CHAPTER 5

SUMMARY OF RESEARCH FINDINGS, DISCUSSION, MANAGERIAL IMPLICATION AND CONCLUSION

5.1 SUMMARY OF RESEARCH FINDINGS

Indian banking system has crossed over many stages in terms of technology, business systems and processes since instigation. Global competition has become a foremost authenticity for the service sector especially in banking system due to liberalization, Globalization and Privatization. The staying power of customers are mainly vested with the services experienced with the organization and difference of opinion exists if any, will lead to switch rapidly to other service providers irrespective of the perceived value of the service from the organization. Customer satisfaction and loyalty does have a positive impact on customer revenue and costs and higher customer satisfaction leads to higher profit and revenue for the organization.

Moreover, customer satisfaction is a prevailing variable which acts as a mediator for the relationship between service quality judgments and behavioral intentions. In all the earlier research work conducted in financial service organization, the relationship between service quality, customer satisfaction and loyalty has been studied only in commercial banks encompassing Public sector, Private sector Banks and Foreign banks with various results. But no such direct study was done so far in connection with evaluation of service quality and its impact on satisfaction and loyalty in
India’s post office savings banking sector, a prevalent sector with large number of branches in urban and rural areas. This was the major gap actually identified and this study put forth an effort in evaluating the service quality and its impact on customer satisfaction and loyalty in India’s post office savings banking sector empirically through SERVQUAL Scale.

The objective of the study is restrained to 1) Evaluate the impact of service quality on customer satisfaction and loyalty  2) Find the service quality gap between expectation and perception of customer towards SERVQUAL dimensions 3) Analyze the association between the demographic profiles of the customers with the service quality factors of SERVQUAL for Expectation and Perception 4) Analyze the association between the demographic profiles with overall service quality 5) Analyze the association between the demographic profiles with the customer satisfaction and loyalty 6) Propose a model to evaluate the impact of service quality factors of SERVQUAL on customer satisfaction and loyalty.

The research design of the present study is descriptive in nature. As the primary objective is evaluating service quality and its impact on customer satisfaction and loyalty in India’s Post office savings banking sector empirically, all the branches of the above sector in the entire Salem District of Tamilnadu were taken into account and a total of 550 respondents were interviewed through convenience sampling with self administered questionnaire so as to assess the opinion of the customers regarding perceived service quality, customer satisfaction and loyalty. Out of the above, only 482 questionnaires were returned and found to be in reusable level resulting in a response rate of 87.64 percent.

This research work identified several contributions to understanding the impact of service quality on customer satisfaction and loyalty in India’s Post office savings banking sector.
5.1.1 Impact of Service Quality on Customer Satisfaction and Loyalty

First and Second order Structural Equation modeling technique are applied in order to analyze the direct and indirect effect of relationship among the Service Quality, Customer Satisfaction and Loyalty and also to see, upto what extent the Service Quality affects the Customer Satisfaction and Customer Loyalty. The resultant model established the moderate level of model fit and it is also revealed that the Service Quality has positive direct relationship with Customer Satisfaction. Further, it is noticed that there is a positive direct relationship between Customer Satisfaction and Customer Loyalty and Customer Satisfaction is found to have a significant direct effect on Customer Loyalty. However, the effect of Service Quality on Customer Loyalty is very less and not significant. The direct and indirect effect of Service Quality and Customer Satisfaction indicated that there is least direct effect of service quality on customer loyalty where as when it is mediated through, Customer Satisfaction, the Service Quality is found to have more positive effect on Customer Loyalty.

5.1.2 Demographic Profile of the Respondents

Regarding the demographic profile of the customers, 13 variables are taken up into consideration for this study. While considering the status of the area of residence, most of the respondents are having residential status under “Rural” category. Under the category of Gender, the predominant group is found to be Male Only. The marital status showed that majority of the respondents is found Married. Regarding Educational Qualification, most of the respondents are having qualification between 9th to 12th standard. Most of the respondents are living in nuclear family and in connection with the size of the family and number of dependent members; the most dominant group is noticed with 3-4 dependent members in the family. Regarding occupation,
most of the respondents are belongs to self employment and business category.

