

Customer Perception and Expectations on the Service Quality; With Reference To State Banks in Sri Lanka

Kodithuwakku, Kann¹, Dangalla, Rps², Dissanayakakik³, Samarathungand⁴,
Kumarahdkc⁵, Madhawa, Dma⁶

^{1,2,3,4,5}Students- M.Sc. In Service Management, Institute Of Human Resource Advancement, University Of
Colombo, Sri Lanka

⁶Bank Of Ceylon, Sri Lanka

Abstract: *In Modern Society, Customer Expectations Are In A Higher Level. Every Businesses Seriously Concern On This Facts And Maximum Effort Taken To Delight Customers Due To Keep Market Share. Among The Financial Institution Also, This Competition Could Be Visible. Therefore This Research Has Carried Out To Identify The Customer Expectation Level And Perception Level In The Provided Service And To Identify How Sex, Education Level, Age And Occupation Of The Customers Affect The Expectation Level And Perception Level. According To The ANOVA Results, Probabilities Of Responsiveness And Assurance Are Significant And The Results Say That Age Of Customers Have Influenced On Responsiveness And Assurance. Other Factors, Tangible, Reliability And Empathy Are Insignificant And Customers Age Do Not Influence On Them. Multiple Comparison Says That, Responsiveness Is Having A Marginal Difference With Regard To The Age Groups 18-25 And Above 55. Further It Was Found Out That Education And Job Status Do Not Have Any Effect On The Expected Level Of The Service Quality.*

Key Words: *Service Quality, Customer Perception, Customer Expectation*

I. Introduction

At Present Most Of The Financial Institutions Take An Effort To Go Beyond The Customer Expectations By Giving A Service Which Extremely Satisfy Them And Surprise Them (Gamage 2010). In The Past There Were Only Very Few Financial Institutions, Therefore There Was No Much Competition Among Them. Same Way Those Financial Institutions Did Not Pay Much Attention On The Customer Expectations. But In The Present, The Customers Are Much Aware And Also There Are Many Financial Institutions Established. Due To This Reason It Has Been A Difficult Task For These Financial Institutions And Banks To Retain The Interest Of The Customers Towards Them. Therefore, They Take A Great Effort By Using Different Strategies In Order To Meet The Expectations Of Customers And To Satisfy Them. Beery Et Al. (1990) Have Said That Quality Of Service Includes 5 Main Points. They Are Reliability, Tangibility, Responsiveness, Empathy And Assurance.

Berry And Parasuraman, (1992), Have Said That Inability To Receive A Service Like This Can Create A Service Gap. According To Their Opinion The Gap Which Occurs In A Quality Service Is The Gap Between Perceived Quality Of Service And Quality Of The Given Service.

The Service Quality Of The State Banks Is Not Studied In An Adequate Level. Therefore, It Is Needed To Study More About The Customer Perceptions And Objectives, In Order To Elevate The Service Quality In This Financial Field.

II. Literature Review

When Providing Lot Of Services Many Banks Challenge Other Banks, As Most Of The Service Distributions Have Intangible Qualities (Chanaka, Et Al., 2015). Further He Stated That, It Is A Very Difficult Task For Supplier And The Customer To Decide On The Quality Of Some Production. In This Condition Many Difficulties Occur In Many Service Organizations, Especially In Banks When Offering Equal Products And Goods (Silva 2009).

Many Customers Think That Service Providers Who Provide Service Within The Expectations Of Customers, Have To Provide A Service Which Goes Beyond The Level Of Expectation Of Customers (Parasuraman, Et Al. 1988). Customers Satisfaction Level Depends On How Much The Customer Expectations Match With Product Performance (Kotler & Armstrong 2012) According To Demographic And Social Factors Customer Expectations, Perspectives And Loyalty Differs (Malika, Et Al, 2018) Managers And Employees Of State Institutions And Customers Provide Information About Objectives And Perspectives Of Service Quality. It

Is Found From The Researches That The Perspectives Of Managers And Employees Are Equal And It Is Lower Than The Perspectives Of Customers (Mary Gowan, Et Al., 2001).

