DIMENSIONS OF FINANCIAL SERVICES QUALITY: AN OVERVIEW OF THE
CONSUMERS’ BEHAVIOUR TO BE CONSIDERED IN THE BANKING SECTOR OF
BANGLADESH

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Abstract

With the aim to know what and how the dimensions of a financial service quality influence the consumers’ attitudes and purchasing intentions, this paper primarily discusses the financial service quality factors in regards to the relationship between consumers buying behaviour and the quality of services offered. Since new and newer competitive markets are growing in the county and worldwide, it is becoming very important to understand first the present stance of financial service quality features and its adoptions so that consumers and service providers can come up with good relationship in between their fulfilment of objectives to be realizable from both sides - consumers demand and satisfaction and banks’ offerings. Instead of offering consumers the bundle of banking products, we need to analyze first how they perceive the quality of services or whether the newly adopted services are actually appropriate from the perspective of Bangladesh especially in regards of the nature, condition, status and level of the customers. Essentially, a financial service is defined in the FSA broadly as any service of a financial nature offered by a financial service supplier. Acknowledging the priority and limitation of scope, this paper only covers banking sector with especial emphasis on incorporating pertinent technology in its services. However, this writing may help us receive an overall idea, insights of a leading financial sector like banking to make inference for other areas of financial sector. In this writing, we have discussed about the service quality model, i.e. SERQAL, BSQ to understand the over all service quality factors in banking.

Keywords: service quality, consumer satisfaction, customer loyalty, relationship
1. INTRODUCTION

Financial service sector faces tremendous competition among similar organisations because of deregulation and the emergence of new forms of technology. Another fact is that, Bangladesh autonomously liberalized its financial sector as part of the country’s economic reform programs. There is no minimum domestic equity requirement and they are allowed to open branches with the permission of the Bangladesh Bank (BB). They have full access to credit from the BB, local financial markets, deposit insurance, and clearing facilities. They are free to take deposits from and grant loans to domestic companies and residents. Therefore, the time has come to change the shape and patterns of financial services. But it has also become necessary to know how much of our initiative in financial service is perceived positively from the view point of customers. According to International Finance Corporation - IFC (2009), the financial sector in Bangladesh consists of a central bank (Bangladesh Bank), 4 state-owned banks, 5 Government-owned specialized banks, 30 Domestic Private Commercial Banks, 9 Foreign Commercial Banks, and 29 Non-Bank Financial Institutions. 6562 branches of 49 banks operate in the country (Bangladesh Bank, 2006). Presently Bangladeshi financial service providers are enhancing their services by new techno based form like internet banking. Many of the banks are doing their transaction with internet banking system as well as their clients are getting flexibility for their transaction (Rahman & Miazee, 2010). The more traditional analysis of marketing considers a marketer keenly managing marketing mix to match the requirements of passive customers in an atomistic market (McKechnie, 1992).

Henceforth, whether Bangladesh, as a developing country, are actually harmonizing its steps with the minimally required or demanded trend of service quality needs to be understood since in this global condition of business, it is first to win our local customers’ strength by offering them easier, faster and dynamic services capable of meeting their diverse demands. Apart from that, the improvement of local financial sectors indicates the strength of country’s financial infrastructure. It is observed that in Bangladesh, the customers’ switching from one banking to another is very common and the rate is increasing and which affects the banks in gaining their sustainability. Those who do regular banking, especially the corporate members and business entrepreneurs are mostly dependent on foreign banking institutions whereas people engaged with irregular banking are usually choosing locally owned banks or do not make any difference between the two. However, all banks do not focus on all services due to their investment policy, area of expertise and the cost-effective matter or the like. But it is necessary to know how much of these services together of all types of banks are compliant with and suited to the demands of consumers or if the services of all types of banks together covers the range of financial services in area of technology being used.