From the result of the study, it is clearly noticed that most of the respondents are having the monthly income ranging between ₹ 5000/- to ₹10000/=. Most of the respondents came to know about the savings scheme available only through the agents who are appointed by the state government authorities for the mobilization of savings habit among the members of the public. Regarding the type of account, maximum number of respondents are having savings bank account with the minimum deposit of <= Rs.5000/=. Regarding frequency of visit to India’s Post office savings banking sector, most of the respondents are visiting the bank once in a month.

5.1.3 Gap Analysis with SERVQUAL Dimensions

As the analysis of service quality gap between the expectation and perception on service quality in India’s post office savings banking sector is one of the principal objective in this study, gap analysis is carried out between the service quality dimensions and the result revealed the following:

While reviewing the variables under „Tangibility‟, it is seen that respondents has scored highest rating for “Visually appearing and readily available materials (4.2469) and (4.1328) and the lowest rating scored for “Neat appearance with attractive uniforms (3.8465) and (3.6224) respectively for Expectation and Perception. The large service quality gap is noticed with “Attractive building with modern looking equipments (-0.3009) and the least gap is noticed with “Visually appealing physical facilities (-0.0684).

From the results of „Reliability‟ variables, the highest rating as scored by the respondent is noticed with “Delivers error free records (4.2780) and (4.2303) respectively and the lowest rating with “perform the service
right at the first time (4.0726) and 4.0809) respectively for Expectation and Perception. Large service quality gap is noticed with “When there is a problem, shows sincere interest in solving it (-0.110) and the least service quality gap is noticed with “perform the service right at the first time (0.0083)

Regarding the service quality gap analysis among the variables of „Responsiveness’ dimension, it is seen that the respondents scored highest score for the variable “Employees give prompt service (4.2365) and (4.1494) respectively and the lowest rating is for the variable “keeps informed when the service will be performed (4.0830) and (3.9876) respectively for Expectation and Perception and in addition large service quality gap is found with “Employees are never too busy to respond to my request (-0.1121) and the least service quality gap is found with “Employees are always willing to help me (-0.0706)

Among the „Assurance’ variables, the highest rating as scored by the respondent is for “feel safe in my transactions (4.3277) and the lowest rating is for “Employees are consistently courteous (4.2324). Next to this, among the Perception items, the lowest rating is for “The behavior of Employees instills confidence in me” (4.1535) and the highest rating is for item “feel safe in my transactions (4.2199). Regarding service quality gap, large gap is found with “Employees have knowledge to answer questions (-0.1681) and least service quality gap is found with the variable “Employees are consistently courteous with me (-0.0747)

While analyzing the service quality gap among the variables of „Empathy’ in SERVQUAL, the highest rating scored by the respondents is found with “Employees understand the specific needs” with score (4.1805) and (4.0788) respectively and the lowest rating is for the variable “Give individual attention with score (3.9793) and (3.8548) respectively for
Expectation and Perception and large service quality gap is noticed with the variable “Operating hours convenient to all” (-0.1784) and least service quality gap is noticed with “Employees understand my specific needs” (-0.1017).

While reviewing the gap that existing between the expectation and perception of customers among the competence variables, the highest rating scored by the customers is found with “Have simplified formalities for transactions” with mean score (3.9710) for perception and in the case of expectation, the highest rating is noticed for “Rush to solve my grievances and complaint immediately” with the mean score (4.1535) and the lowest rating is for the variable “Have ATM Facilities, internet banking and instant mobile alerts with mean score (3.6390) and (2.8963) respectively for expectation and perception for the dimension „Competence‟ of SERVQUAL scale. Large service quality gap is found with the variable “Have ATM Facilities, internet banking and instant mobile alerts (-0.7427) and least service quality gap is found with “Have simplified formalities for transactions with mean score (-0.1742).

While measuring the overall service quality gap for the six service quality dimensions included in the SERVQUAL scale, it is seen that large service quality gap is noticed with „Competence‟ (-1.5498) and the least service quality service quality gap is noticed with „Reliability‟ (-0.2448). In addition, it is also noted that there is a significant difference found between the customer Expectation and Perception on service quality in India’s post office savings banking sector service quality in terms of all the factors of SERVQUAL except Reliability as the revealed ‘t’ value is statistically significant at 1 percent level of significance.