The One Who Judges The Service Quality Is Customer. The Customer Compares The Service In Which Receives In Terms Of Perspective And Expectation Level (Berry, 1990) The Customer Satisfaction And Customer Loyalty To Some Extent Affect Customer Perception And The Satisfaction On The Price And The Customer Loyalty Fully Affect The Perception(Malika, 2018). According To A Study Carried Out In Relevance To Lloyd Bank Of London, It Has Been Found That There Is A Correlation Between Customer Satisfaction And Function Of The Business (Neupane, 2014) There Is A Positive Correlation Between The Customer Satisfaction And Customer Faith And There Is A Negative Correlation Between Customer Satisfaction And Withdrawing The Interest From The Company(Moshan Et. Al 2011).

In The Competitive Market Both State And Private Banks Use Different Strategies To Increase The Quality Of Their Services (Anjalika, &Priyanth 2018). If The Service Process Is Effective, It Is Not Important For Customer To Have A Quality Experience And Benefits. (Lovelock, Et Al., 2016). When Considering Sri Lankan Situation In Service Quality, It Is Been Observed That Characteristics Of Services And Price Which Satisfy The Customer, Have A Big Contribution In Deciding Service Quality(Wijethunga&Gunathilaka 2013). Banks' Ability To Provide A Sustainable Service In The Market Depends On The Service Quality (Ragavan&Mageh 2013). Customers Of State Banks Expect A Higher Level Of Service Quality In Relation To Customer Satisfaction From Private Banks (Anjalika, &Priyanath 2018)

In Order To Measure The Service Quality Parasuramen Has Introduced Some Examples. Serqual Has Mentioned Five Service Quality Indicators (Parasuramen, 1988).

1. Reliability
The Ability To Provide The Promised Service In A Faithful And Correct Way.
2. Responsiveness
The Ability To Help Customers And To Provide A Quick Service.
3. Tangible
The Presence Of Physical Evidence, Tools And The Appearance Of Employees
4. Assurance
Employees Vision And The Ability Of The Employees To Show The Faithfulness
5. Empathy
Paying The Individual Attention To Customers And Caring Them, Understanding The Problems Of Customers As Their Own Problems.

Understanding The Research Problem

The Managers And Employees Of The Banks And Customers Belong To Different Social Divisions. When Considering About Situation In Sri Lanka Customers From Different Social Groups, Different Education Levels And Different Economic Backgrounds Get Connected With Banks. Providing A Service Satisfying The Expectations Of All These Kind Of Customers Is A Challenging Task. State Banks And Private Banks Use Different Strategies To Satisfy These Customer Needs. Decorating The Premises, Reducing Interest Rates And Giving Gifts Are Some Of The Ways That These Financial Institutions Use In Order To Attract Customers Towards Them.

Those These Kind Of Strategies Are Used, At Present It Can Be Observed That Customers Of State Banks Getting Attracted Towards Public Banks. Also Customers Are Making Complaints To Different Sections; For Example, To Finance Ombudsman, To Ministries And Also To Central Bank. Due To This Reason State Banks Have Difficulties In Achieving Their Set Targets. Therefore, It Is Necessary To Identify The Gap Between Customers Expected Level And Perceived Level Of Service And To Provide Necessary Actions To That.

Though Many Researches Are Conducted In Order To Understand The Difference Between Expected Level And Perceived Level Of Customer Satisfaction In State Banks, This Research Is Conducted To Identify It Further.

Objectives Of The Research

1. To Identify The Customer Expectation Level And Perception Level In The Provided Service
2. To Identify How Sex, Education Level, Age And Occupation Of The Customers Affect The Expectation Level And Perception Level

III. Research Methodology

Primary Data Is Used For This Research. As It Is Expected To Find Out About The Customer Expectation And Perception Of Service Quality Of State Banks, Samples Were Taken From Account Holders Of State Banks In Gampaha As It Is A Very Populated And Very Commercial Area In Western Province. As All

State Banks, Commercial Banks And Other Financial Institutions Are Centered Aroundgampaha Area, It Was Expected That Selecting That Area As The Research Sample Is More Accurate.

Structured Questionnaire Was Used To Collect Data On Service Quality. This Questionnaire Was Quoted From Documents Published On Service Quality. Though This Questionnaire Was Enough To Find Out About Our Research Problem, This Questionnaire Was Developed Into Two Sections Since We Are Analyzing Both Ways How Service Quality Perception Occurs And Expected Level Of Service Occurs. Similarly, Data On Customers Age, Sex, Level Of Education And Occupational Level Were Collected.

