim processing seem to be critical in developing positive perceptions of customers’ service quality. Equally important (based on regression weights of Service Delivery and Sales Agent Quality dimensions on Life Insurance Service Quality, which were 0.831), is the dimension of Sales Agent Quality comprising of attributes of “sales agents are professionally qualifies, show sincere interest in solving problems and are trustworthy.” The results support the findings of Durvasula et al., (2006), who also found that in the life insurance industry, assurance has the strongest relationship with overall perceptions of satisfaction and loyalty. Insurance is a highly risky investment and customers evaluate highly those agents who are perceived to be trustworthy and make customers feel assured that they have made the correct decision. The role of employees involved in service delivery and sales agents is critical to positive service quality perceptions since insurance products are a very personal matter where people enjoy the comfort of talking to experts who are knowledgeable on insurance. (Durvasula et al, 2006).
3. The study has also revealed that to measure life insurance Service Quality, the measurement scale needs to combine the dimensions of SERVQUAL/SERVPERF and the Grönroos service quality model. Accordingly, a customized model to measure life insurance service quality was used. The results provide support to the argument that SERVQUAL/SERVPERF or Grönroos model cannot be the exclusive base for service quality assessment (Zeithaml and Parasuraman, 2004) but can be regarded as the base on which any industry or service specific measure can be built (Parasuraman et al., 1988, 1991; Beckman and Veldkamp, 1995).

4. The structural equation model used to examine the interrelationships between the service encounter constructs and their effects on Behavioral Intentions revealed that there is a direct and an indirect linkage of Service Quality with Behavioral Intentions through Customer Satisfaction and Service Value in Indian context. This was because the fit indices for the Direct effects model found to be acceptable (GFI>0.9; RMSEA<0.5; P(close>0.5) whereas for the Indirect effects model, the indices were unacceptable as (GFI>0.9;RMSEA>0.5,P(Close<0.5) and supported by findings of Cronin et al. (2000).

5. It was also concluded from the study that although Service Quality, Service Value and Customer satisfaction are key drivers of Behavioral Intentions in life insurance services, Service Quality influences’ Behavioral Intentions, both directly and indirectly through Service Value and Customer Satisfaction. Though Customer satisfaction is key antecedent of Behavioral Intentions because of its higher regression weight (0.368), its Service Value which leads to Customer Satisfaction (regression weight =0.768) and which in turn leads to Behavioral Intentions. Also, it was concluded that Service Value directly influences the Behavioral Intentions (regression weight =0.218). This shows the importance of Service Value in today’s competitive scenario as a key differentiator compared to Customer Satisfaction because the SEM model shows that Service Value is only direct antecedent of
Customer Satisfaction (0.768). The indirect effect of Service Quality on Behavioral Intentions was found to be the highest in SEM (0.416). This shows the importance of Service Value in life insurance services.

6. Another important finding was that when the relationship between Service Quality, Customer Satisfaction was studied, then it was found through SEM that Service Quality has high indirect effect on Customer Satisfaction with regression weight of 0.651 as compared to the direct effect of Service Quality on Customer Satisfaction which was insignificant. Hence, life insurance service providers need to focus on measuring the Customer Satisfaction by improving the Service Quality for which five service quality dimensions are important as identified in conclusion 1. These results support the findings of Jamal and Nasser (2002), Lassar et al. (2000) and Yavas et al. (1997) who found that Service Quality is a reliable predictor of Customer Satisfaction in financial services in particular and services in general.

7. It was further concluded while studying various inter-relationships in case of life insurance services that Customer Satisfaction, Service Value and Service Quality are key antecedents of Behavioral Intentions with direct effects having regression weights of 0.368, 0.332 and 0.218 respectively. Also, while Customer Satisfaction is a significant antecedent for Behavioral Intentions, its solely dependent on Service Value whose direct effect has regression weight of 0.738 and Service Quality whose indirect effect has regression weight of 0.560. Hence Service Value and Service Quality are key predictors of customers Behavioral Intentions.