It is also revealed that there is also a significant difference found between the overall expectation and overall perception on service quality by
the customers as the revealed ‘t’ value is statistically significant at 1 percent level of significance. Out of all, the most important dimension as preferred by the respondents is „Reliability” followed by „Responsiveness” for both the level of Expectation and Perception on service quality as the mean score is very high when compared to other dimensions of SERVQUAL.

5.1.4 Demographic Profile with Level of Expectation on Service Quality

From the findings of this study, it is exposed that there is a significant association found between the demographic profile of the customers and their level of expectation on service quality in India’s Post office savings banking sector. Regarding the association between the demographic variables of the respondents and their level of expectation on service quality dimensions, it is noted that the variables like occupation and type of account of the respondents are having a significant association with the dimension „Tangibility”. The significantly associating profile variables of the respondents with the service quality dimension „Reliability” are namely status of area of Residence, occupation and type of account of the respondents.

The significantly associating profile variables of the respondents with the service quality dimension „Responsiveness” are namely the status of area of residence, Age, Monthly income and Type of account. There is no significant association found between the demographic variables and the service quality dimension „Assurance” except status of area of residence and type of account of the respondents as the revealed ‘F’ statistics are statistically significant. There is no significant association found between demographic variables and the factor „Empathy” since the revealed “F” value is not statistically significant at 1 percent and 5 percent level of significance. Next to this, demographic variables like status of area of residence, Age and
Educational Qualification are having significant association with the service quality dimension „Competence” as the revealed ‘F’ statistics is statistically significant at 5 percent level of significance.

Regarding the association between the gender of the respondents and their level of expectation on service quality dimensions, the significantly associated factors are Empathy and Competence. The Martial status of the respondents are having significant association with all the service quality dimensions except „Assurance” as the revealed ‘t’ statistics are statistically significant. While considering the association between the type of family of the respondents and their level of expectation on service quality dimensions, the significantly associated factors are Responsiveness, Empathy and Competence.

5.1.5 Demographic Profile with Level of Perception on Service Quality

From the findings of this study, it is also revealed that there is a significant association found between the demographic profile of the customers and their level of perception on service quality in India’s Post office savings banking sector. Regarding the association between the demographic variables of the respondents and their level of perception on service quality dimensions, the significantly associating profile variables of the respondents with the service quality dimension „Tangibility” are namely status of area of residence, age, monthly income and minimum amount of investment of the respondents. The significantly associating profile variables of the respondents with the service quality dimension „Reliability” are namely Age, Educational qualification, Type of account, Minimum amount of investment and frequency of visit of the respondents.
Subsequently, the demographic variables like Age, Type of account, Minimum amount of investment and frequency of visit of the respondents are having significant association with the dimension "Responsiveness". There is no significant association found between the demographic variables and the service quality dimension "Assurance" except Age, Type of accounts and minimum amount of investment of the respondents as the revealed ‘F’ statistics are statistically significant. It is also seen that there is a significant association found between demographic variables like Age, Monthly income, Occupation and Minimum amount of investment with "Empathy" since the revealed ‘F’ value is statistically significant at 1 percent and 5 percent level of significance. Next to this, demographic variables like status of Age, Type of account, Minimum amount of investment and Frequency of visit to India’s Post office savings banking sector are having significant association with the service quality dimension "Competence" as the revealed ‘F’ statistics is statistically significant at 1 percent and 5 percent level of significance.

While considering the association between the gender of the respondents and their level of perception on service quality dimensions of SERVQUAL, it is noted that there is a significant association found between gender of the respondents and their level of perception on all the service quality dimensions except "Assurance". It is also found that there is a significantly association found between the Marital status and all the service quality dimensions as the revealed ‘t’ statistics are statistically significant at 1 percent level of significance. Regarding the type of family of the respondents, the significantly associated factors are Responsiveness, Assurance, Empathy and Competence.

Regarding the level of association between the demographic variables and the level of Satisfaction of the respondents, the significantly
associating demographic profiles are Age, Occupation, Monthly income, Type of account and Minimum investment, Gender and Marital status. Among them, the highly associated profiles are Age, Minimum amount of investment and Type of accounts as the mean score is very high in regard to customer satisfaction.