In Order To Measure Service Quality, Indicators On Service Quality Such As Tangibility, Assurance, Empathy, Reliability And Responsiveness Were Studied. From This Service Quality, The Perception Level And Service Quality Can Be Clearly Measured(Parasuraman Et Al 1988).

SPSS Software Was Used To Do The Above Study. By Using Above Method Independent Sample Tests Were Done. From The Findings Of Significant Level And Standard Deviation, The Relationship Between Our Data And Characteristics Of State Bank System Was Measured. Before Considering About This Relationship Let Us See How The Above Mentioned SPSS Findings Can Be Explained.

1. T Test (T Value)

When Individually Considering About Factors Which Affect Service Quality Of State Banks, Whether Those Individual Factors Affect The Service Quality Or Not, Is Being Measured By T Test.

2. Overall Significance

In Overall Significance We Consider Whether Our Separated Research Sample Of Customer Age, Sex, Education Level And Occupation Has An Effect On Service Quality Of State Banks When Considering As A One Common Indicator.

3. Standard Deviation

To Find Out The Deviation Level Of Service Quality Of Commercial Banks In The Service Quality Expected By The Customers In Future And The Information Collected By Us.

IV. Data Analysis

Difference Between The Actual And Expected Service Qualities

Researcher Applied The Independent Sample T-Test To Address This Objective. Result Is Given By Table 1.

Table: 1Service Quality Difference

Service Quality	Mean of Difference	t -Value	Significant level
Tangible	-0.125	-1.072	0.289
Reliability	-0.216	-1.843	0.071
Responsiveness	-0.296	-2.379	0.021
Assurance	-0.213	-1.862	0.069
Empathy	-0.26	-2.531	0.015

According To The Table 1, Probability Of Reliability Is 0.071. This Is Marginally Significant At 10% And The Result Says That Reliability Is Having A Marginal Difference Between Actual And Expected Figures. Similarly, Assurance As Well There Is A Marginal Difference As The P Value Is 0.069. Responsiveness And Empathy Are Significant At 5% As The Probabilities Are Respectively 0.021 And 0.015. Accordingly, They Are Having Differences Between Expected And Actual Values. Tangible Is Not Difference As The P Value Is 0.289. It Indicates That There Is Not Any Difference Between The Actual And Expected Outcomes. These Differences Have Been Analyzed In Table 2.

Table: 2 Descriptive Statistics For Service Quality

Service Quality	Actual		Expectation	
	Mean	Standard Deviation	Mean	Standard Deviation
Tangible	3.105	0.587	3.23	0.829
Reliability	3.088	0.546	3.30	0.098
Responsiveness	3.104	0.566	3.40	0.106
Assurance	3.460	0.616	3.67	0.11
Empathy	3.212	0.613	3.47	0.735

When The Descriptive Statistics Are Analyzed, Expected Figures Are More Than The Actual Figures With Regard To Reliability, Responsiveness, Assurance, And Empathy. Tangible Does Not Have A Significant Difference As The T-Test Is Insignificant. These Results Indicate That Except The Tangibility, All The Other Factors Should Be Developed To Improve The Service Quality.

Effect Of Demographic And Social Factors On Expected Service Quality.

In This Objective, Researchers Have Analyzed The Effect Of Gender, Age, Education And Job Status On Service Quality. Gender Effect On Service Quality Is Given By The Table 3.

Table: 3 Gender Effect On Expected Service Quality

Service Quality	Levene's Test		T-Test	
	F	Sig	T - Value	Significant Level
Exp. Tangible	0.534	0.469	1.188	0.241
Exp. Reliability	0.523	0.473	1.845	0.071
Exp. Responsiveness	0.625	0.433	2.192	0.033
Exp. Assurance	0.086	0.770	1.801	0.078
Exp. Empathy	0.010	0.920	1.875	0.067

According To The Levene's Test For Equality Of Variance, There Is Not Any Difference In The Variance Of Service Quality Factors. Probabilities Of T-Test Are Significant Marginally In Relation To Reliability, Assurance And Empathy. Responsiveness Is Significant At 5% As The P Value Is 0.033. These Results Say That Gender Is Having An Impact On Service Quality With Regard To Expected Reliability, Responsiveness, Assurance And Empathy. These Effects Have Been Analyzed In Table 4.