In the traditional concept of operating structure of the financial services industry, consumers had little choice in terms of selecting financial instruments and delivery channels. The rigidity of this structure, says in brief that consumers had to accept the form and price of both financial instruments and delivery channels. Switching to other financial providers is very small in amount. Long-term benefits forced the consumers to acquire financial cost and distraction in buying behaviour. Consumers are now more willing to change their buying behaviour at the time of choosing financial products. As Beckett, Hewer and Howcroft (2000) say, deregulation and the emergence of new forms of technology have created highly competitive market conditions.
which have had a critical impact upon consumer behaviour. In spite of concerted efforts for consumer behaviour towards financial services, they are not yet getting easy success due to a number of factors, which include free trade, expanding globalisation, irregularities in internet updating and the lack of service differentiation (Chernatony & Cottam, 2006). Consumer is an essential element of a market both in product and service providers.

Bangladeshi financial service providers are paying less attention to their customer’s value. The overall ability of the financial service providers in Bangladesh to satisfy customer’s wants and needs is high by considering the time, effort and money they spent (Siddiqui, 2011). As a consequence, bank providers are less positive that their customers will continue to bank with them or that they will be able to rely upon the traditional banker-customer relationship to cross-sell high value, so-called supplementary products.

2. OBJECTIVES

In this essay, we aim to focus on the financial service quality factors especially in the banking sector of Bangladesh through a critical analysis and identifying quality features from global context. In this connection, through gaining insights from the related literatures, to understand the local consumers’ attitudes, expectation and buying intentions towards the financial services in Bangladesh is the main motive of writing this article. More clearly to say, we intend to rethink the consumers’ intention in their preferences of financial services offered by the financial organizations operating in Bangladesh and then explicate how it differs from different consumers with regards to service quality factors. Moreover, technological application in these financial services has been used as a greater criterion to understand the attitudes and preferences of the financial customers.

3. METHODOLOGY

can guide us to study how much of the service quality are maintained by the different types of banks in regards of such things as incorporating technology as demanding and according to present

The paper is mainly based on the examination of secondary sources. To amplify the idea of interest, we have mostly depended on using secondary information combining the facts from books, magazines, related articles and journals and some from internet resources. In some cases, we have also used some practical experiences of for making this paper more resourceful and realistic. As for the interest of the study, we have put our efforts to analyze and understand the consumer attitudes and the factors influencing their buying behaviour towards financial services in Bangladesh. For receiving insights on service quality concept and its key determinants of financial service industries in developed countries, we attempt to review relevant literatures on this phenomenon. With the major focus especially on the service aspects of banking sector in Bangladesh, we have tried to provide collected information, significant results and insights into by understanding and discussing the factors that are influencing or can influence the customers’ attitude of this biggest sector like banking.

4. DISCUSSION

Following the topic of interest, in the discussion phase, we describe the theoretical concepts of service quality dimensions with an understanding of customers’ general satisfactory standards, their expectation and positive attitudes towards financial services especially in the banking sector. The findings is, however in future,
4.1. Service quality

In order to understand the relationship between the service quality and the customers’ expectation to the services of financial sector we feel the urgency to be sound in the following conceptual areas:

4.2. Service Quality Concept

The service sector has added in financial substance over the past decade. Gronroos (2000, p.46) defined service as, “A service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems”. Fogli (2006, p.4) define service quality as “a global judgement or attitude relating to a particular service; the customer’s overall impression of the relative inferiority or superiority of the organization and its services. Service quality is a cognitive judgement”. Mudie and Pirrie (2006) identified the following features of services:

- Intangibility
- Inseparability
- Variability
- Perishability

Figure 1: Service quality features by Mudie and Pirrie (2006)

4.2.1. Intangibility

It is the main feature of service. Service cannot assure the quality because it cannot be counted, measured, tested, verified and inventoried in advance of sale. Most of the organizations find it difficult to understand how customers consider their services and evaluate the quality of their services.

4.2.2. Inseparability (or simultaneous production and consumption)

There is a marked distinction between physical goods and services in terms of the sequence of production and consumption.