Regarding the level of association between the demographic variables and the Customer loyalty, the significantly associating demographic profiles are Gender, Age, Marital status, Monthly Income, Type of account, Minimum investment and Frequency of visit of the respondents. Among them, the highly associated profiles are Frequency of visit, Age, Minimum amount of investment and Type of accounts as the mean score is very high in regard to customer Loyalty.

5.1.6 Inter Correlations of Service Quality Dimension of SERVQUAL- Expectation and Perception Level of Respondents

The results of inter correlations among the service quality dimension of SERVQUAL on the expectation side revealed that all the service quality factors are positively correlated as the revealed ‘r’ value is statistically significant at 1 percent level of significance. Among them, the factor „Responsiveness” is found to have highest correlation (r= 0.770) with assurance followed by Empathy (r= 0.745). All the service quality factors were found to have moderate to high correlations with each other. The lowest correlation is found between „Assurance” and „Competence (r =0.537). The results of inter correlations among the service quality dimension of SERVQUAL on the perception side of the respondents also revealed that all the service quality factors are positively correlated as the revealed „r” value is statistically significant at 1 percent level of significance. Among them, the factor „Responsiveness” is found to have highest correlation (r= 0.811) with assurance followed by Reliability (r= 0.756). All the service quality factors
were found to have moderate to high correlations with each other. The lowest correlation is found between ‘Assurance’ and ‘Competence’, (r = 0.518). The overall result of level of Expectation and Perception indicated that the respondents’ observation on difference dimensions of service quality is significantly related to each other.

5.1.7 Correlation Analysis Among Service Quality, Customer Satisfaction and Loyalty

While examining the relationship between the service quality dimensions of SERVQUAL based on perception level of customers and customers satisfaction and loyalty, the result showed that all the service quality factors are correlated with customer satisfaction and loyalty positively as the revealed ‘r’ value is statistically significant at 1 percent level of significance. Among the service quality factor, Responsiveness is found to have highest correlation (0.657) with satisfaction followed by Reliability. In case of customer loyalty, it is seen that Reliability is found to have highest correlation (0.589) followed by Responsiveness. All the service quality factors were found to have moderate to high correlations with satisfaction and loyalty. Among the service quality factors, the lowest correlation with satisfaction and loyalty is found only with Tangibility (0.514) and (0.451) respectively. The correlation results indicate that the respondents who are measured on difference dimensions of service quality show that, opinion expressed on dimensions are significantly related to each other.

5.1.8 Multiple Regression Analysis- Service Quality with Customer Satisfaction

Regarding the antecedent of customer satisfaction, the F-ratio was 95.237 which indicates that the results of the regression model is statistically significant as the ‘p’ value is less than the significant value (P = 0.01). In
addition, Beta coefficients were also calculated in order to know the importance of the variables considered in this study. It is also noted that the coefficient of the determinant ($R^2$) was 0.546. This indicated that the changes and a unit increase in the independent variable noticed in this study explain the changes in the dependent variable (Customer Satisfaction) to increases 54.6% of the variation in the overall satisfaction of the customers. Among the six service quality factors, Reliability, Responsiveness and Competence are highlighted as significant predictors and have positive effect on customer satisfaction as the ‘p’ value of Reliability and Competence is statistically significant at 1 percent level the ‘p’ value for Responsiveness is statistically significant at 5 percent level. Tangibility is the only factor which is found to have negative effect on satisfaction score, however, it was found to be not having any significant effect on satisfaction score.

5.1.9 Multiple Regression Analysis – Service Quality with Customer Loyalty

From the result of multiple regression analysis to assess the impact of service quality on customer loyalty, it is noticed that a good correlation exists between the overall customer loyalty (dependent variable) and service quality factors (independent variable).