Table: 4 Gender Wise Descriptive Statistics For Expected Service Quality

Service Quality	Gender	Mean	Std. Deviation
Exp. Tangible	Male	3.3804	.73419
	Female	3.1019	.89673
Exp. Reliability	Male	3.4957	.57799
	Female	3.1407	.75205
Exp. Responsiveness	Male	3.6435	.60590
	Female	3.1926	.81237
Exp. Assurance	Male	3.8841	.78244
	Female	3.4938	.74748
Exp. Empathy	Male	3.6783	.69214
	Female	3.2963	.73875

As The Result Of Tangibility Is Insignificant, There Is Not Any Difference Of That Factor Between Male And Female. Other Factors Are Having Significant And Marginal Significant Differences Between Male And Female. Higher Mean Value Is Represented By Male Customers And It Indicates That Male Customers Are Expecting More Service Quality Than The Female Customers. Age Effect Of The Customers On Service Quality Has Been Analyzed By Applying One Way ANOVA And The Result Is Provided By Table 5.

Table:5 Effect Of Age On Service Quality

Service Quality	F	Significant Level
Exp. Tangible	1.060	0.375
Exp. Reliability	1.551	0.214
Exp. Responsiveness	5.136	0.004
Exp. Assurance	3.594	0.020
Exp. Empathy	1.649	0.191

According To The ANOVA Results, Probabilities Of Responsiveness And Assurance Are 0.004 And 0.02 Respectively. They Are Significant And The Results Say That Age Of Customers Have Influenced On Responsiveness And Assurance. Other Factors, Tangible, Reliability And Empathy Are Insignificant Customers Age Do Not Influence On Them. Applying A Multiple Comparison, These Differences Have Been Analyzed And The Results Are Given By Table 6.

Table: 6 Multiple Comparisons For Age Effect On Service Quality

Dependent Variable	(I) Age	(J) Age	Mean Difference (I-J)	Std. Error	Significant Level
Exp. Responsiveness	18-25	26-40	-.21404	.27207	.860
		41-55	.20606	.30220	.903
	26-40	Above55	.76970	.30220	.066
		18-25	.21404	.27207	.860

		41-55	.42010	.25473	.362
		Above55	.98373*	.25473	.002
	41-55	18-25	-.20606	.30220	.903
		26-40	-.42010	.25473	.362
		Above55	.56364	.28669	.216
Exp. Assurance	18-25	26-40	-.20663	.29357	.895
		41-55	-.01684	.32608	1.000
		Above55	.68013	.32608	.173
	26-40	18-25	.20663	.29357	.895
		41-55	.18979	.27486	.900
		Above55	.88676*	.27486	.012
	41-55	18-25	.01684	.32608	1.000
		26-40	-.18979	.27486	.900
		Above55	.69697	.30935	.124

In The Table 6, Responsiveness Is Having A Marginal Difference With Regard To The Age Groups 18-25 And Above 55. The P Value Is 0.066. Probability Between The Age Groups 26-40 And Above 55 Is 0.002. This Is Highly Significant At 1%. In Relation To Assurance There Is A Difference Between The Age Groups 26-40 And Above 55. These Results Indicate That Expected Responsiveness And Assurance Are Having Differences With Regard To The Age. Descriptive Statistics Are Provided To Determine These Differences In Table 7.

Table: 7 Age Wise Descriptive Statistics For Service Quality

Service Quality	Age	Mean	Std. Deviation
Exp. Responsiveness	18-25	3.5333	.70000
	26-40	3.7474	.63541
	41-55	3.3273	.71146
	Above55	2.7636	.67420
Exp. Assurance	18-25	3.7407	.70273
	26-40	3.9474	.74753
	41-55	3.7576	.73168
	Above55	3.0606	.69631

Descriptive Statistics Show That Highest Mean Values Of Expected Responsiveness And Assurance Are Represented By The Age Group 26-40. Age Group Above 55 Is Having The Minimum Mean Value For Both Responsiveness And Assurance. These Results Say That More Expected Figures Are Represented By The Age Group 26-40. Effect Of Education On Service Quality Is Given By Table 8.