Physical goods

Production → Storage → sold → Consumed

Services

Sold → Produced and consumed at the same time

Figure 2: flow of production and consumption of product and services
It is illustrated from the above picture that goods are at first produced, then stored and finally sold and consumed; whereas the services are sold at first, then produced and consumed simultaneously. It leads us to this idea that, services can just be sold and there is no intermediary stage to store between production and sell of a service. The production concept in regards of service comes just after a service is provided or sold to a consumer since service, as intangible product, can not make difference between its sell out and production. Interestingly, a service is consumed while it is produced because production of service means the consuming of it all at once.

4.2.3. Variability (or heterogeneity)

An unavoidable consequence of simultaneous production and consumption is variability in performance of a service. The quality of the service may vary depending on who provides it, as well as when and how it is provided.

4.2.4. Perishability

Services cannot be stored for later sales or use. As services are performances they cannot be stored. If demand far exceeds supply it cannot be met, as in manufacturing, by taking goods from a warehouse. Equally if capacity far exceeds demand, the revenue and/or value of that service is lost.

In the competitive business world, service quality is considered a competitive factor of the Organizations. Moreover, it is also considered an essential determinant that allows an organization to differentiate from other Organization. It helps an Organization to gain sustainable competitive advantage. Quality has been a frequently repeated issue for academicians and practitioners. Various service organizations (e.g. hotels, banking and non-banking financial Institutions, insurance, travel, health care, educations, and local government agents) strive to increase service quality, satisfy customers, and thereby improve profits.

4.3. Service quality determinant

Since financial service markets are mainly customer based market, they definitely need to achieve service quality if they want to create a sustainable position amongst this largest competitive market. Ghobadian, Speller and Jones(1994) identified financial service quality determinants which are given as follow:
Moreover, examples from various service and especially financial service industries are provided for clarity.

4.3.1. Reliability

This is the ability to provide the assurance of service on time, perfectly and consistently. For example, in the case of Bank cheque, this means next-day cheque clearance and delivery of payment in good condition; and in the case of insurance issues, prompt settlement of the claim.

4.3.2. Responsiveness

Responsiveness is the ability to deal effectively with complaints and promptness of the service. For example, in the case of a package tour operator, it could be dealing quickly and effectively with a patron’s accommodation problems; or in the case of a car lease from a financial service company, providing a similar or higher-grade substitute car in shortest possible time.

4.3.3. Customization

Customization is the willingness and ability to adjust the service to meet the needs of the customer. This would mean, for example, in the case of a gourmet restaurant, willingness to provide an item that is not on the menu; or in the case of a financial service provider, making some extra facilities Priority based service to meet the customer’s specific requirements.

4.3.4. Credibility

This is the extent to which the service is believed and trusted. The service provider’s name and reputation, and the personal traits of front line staff all contribute to credibility. For example, in the case of an insurance company, this could mean a positive reputation for settlements of
claims or in the case of a bank service, the services should be trustworthy as the investment should be specific and on time.

4.3.5. Competence

Staff should possess the necessary skill, knowledge and information to perform the service effectively. For example, an insurance broker should provide the best possible advice to the potential customer. To achieve this, he or she needs to know the product portfolio well and have the skill to match the product with the customer’s needs.

4.3.6. Access

Access is the way to ease of approachability and contact. For example, this could involve convenient opening hours, getting through on the telephone and convenient location.

4.3.7. Courtesy

Courtesy is the politeness, respect, consideration and friendliness shown to the customers by the contact personnel.

4.3.8. Security

Security is the freedom from danger, risk and doubt. It involves physical safety, financial security and confidentiality.

4.3.9. Communication

Keeping customers informed about the service in a language that they can understand and listening to the customers. For example, in the case of an airline giving regular updates, or in the case of a financial service provider, the services could include detailed and accurate information whenever a delay in service occurs.