Regarding the antecedent of customer loyalty, the F-ratio was 62.908 which indicates that the results of the regression model is statistically significant as the ‘p’ value is less than the significant value ($P=0.01$). In addition, Beta coefficients were also calculated in order to know the importance of the variables considered in this study. It is also noted that the coefficient of the determinant ($R^2$) was 0.443. This indicated that the changes and a unit increase in the independent variable noticed in this study explain the changes in the dependent variable (Customer Loyalty) to the extent of 44.3% of the variation in the overall customer loyalty. Among the six service
quality factors, Reliability, Assurance and Competence are highlighted as significant predictors and have positive effect on customer satisfaction as the ‘p’ value is statistically significant (P<0.01). Tangibles is the only factor which is found to have negative effect on satisfaction score, however, it was found to be not having any significant effect on customer loyalty.

5.1.10 Multiple Regression Analysis – Overall Service Quality with Demographic Variables

From the regression table, it is seen that among demographic variables, Gender, Marital Status, Type of family, Number of dependents in the family, Number of earning members in the family are having positive influence on the overall service quality and also scored higher on overall service quality. Demographic variables namely Age, Educational Qualification, Monthly income, Minimum investment and frequency of visit to India’s Post office savings banking sector are found to have negative effect on overall service quality but not having any significant effect on overall service quality.

The t-test statistic calculated for the regression coefficients show that among the variables included in the model, Age and Number of earning member in the family are found to significantly influence the overall service quality of the respondents as the revealed ‘t’ values are statistically significant at 1 percent level.

5.2 DISCUSSION

Service environments, in general exist to execute definite purposes or desires of the customers. In any organization, customers will remain loyal when they receive greater values like quality, satisfaction and other benefits. The root cause for all this dimensions is delivering of excellent service quality
through specific service goals by the firm. Service quality factors acknowledged by earlier research works in Indian banking sector are Tangibility, Reliability, Responsiveness, Assurance and Empathy (Parasuraman et al 1988). But this study is designed with an intention to evaluate the competitive nature of organization in today’s marketing scenario. Consequently an important dimension “Competence” which was already discussed in SERVQUAL scale and subsequently applied in recent studies (Premraj and Sankaralingam 2012) is taken into account along with the existing five service quality factors of SERVQUAL.

From the research work of Landrum et al (2009) it is clearly pointed out that service quality dimensions like reliability and responsiveness are consistently rank highly in the polar means of two respondent groups while the more emotive dimensions of tangibility, assurance and empathy vary in importance depending on the user’s state of mind and the circumstances. Similarly, the findings of the present study also exposed that SERVQUAL dimensions like Reliability and Responsiveness have scored high mean value by the respondents and reflected the level of similarity with the earlier study.

It is also revealed from this study that there is a significant difference found between the customer expectation and perception on service quality in India’s post office savings banking sector with higher level expectation than perception in service quality and the gap was existing among all the dimensions of SERVQUAL which showed the similitude with the result of earlier research work by Enayati et al (2013) who were pointed out that there is a significant difference found between student’s expectations and perceptions in all the five dimensions of service quality with expectations had a higher level than that of perceptions. The study also revealed that the
student’s perception of the received service quality is not the same and having highest service quality for tangibility and lowest for empathy.

Aydin and Yildirim (2012) discussed in their work that there is no significant association found between the demographic profiles and the customer level of expectation and perception on service quality. In contrary, the findings of the present study clearly showed that there is a significant association found between the demographic profiles considered and the customer level of expectation and perception on service quality dimensions in the sector considered.

Gopalakrishnan et al (2011) revealed that service quality and customer satisfaction had a direct positive effect on customer’s retention intentions in which customer satisfaction as a stronger predictor of customer retention intentions compared to service quality. On contrary to these findings, this study exposed that there is a relationship between Customer Satisfaction and Customer Loyalty in which customer satisfaction was found to have a significant direct effect on Customer Loyalty. However, it is found that the effect of Service Quality on Customer Loyalty is very less and not significant. The direct and indirect effect of Service Quality and Customer Satisfaction indicated that there is less direct effect of service quality on customer loyalty where as when it was mediated through, Customer Satisfaction, the Service Quality is found to have more positive effect on Customer Loyalty.