Table: 8 Education Effect On Service Quality

Service Quality	F	Significant Level
Exp. Tangible	0.260	0.772
Exp. Reliability	1.108	0.339
Exp. Responsiveness	0.839	0.438
Exp. Assurance	0.095	0.910
Exp. Empathy	0.449	0.641

One-Way ANOVA Results Are Provided By The Table 8 To Determine The Effect Of Education On Service Quality. All The Probabilities Of F Test Statistics Are More Than 5% And The Results Are Insignificant. Accordingly, Education Does Not Have Any Effect On The Expected Level Of The Service Quality. Effect Of Job Status On Service Quality Is Given By Table 9.

Table: 9 Job Status Effect On Service Quality

Service Quality	F	Significant Level
Exp. Tangible	0.157	0.925
Exp. Reliability	0.287	0.835
Exp. Responsiveness	0.770	0.517
Exp. Assurance	0.602	0.617
Exp. Empathy	1.177	0.329

All The Probabilities Of F Test Statistics Given By The Table 9 Are More Than 5% And The Results Are Insignificant. Therefore, Job Status Does Not Have Any Effect On The Expected Level Of The Service Quality. Accordingly, There Is Not Any Difference In The Service Quality Factors Between The Different Job Status Of Customers.

V. Conclusion And Discussion

5.1 Conclusion

Reliability And Assurance Are Marginally Significant At 10% And The Result Says That They Are Having A Marginal Difference Between Actual And Expected Figures. Responsiveness And Empathy Are Significant At 5% And They Are Having Significant Differences Between Expected And Actual Values. Tangible Is Not Difference As The P Value Is 0.289. It Indicates That There Is Not Any Difference Between The Actual And Expected Outcomes. Descriptive Statistics Show That, Expected Figures Are More Than The Actual Figures With Regard To Reliability, Responsiveness, Assurance, And Empathy. Tangible Does Not Have A Significant Difference As The T-Test Is Insignificant. These Results Indicate That Except The Tangibility, All The Other Factors Should Be Developed To Improve The Service Quality.

According To The Levene's Test For Equality Of Variance, There Is Not Any Difference In The Variance Of Service Quality Factors. Probabilities Of T-Test Are Significant Marginally In Relation To Reliability, Assurance And Empathy. Responsiveness Is Significant At 5% As The P Value Is 0.033. These Results Say That Gender Is Having An Impact On Service Quality With Regard To Expected Reliability, Responsiveness, Assurance And Empathy. As The Result Of Tangibility Is Insignificant, There Is Not Any Difference Of That Factor Between Male And Female. Other Factors Are Having Significant And Marginal Significant Differences Between Male And Female. Higher Mean Value Is Represented By Male Customers And It Indicates That Male Customers Are Expecting More Service Quality Than The Female Customers.

According To The ANOVA Results, Probabilities Of Responsiveness And Assurance Are Significant And The Results Say That Age Of Customers Have Influenced On Responsiveness And Assurance. Other Factors, Tangible, Reliability And Empathy Are Insignificant And Customers Age Do Not Influence On Them. Multiple Comparison Says That, Responsiveness Is Having A Marginal Difference With Regard To The Age Groups 18-25 And Above 55. Probability Between The Age Groups 26-40 And Above 55 Is Highly Significant At 1%. In Relation To Assurance There Is A Difference Between The Age Groups 26-40 And Above 55. These Results Indicate That Expected Responsiveness And Assurance Are Having Differences With Regard To The Age. Descriptive Statistics Show That Highest Mean Values Of Expected Responsiveness And Assurance Are Represented By The Age Group 26-40. Age Group Above 55 Is Having The Minimum Mean Value For Both Responsiveness And Assurance. These Results Say That More Expected Figures Are Represented By The Age Group 26-40. All The Probabilities Of F Test Statistics In Relation To Education And Job Status Are More Than 5% And The Results Are Insignificant. Accordingly, Education And Job Status Do Not Have Any Effect On The Expected Level Of The Service Quality.