4.3.10. Tangibles

These include: the state of facilitating goods; physical condition of the buildings and the environment; appearance of personnel; and condition of equipment. Tangibles are more important in high contact services, such as traditional universities, than low contact services such as the Open University. And in the case of a financial service provider the tangibles should be included for good environment of business.

4.3.11. Understanding/knowing the customer

This involves trying to understand the customer’s needs and specific requirements; providing individualized attention; and recognizing the regular customer - an important determinant of quality in high-contact customized services. This one is an important determinant for financial services cause this service is truly and mostly depends on the customer, so as far they know and understand them as they got the success any more.

5. SERVICE QUALITY IN BANKING SERVICE

Service quality is considered an important condition for the progress of retail banking sector as well. In Bangladesh, retail banking has been a great focus of especially the private commercial banks. Banks are spreading their new branches and ATM networks for providing retail service with the integration of E-banking and electronic banking. Let us begin with the SERVQUAL approach, a concept meant for service quality. For the betterment of banking sector, we need to maintain an actual and specific service quality. Bahia and Nantel (2000) argued that the SERVQUAL approach has not except from critics; therefore, they developed a new measurement for perceived service quality in Retail Banking. They proposed a scale that was called Bank Service Quality (BSQ). This scale includes 31 items classified across six dimensions - effectiveness and assurance, access, price, tangibles, range of
services offered and accuracy and reliability. They proved that the dimensions of BSQ are more reliable than the dimensions of SERVQUAL. Bank service quality varies by the main six dimensions. These dimensions are fit for all retail banking of the world. So that it might be said for the retail banking of Bangladesh too. Bank service quality is more appropriate scale for retail banking sector than SERVQUAL. Giavelli et al. (2006) supported this and stated that BSQ is more reliable than SERVQUAL. Stafford (1996) conducted research to identify the core elements of BSQ and identified seven attributes in assessing BSQ. They are as follows:

### 5.1. Bank atmosphere

Bank atmosphere is the environment of the bank or financial service industry including the attitude of the staffs. The atmosphere is very essential term for maintaining service quality. For example, if a customer comes for a service he/she should be treated as a very special person and the bank atmosphere should be very energetic and attractive for him/her.

### 5.2. Relationship

It indicates the personal relationship with the bank employees. Employee relationship towards customer is very important for service quality upholding. It needs to be so enthusiastic and cheerful for the customers. For example, the staffs should be very cheerful and confident towards the clients and they should be very friendly for the service providing.

### 5.3. Rates and charges

Rates and charges are very significant at every bank or financial service industry. These rates and charges should needs to get customer perception very indifferent. Because of an individual’s perception of BSQ is affected by the low cost and high interest rates.

### 5.4. Available and convenient services

It indicates the full range of available services, convenient and easily accessible. The services need to get the availability and convenient to the customers. For example, some services like travel cheques should be delivered to the airport of immigration areas.

### 5.5. ATMs

It indicates the availability of the automatic teller machines. This service is going to be very popular in Bangladesh. The availability of ATM is very important to get the service quality. For example, at present some banks make contract to Dutch-Bangla bank limited (the highest booth operator bank in Bangladesh) to use their booth for debit money. It makes availability of ATM which leads service quality.

### 5.6. Reliability/honesty

It emphasises on the solid bank ratings and reliable, honest staff. Regular maintaining the bank rating in a significant and good position will lead the bank in a good frame to the customers who preserve the honesty and reliability in their minds.

### 5.7. Tellers

It refers enough and accessible tellers. For the service quality tellers should be in large numbers and very accessible to the customers. Angur et al (1999) examined the applicability of alternative service quality measure in the Retail Banking industry in India. They conducted their research on the consumers of two major banks in India. They use SERVQUAL model to determine the overall service quality. They obtained that all the dimensions of the model are not equally essential in explaining variance in overall service quality. The result indicated that ‘responsiveness’ and ‘reliability’ seem to be the most important dimensions followed by the empathy and tangible
dimensions; whereas, assurance appears to be the least important dimension. Finally, they concluded that SERVQUAL is the best measure of service quality in banking industry. The applicability of the SERVQUAL measure is well established in the retail banking industry. As mentioned earlier, Angur et al. (1999) stated that SERVQUAL is the best measure of service quality in the retail banking industry in the developing country. Being considered as a developing country, Bangladesh can apply SERVQUAL model as a good measuring tool for service quality of retail banking. Many researchers use either the SERVQUAL measure or the modified SERVQUAL measure in the retail banking industry. From the above discussion it can be inferred that SERVQUAL is really suitable as an effective tool to assess the service quality perceptions especially for retail banking sector.