5.3 MANAGERIAL IMPLICATIONS

- The success of any organization is reliant upon the success they are able to recognize in the market. Customers are the core centre for any organization and thus of principal importance to the marketers. The behavior and attitude of the personnel providing the service is an important influence on the customer’s overall perception of the service
and hence paying personal attention to individual customers and developing relationship with them through a special care of delivery performance by analyzing their needs and expectation will definitely meet the long term objectives of the organization.

➢ Moreover, this relationship will also defend the supplier from any action resulted through competition. Organization should approach the customers through any of the four type of customization like Cosmetic, Transparent, Collaborative and Adaptive to fulfill the desires of them. Marketers should keep in mind that the three drivers such as Customer value, satisfaction and customer retention are the only base for developing a value proposition and relationship with the customers for their successful positioning and future endurance in the market.

➢ From the findings of this study, it is seen that among the service quality factors considered, large service quality gap is found with the factor „Competence” and the least service quality service quality gap is found with „Reliability”. It is also noted that there is a significant difference found between the customer expectation and perception on service quality in India’s post office savings banking sector service quality in terms of all the factors of SERVQUAL except Reliability. Being a Government organization, customers are having high level reliability with the India’s post office savings banking sector but the outcome of „Competence” result shows that organization still have to improve their technical aspects because customers often rely on services at door step and not to wait for getting any services. As the perceived service can directly influence the emotional responses and in turn behavior of the customer, understanding the level of customer expectations is more significant which construct a base for their satisfaction and act as a formative aspect for demand and consistent growth and future endurance in the market.
While considering the "Competence" level of the organization, among the five variables considered, it is seen that the perception and expectation level of customers were very low with "Have ATM Facilities, internet banking and instant mobile alerts" which reflects that the organization have to concentrate in those activities for their survival in the market as the present trend is considerably in the hand of Technology improvement and digital technologies allow much greater customization of products and services and every consumers are spend more time in online services and have more technological knowledge and facilities. Hence it is imperative for every service organization to understand why and how consumers make their purchase decisions and they should act accordingly.

Through this study, it is seen that the factor like Reliability, Responsiveness and competence are highlighted as a significant predictors for customers satisfaction and Reliability, Assurance and Competence are highlighted as a significant predictors for customer loyalty, and satisfaction acts as a mediator between the service quality and loyalty, organization should concentrate on all the factors so as to satisfied the customers for their continual retention. As the present tendency is changing from market to customer-oriented service, improvisation of service quality alone will meet the expectation and leads to customer satisfaction. Hence Policy makers, all the level of management in the organization should keep a watch on this point and create innovative ideas by identifying precise customer needs through periodical surveys and one to one marketing so that better quality in service can be delivered and "Zero deflection of customers" can be achieved along with more profit since procuring a new customer is more costlier than retaining an existing one.

From the confirmatory factor analysis through structural equation modeling, it was seen that there is a positive direct relationship between Customer satisfaction and Customer loyalty in which customer
Satisfaction is having a significant direct effect on Customer Loyalty but the effect of Service Quality on Customer Loyalty was very less and not significant. While analyzing the direct and indirect effect of Service Quality, it is seen that there is a less direct effect with customer loyalty and when it is mediated through customer satisfaction, it is found that the Service Quality was found to have more positive effect on Customer Loyalty which found similar in result of the work (Hallowell 1996). Overall, a model relating Service Quality with Customer Satisfaction and Customer Loyalty was postulated and validated with adequate model fit and the parameters were estimated.

5.4 CONCLUSION

Services are predominantly intangible in nature and it is not possible to have a exact specifications for them. Hence analysing of quality in services is very critical. The current research work put forth an effect to analyse the impact of service quality on customer satisfaction and loyalty in India’s Post office savings banking sector empirically through SERVQUAL factors. Various demographic variables were considered so as to find the significant association, influence and relationship with the service quality factors of SERVQUAL and revealed that all the variables taken up for consideration is performing a significant role in service quality, customer satisfaction and loyalty.

In today’s scenario, all the sectors are changing drastically from market centric to customer centric. Hence every organization should have an awareness about the past consumer purchase behaviour and level of service quality activities expected by the customers. This should be applied for future marketing and sales because improvement in satisfaction resulted from the quality of services experienced alone will show the way to loyalty which is preordained for the optimistic endurance of the organization (Khan 2012).