5.2 Discussion

According To Morawakage (2017) There Is Not Any Effect From Assurance On Service Quality Of The Public Banks. Conducting A Study Through Cypriot Banking Industry, Mehtup And Katicibglu (2005) Say That Assurance Is Not Having An Effect On Customers' Satisfaction. Responsiveness Has A Significant Effect On Customers' Satisfaction (Hennayake & Sivesan, 2012). Morawakage (2013) Found That Responsiveness Is Not Influencing On Customers' Satisfaction. As There Are Constraints Imposed By Central Bank, Empathy Has A Difference Between The Expectation And The Level Of Perception (Hennayaka, 2017; Morawakage, 2017). Khenyetal Say That Malaysian Bank Pay Personal Attention As The Empathy Is Influencing Customers' Satisfaction. Aksoyetal(2015) Said That Providing High Quality Service, Relationship Can Be Maintained Between Banks And Customers.

References

- [1]. Aksoy L. Keiningham, T. L. Buaye, A. Larriviere B Williams, Land Wilsonj 2015 'Does Loyalty Spars Domains Examining The Relationship Between Consumer Loyalty, Other Loyalties And Happiness Journal Of Business Research.
- [2]. Anjalika, W. P.W, H. M. S. Priyanath 2018, 'Effect Of Service Quality On Customer Satisfaction An Empirical Study Of Customers Who Have Bank Accounts In Both Public And Private Banks In Sri Lanka.' International Journal Of Marketing And Technology.
- [3]. Berry, LL Zeithuml, UA &Parasuraman A 1990, 'Five Imperatives For Improving Service Quality.'
- [4]. Chanukaushantha, AW, Wijerathna, PAP, &Samantha Kumara, 2015. 'Customer's Perception On Service Quality Toward Satisfaction, An Application Of SERVPERF In State Sector Bankers In Sri Lanka.'
- [5]. Hennayake, Y 2017, Impact Of Service Quality On Customer Satisfaction Of Public Sector Commercial Bank. A Study Of Rural Economic Context International Journal Of Scientific And Research Publications.
- [6]. Kbenj, LL, Mahamed O, Ramayah, T &Mosahab R 2010 'The Impact Of Banks In Penanymalayasia. International Journal Of Marketing Studies Vol. 2, No. 5
- [7]. Kotler, P &Armstrang, 2012, 'Principles Of Marketing 14th Edition, New Jersey, Person Practice Hall.
- [8]. Lovelock, C, Wirtz, J &Chatterige, J2016, 'Services Marketing People Technology Strategy.'
- [9]. Malik SA, Akhtar F, Razig, MM &Ahamed 2018, 'Measuring Service Quality Perceptions Of Customers In Hotel Industry Of Pakistan'.
- [10]. Mary Gowan, Johan S. Eymour, Santiago Jbarrech, &Charles Lacky 2001, 'Service Quality In A Public Agency - Same Expectations But Different Perceptions By Employees, Managers And Customers, Journal Quality Management.

- [11]. Metitap, S And Katirciogla, S. T 2005, Customer Service Quality In The Creek Cypri Of Baking Industry, Journal Of Service Theory And Aractile Vol. 41, No. 5
- [12]. Morawakage, P.S And Kulathunga, K. M. K. N. S. 2013, 'The Empirical Study On Customer Satisfaction Towards Service Quality Of Commercial Banks In Sri Lanka With A Comparison Between State Banks And Private Banks. Presented At The International Conference On Business And Information Organized By University Of Kelaniya, Colombo Sri Lanka.
- [13]. Moshan, F Nawaz, M. M. Khan, M. S. Shaukat Z. And Aslam, 2011 'Impact Of Customer Satisfaction On Customer Loyalty And Instenting To Switch, Evidence From Banking Sector In Pakistan' International Journal Of Business And Social Science.
- [14]. Neupane R, 2014 'Relation Ship Between Customer Satisfactions And Business Performance In Liyods Bank UK.A Case Study International Journal Of Marketing, Financial Services And Management Research.
- [15]. Berry &Parasuraman, 1992, 'Prescriptions For A Service Quality Revolution In America,' Organizational Dynamics, Spring, Pp. 5-15.
- [16]. Rogavan, A &Mageh R 2013, 'A Study On Service Quality Perspectives And Customer Satisfaction In New Privnte Sector Bank', Journal Of Business And Management.
- [17]. Silva VD, 2009 'Bouncing Back Opportunities Unleashed The 21st Anniversary Convention Of Association Of Professional Bankers.' 147 - 158.
- [18]. Wijethunga, D &Goonathilaka R 2003, 'Customer Satisfaction In Sri Lankan Retail Banking Importance Of Service Quality,' Sri Lanka Journal Of Management.