6. APPLICATIONS OF THE SERVQUAL

The applicability of the SERVQUAL measure is well established in the retail banking industry. Angur et al. (1999) stated that SERVQUAL instruments are the best measure of service quality perceptions in the retail banking industry in developing country. The current study also uses the SERVQUAL instruments to measure the service quality perceptions in the retail banking sector in Bangladesh. This study uses the SERVQUAL model to determine the relative importance of each of the service quality features which influence customer overall quality perceptions. Siddiqi (2011) did the hypotheses test which confirms that all the service quality attributes are positively correlated with customer satisfaction. Empathy shows the highest positive correlation with customer satisfaction and Assurance reveals the second highest positive correlation with customer satisfaction. Tangibility demonstrates the least positive correlation with customer satisfaction. A large positive relationship between customer satisfaction and customer loyalty was demonstrated in the hypotheses test. From the above discussion and the findings of Siddiqi (2011) we can relatively find some dimensions for service quality measurement that is given as follows:

![SERVQUAL model](image)

Figure 4: SERVQUAL model
6.1. Empathy

Service customers often have expectations with regard to the extent to which the service provider appears to understand and be concerned about their individual needs and wants. The more the service provider can see things from the customer’s point of view, the better. The core concept of empathy is to understand the needs of customers and provide individual attention. Employee and customer interactions are reflected through the empathy dimensions. Empathy shows the commitment of the organization to the customer which is only possible by the employees. Siddiqi (2011) shows that the bank customers in Bangladesh want a high degree of interaction with the bank staff and they also expect personalized service from the bank staff. The bank customers are also looking for front line staffs that are capable of understanding their specific needs. The current study confirms that empathy has a large positive correlation with customer satisfaction. Ladhari (2009) also found that empathy is the strongest predictor of customer satisfaction.

6.2. Assurance

Assurance is the degree of trust and confidence that the customer feels that the service provider is competent to supply the service. Mostly, this stems from the degree of confidence that the customer has in the service provider’s staff. The customer will not be satisfied if he/she does not feel assured about the competence of the service provider. Assurance shows a positive correlation with customer satisfaction in the current study. The findings of Siddique’s explanation refers that the bank can instill feelings of confidence in its customers and the banks handle their customers in a professional and competent way. Kumar et al. (2010), and Lai (2004) also supported and pointed out that assurance is one of the important factors for customer satisfaction.

6.3. Responsiveness

Responsiveness refers to the willingness and ability of the service provider to meet and adapt to customers’ needs. This study agrees with that and shows that responsiveness and customer satisfaction is positively correlated. The bank customers in Bangladesh prefer a friendly bank, which is willing to help in their banking operations. Willingness to help customers is likely to have an important and positive effect on customer satisfaction in the retail banking sector in Bangladesh. For example, in Bangladesh some female customer prefers to talk to a female employee which shows that they want a responsive attitude from the employees. Mengi (2009) supported with that also found that responsiveness is positively related to customer satisfaction in his research.