8. It was also found after conducting the study that the structure of Service Quality in life insurance services is multi-dimensional and multilevel which is hierarchical in nature with Service Delivery and Sales Agent Quality taking predominance (regression weights of 0.831 each) and core service as the least important dimension (regression weight of 0.550) in today’s competitive scenario. In other words, the service product of the life insurance offered is not a key differentiator as perceived by customers of life insurance services.
6.3 Significant Contributions of the Study

The study supports the applicability of a hierarchical, multidimensional and customized approach for the conceptualization and measurement of service quality in the Indian financial services of retail banking and life insurance services. This study develops and empirically validates a customized model of measurement of customer perceptions of service quality in the Indian retail banking services and life insurance services.

The study contributes to the development of reliable and validated measurement scales of Service Quality in retail banking and life insurance services in Indian context.

In the context of retail banking services in India, the indirect effects model (model I) is adequate to measure the relationship dynamics between Service Quality and customer Behavioral Intentions of attitudinal loyalty (i.e. recommendation) and behavioral loyalty (i.e. repurchase) via Service Value and Customer Satisfaction using SEM.

In life Insurance services, the “Direct effects model” best explains the effect of Service Quality on Behavioral Intentions thus establishing the significance of both direct and indirect effects of measuring the relationship between Service Quality and Behavioral Intentions using moderating variables of Service Value and Customer Satisfaction.

Service Value is a key antecedent of Behavioral Intentions in retail banking and life insurance services that is by improving the service value perceptions of customers the financial service providers can improve the loyalty related intentions of their customers which is need of the day for financial services providers.

The service product of retail banking and life insurance services have taken a back seat and are no longer key differentiators for these services. Instead, service quality dimension of “Tangibles” followed by “Service Delivery” and “Competence” are found to be important in
retail banking. On the other hand, “Sales Agent Quality” and “Service Delivery” are considered to be most important in life insurance services in India. Hence retail banking and life insurance services need to concentrate on the identified dimensions rather than their service product only.

Customer Satisfaction is influenced by Service Quality in both the financial services that is retail banking and life insurance services. However, a new dimension of Service Value has been identified which influences Customer Satisfaction and leads to higher Customer Satisfaction. In life insurance services, Service Value is the most significant antecedent of Customer Satisfaction. Thus financial services sector needs to focus on enhancing Service Value perceptions of customers to improve Customer Satisfaction as well as Behavioral Intentions which has not been considered as an important antecedent as of now. The study also proves that Service Quality and Customer Satisfaction are distinct constructs.

The debate between whether Service Value leads to Customer satisfaction or Customer Satisfaction leads to Service Value has been clarified and concluded that Service Value leads to Customer Satisfaction and not otherwise.

The study contributes to clarification of the inter-relationships between important service encounter constructs in response to the call for more investigations into the complex relationships between important service encounter constructs (Cronin et al, 2000; Caruana, Money, and Berthon, 2000; Nguyen and LeBlanc, 1998; Cronin and Taylor, 1992), in the Indian retail banking and life insurance services. The findings indicate that Service Quality is an important determinant of Service Value and Customer Satisfaction in retail banking and life insurance services. Also Service Value is a direct antecedent of Customer Satisfaction. In particular, the results of this study indicate that both Service Quality and Service Value are important determinants of Customer Satisfaction.
The study contributes to clarification of antecedents of behavioral outcomes of Customers in service literature by confirming findings of Cronin et al, (2000) and Taylor, S. (2001), amongst others that both Service Quality and Customer Satisfaction are important determinants of Behavioral Intentions.

The investigations of the complex relationships between the additional important service marketing constructs in this study may provide additional valuable insights for future research on these constructs in the Indian retail banking and life insurance services.

6.4 Recommendations

6.4.1 Recommendations for Retail Banking Services

In today’s worldwide competitive market, retail banking service providers must retain their customers through superior service performance. This study provides a multi-dimensional and hierarchical framework that enables retail banking service providers to identify and assess the dimensions underlying customers’ perceptions of Service Quality.

Managers can use the dimensions of service quality identified in this study as a background for formulating their management strategies in the Indian retail banking services market. For example, given the importance of “Tangibles” to customers' perceptions of Service Quality, managers can improve perceptions of Service Quality by ensuring that the bank adequate facilities for good customer service, visually appealing materials in line with the service offered and that employees have a professional appearance.

Further, the multidimensional and hierarchical framework developed for this study enables retail banking service providers to identify the most and the least important dimensions underlying customer perceptions of service quality. According to the comparative importance of the dimensions, managers of retail banks can allocate different weights to the dimensions
and efficiently use their limited resources (e.g. human resources and financial resources). For example, the results of this study indicate that customers perceive the provision of adequate facilities for customer service as more important than other attributes related to the dimension of Tangibles. Managers can allocate their resources to ensuring the same on a priority basis. The measurement scales for measuring Service Quality and its dimensions developed for this study provide managers of retail banking services with flexibility in their measurement methods. For example, managers of retail banks can broadly measure their customer perceptions of service quality at an overall level when their time and budgets are limited. The managers can also measure their customer perceptions of service quality at a dimensional level, attribute level or at all three levels depending on the situation. Further, from a competitive perspective, managers can also use the measurement scales developed in this study to measure the service quality of their competitors.

The findings of the study provide valuable information regarding the dynamics of the complex relationships between Service Quality, Customer Satisfaction, Service Value and Behavioral Intentions for practitioners who are already operating in, or preparing to enter, the retail banking services market. The information would enable managers of retail banks in India to develop and implement successful marketing strategies for enhanced customer loyalty thus leading to competitive advantage. The “Indirect Model” was found to have better fit as compared to the “Direct Model” for retail banking services thus making it important for managers to measure and manage customer perceptions of Service Value and their judgments of Customer Satisfaction. Results show that Customer Satisfaction and Service Value are direct antecedents of Behavioral Intentions and Service Quality perceptions do not directly effect Behavioral Intentions. Thus, the linkages can be employed to develop marketing strategies through differentiation.
For example, the findings of this study suggest that Service Value is an important determinant of Customer Satisfaction in the Indian retail banking services market. Retail banking service providers can enhance Service Value perceptions of their customers through marketing strategies such as reduced charges or higher levels of services which enhance service value perceptions which in turn would lead to increased Customer Satisfaction. Further, retail banks can differentiate their services through better performance on the determinant Service Quality dimensions to increase Service Value perceptions which would then lead to positive Behavioral Intentions of customer loyalty.

The relatively low mean scores for Behavioral Intentions (mean = 4.01 on a scale of 1-5 where 5 is highest score) signifies that retail banking providers need to identify new approaches to customer retention. This research reveals that Service Value has a significant direct influence on both the constructs of Customer Satisfaction as well as Behavioral Intentions. Further, Service Value is the most important direct antecedent of Behavioral Intentions. Thus, retail banking service providers need to manage and deliver Service Value perceptions for improved competitive advantage. Different sources of Service Value such as service quality, relational quality, price, product quality and corporate image can be explored for the development of value-based marketing strategies. Marketers need to understand the relative importance of the sources of Service Value. According to some studies, (Devlin, J.F. 1998), product quality is an important driver of customers’ Service Value perceptions and their post-purchase Behavioral Intentions. Since customers of retail banking services develop Behavioral Intentions of repurchase and word of mouth based on their prior experience with the retail bank. Managers need to understand and implement strategies which would improve Service Value and Customer Satisfaction.

A dimensional level analysis wherein the linkages of Service Quality dimensions with Service Value and Customer satisfaction would enable formulation of better marketing strategies.
Managers need to track and manage perceptions of Service Value and Customer satisfaction judgments so that positive Behavioral Intentions of attitudinal and behavioral loyalty can be enhanced which would lead to customer retention and competitive advantage. With the retail banking services market in India becoming highly competitive, exploring other sources of service value and customer satisfaction would become a competitive imperative.

6.4.2 Recommendations for Life Insurance Services

Life Insurance service providers need to retain their customers through superior service performance due to increased competition in the Indian life insurance services market. This study provides a multidimensional and hierarchical framework that enables life insurance service providers to identify and assess the dimensions underlying customers’ perceptions of service quality so that customer loyalty can be enhanced by delivering superior or service quality.

From a managerial perspective, the multidimensional and hierarchical framework developed for this study provides an improved understanding of how customers assess the service quality of life insurance services provides in the Indian market. Managers can use the measure of service quality developed in this study to formulate marketing strategies for competitive advantage in the Indian life insurance services market. For example, knowing the significance of “Service Delivery” and “Sales Agent Quality” perceptions in enhancing customers’ perceptions of overall Service Quality, managers can improve customers perceptions of Service Quality by ensuring that the life insurers’ employees who are dependable and willing to help customers especially in their claim processing. The life insurer also needs to keep the customer informed about provision of services like claims cheque. Further, they can recruit sales agents with desired traits and devise training programs
and HR practices which ensure that sales agents are professionally qualified, show sincere interest in solving problems and are perceived as trustworthy.