6.4. Reliability

Reliability is the extent to which the service is delivered to the standards expected and promised. In essence, it represents the customer getting what they feel they have paid for. According to this study, there is a positive relationship between reliability and customer satisfaction in the retail banking sector in Bangladesh. Siddique (2011) shows that customers are satisfied and happy with the service providers as their undertaken and handling (speed) of solving the problem. Customers are confident that banks will fulfil the promised terms and conditions which will not go against their (customers) interests. The customers always prefer their services as much reliability as they can assure from their banks. The reliability is one of the essential factors of customer satisfaction as the service characteristics are intangible and perishable, Yoo and Park (2007).
6.5. Tangibility

The paper confirms that tangibility and customer satisfaction are positively correlated with each other. Siddiqui (2011) positively explained his study that the bank customers often look to any tangible indications which may be used as indicators of the service quality. The customers can assess the premises of the banks; or perhaps the appearance of the bank's staff. The customer satisfied with their services with the concern of their assumption and perception towards their banks. Lai (2004) also confidently explained that tangibility is positively related to customer satisfaction.

6.6. Customer Satisfaction and Customer Loyalty

Bowen and Chen (2001) directed that a small increase of customer satisfaction leads customer loyalty dramatically. The current study finds that customer satisfaction has a large positive correlation with customer loyalty in the retail banking sector in Bangladesh. Kandampully and Suhartanto (2000) agree with this concept and supported this relationship. The strong positive correlation of customer satisfaction and customer loyalty means that the bank customers will recommend the bank to other people. As a consequence, the banks can be assured of a loyal customer base, thereby reducing the cost. For some cases they advocate and argue for the betterment of their bank as they seem the bank is an own organisation of them. Cohen et al. (2007) found that a loyal customer takes less of the company's time during transactions and are less sensitive to price changes. Reichheld (2006) stated that companies with the highest customer loyalty typically grew revenues at more than twice the rate of their competitors. Therefore the current research model will contribute in the retail banking sector in Bangladesh by using a loyal customer base. Sarwar (2012), Chief Executive Officer, Trust Bank Limited, Bangladesh told in a daily news paper inter view, “The bank's customers can now deposit or withdraw money from any of its branches nationwide without opening multiple accounts in multiple branches”. It seems that if customer gets the service in hand they will not move to other banks. Discussed and analysed above are the dimensions of service quality aspects in the light of some worthy literatures of consumers on their purchasing and monitoring of financial services.

7. CONCLUSION

Discussed and examined above are the dimensions of service quality aspects in the light of some worthy literatures of consumers on their purchasing and monitoring of financial services. The article demonstrated that consumers' buying behaviour is greatly influenced by the type of financial product being purchased, and this is in keeping with the research of Beckett and et all (2000). This has been augmenting our knowledge of how consumers purchase different financial products. In this paper we have got some points for customer loyalty and service quality management. We have specified the relationship between service quality and customer satisfaction. On the basis of discussion of this article, we can suggest that the emphasis on trust and having a relationship, especially in particular contracting contexts, is also highly pertinent to the strategies of financial service providers. Increased competition and developments in new delivery channels are commoditising financial products and changing consumer behaviour by increasing consumers' propensities to switch banks and make rational decisions in the purchase of certain types of financial product. The most important issue in consumer buying behaviour is the ability to retain customers and increase customer profitability. In this regard, the paper will have made a contribution to our existing knowledge and understanding of the important behavioural factors involved in purchasing different categories maximise customer retention and profitability. From this article, the researchers themselves, the
readers, the stakeholders of this related sector or any other interested individual or group, can develop their ideas and insights for conducting their further studies that could be made on some significant broader and narrower areas such as identifying the factors influencing buying attitudes of customers towards financial services of any particular country; study on service quality of either insurance sector or banking sector or more specifically on the retail banking, internet banking, electronic banking, corporate banking, consumer banking either as a whole or separately. Moreover, this writing can also contribute in the next steps of a researcher to study on identifying necessary factors required for successful financial service market in context the context of a country; understanding the overall satisfactory level of financial service users; knowing the customers’ demand and choice that they want more from financial service providers; overall satisfactory level of financial service users in the context of a country of interest; clarifying whether the service charge of financial service providers are compatible to its perceived service quality; determining the interrelationships between service quality, customer satisfaction and customer loyalty in the financial service sector and to identify the benefits of this relationships.

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