Additionally the multidimensional and hierarchical framework developed for this study enables life insurance service providers to identify the most and the least important dimensions underlying customer’s perceptions of service quality. According to the comparative importance of the dimensions, managers of life insurance services can allocate different weights to the dimensions and efficiently use their limited resources. For example, the results of this study indicate that customers perceive the dimensions of “Service Delivery” and “Sales Agent Quality” as more important than other dimensions and attributes. Managers can allocate their resources to ensuring improvement in performance perceptions of the same on a priority basis.

The measurement scales for measuring Service Quality of life Insurance services in India and its dimensions developed for this study provide managers with flexibility in the level at which they wish to improve. For example, managers can broadly measure their customers’ perceptions of service quality at an overall level, at a dimensional level, at an attribute level or at all three levels depending on the situation. Further, from a competitive perspective, managers of can also use the measurement scales developed in this study to measure the service quality of their competitors.

The findings of this study provide important information regarding the complex relationships between Service Quality, Customer Satisfaction, Service Value and Behavioral Intentions for practitioners who are already operating in, or preparing to enter, the life insurance services market. The information would enable managers to develop and implement successful marketing strategies. For example, the findings of this study suggest that Service Value is an important determinant of Customer Satisfaction in the Indian life insurance services market.
Life Insurance service providers can enhance Service Value perceptions through marketing strategies such as reduced charges or higher levels of services which in turn would lead to enhanced Customer Satisfaction.

The relatively low mean scores for Behavioral Intentions (mean = 3.94 on a scale of 1-5 where 5 is highest score) signifies that life insurance providers must explore new approaches to customer retention. This research also reveals that Service Value has a significant influence on both satisfaction and post-purchase behaviors. The strategic implications of this finding are significant for the industry. First, life insurance providers must move beyond the satisfaction paradigm and deliver Service Value for improved competitive advantage.

Different sources of customer value such as service quality, relational quality, price, product quality and corporate image can be explored for the development of value-based marketing strategies. Marketers should also move beyond the conventional measurement of satisfaction and develop capabilities in tracking customer’s perceptions of Service Value as suggested by Durvasula et al., (2004).

Marketers need to understand the relative importance of the sources of Service Value. According to some studies, (Devlin, J.F. 1998), product quality is an important driver of customers’ Service Value perceptions and their post-purchase Behavioral Intentions. Since customers of life insurance services generally lack in-depth understanding of life insurance products and are unable to make logical comparisons between product offerings available in the market, Marketers need to package their life insurance products so that customers can appreciate the benefits of their offerings. Managers of life insurance services need to adopt an integrated approach to improving desired Behavioral Intentions (Customer Loyalty) of customers. The results show that customer Behavioral Intentions are influenced by simultaneous effects of Customer Satisfaction, Service Value and Service Quality. Hence
managers need to evaluate and manage both the direct and indirect linkages in order to achieve desired outcomes.

6.5 Scope for Future Research

It’s suggested that the competing models approach is adopted in development of a structural equation model of path of best fit to identify the antecedents of Behavioral Intentions for customers of financial services as suggested by Cronin et al., (2000). The study emphasizes the need for a composite and integrated approach in understanding the dynamics of customer decision making.

Replication of model to other financial services sectors and credence services like Mutual Funds will enable development of a generalizeable model for the financial services sector.

An extension of the model to include the cultural characteristics of customers (Furrer et al., 2000) will contribute towards better understanding of how culturally different customers perceive service quality and how they link this to satisfaction and loyalty.

Expansion of the model to include the economic consequences for companies and organizations of the relationships will help establish the linkage with economic outcomes.

The study can be conducted with customers of public sector and private sector banks and life insurance services separately to determine the effect of the type of organization. Such studies will make the model generalizeable. Due to scope of the study and the sample data size, this analysis was not conducted in this study.

The results were validated with a sample of managers of retail banks and life insurance services in NCR of Delhi. However, it’s recommended that the results are validated with all managers of retail banks and Life insurance services.