

## **Customer's perception regarding dimensions of service quality in microfinance institutions in Rajasthan**

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**Abstract:** *In today's world, service quality has been considered as an important tool to gain success and to sustain in the business world. Microfinance Institutions have been facing various challenges in retaining their customers because of aggressive competition as well as their weakness to satisfy clients or customers. The microfinance clientele is becoming more sophisticated concerning the quality of service they require or expect from these institutions. The paper presents an empirical investigation to measure different dimensions of perception of customers regarding service quality with the help of descriptive analysis. Data were collected through field survey among 150 customers and the data were analyzed using descriptive analysis.*

**Keywords:** Service Quality, Microfinance Institutions, Descriptive Analysis

### **Introduction**

Microfinance has emerged as a popular and a credible instrument of livelihood, promotion and empowerment in Rajasthan state. It is the largest state in India and thus, automatically defines the need and scope for a strong Microfinance movement. At the core of Microfinance, is the idea of addressing the problem of poverty and deprivation by enabling the poor to access financial capital. The dependence of the rural poor people of Rajasthan on various informal sources of credit, widespread unemployment, illiteracy and non-availability of technical support has resulted in high level of demand for credit from these Microfinance Institutions.

Microfinance Intervention in India started with a few local NGO initiatives in the mid 1980s and has now spread significantly with the involvement of both formal and semi-formal sector. While, the formal sector consists of commercial banks and cooperatives delivering microfinance mainly through the SHG-Bank linkage programme; the semi-formal sector consists of Non-Government Organizations and Microfinance Institutions.

The microfinance industry is now affected by strong competition because of the changing customer demands, increased expectations for superior quality of products or services and the global competition etc. has created a competitive environment among different service sectors. Quality has become an important tool for the customers while selecting a service or product and at the same time organizations are making efforts for providing quality products or services as per customer's needs and wants. It has been considered as a strategic advantage for the organizations to gain success and to sustain in the business world.

Quality has become a key determinant in service sector to gain maximum return on investment and also significantly contributed in reduction of cost. Various studies have shown

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that the service organizations are now well aware about the facts that they need to take preventive quality measures to gain customer satisfaction and retention.

Service quality (Newmn, 2001) has been defined as the degree and direction between customer service expectations and perceptions. Perceived service quality is defined as how well a service satisfies the expectations of customers. Service quality has an impact on profitability and costs, as service quality influences customer satisfaction; it impacts customer retention, reduces costs and increases profitability.

Service quality is a combination of two words, service and quality. It is considered as the most critical determinant of competitiveness for establishing and sustaining satisfying relationship with customers. Parasuraman (1988) defines service quality as "the differences between customer expectations and perceptions of service". The term quality focuses on standard of specification that a service generating organization promises, scientific interventions and innovations makes the ways for generating of quality. It is defined as the ability of service provider to satisfy customer needs.

Various models have been developed for measuring perceptions of service quality. But the most popularly used model is the 'SERVQUAL' model developed by Parasuraman 'et al, (1988), which proposed a five dimensional construct of perceived service quality. These are reliability, responsiveness, assurance, empathy and tangibility.

In this proposed model of service quality measurement, Tangibility includes all physical facilities, equipments, personnel and communication materials primarily visible in an organization. Reliability indicates whether the service is provided accurately as promised to its customers. Responsiveness indicates whether the organization is willing to help its customers readily. Assurance signals knowledge and courtesy of employees in bringing trust and confidence. Empathy reflects the organization's care, individualized attention and providing the required service by understanding its customers' needs.

### **Literature Review**

It is worth studying previous literature to find out and fill the research gaps. The following are some of the studies conducted by the eminent authors in the area of service quality of Microfinance Institutions. (Nasir, S.2013) outlined the prevailing conditions of microfinance sector in India in the light of its emergence till now that aims to provide a cost effective mechanism for providing financial services to the poor. The research finding discovered the prevailing gap in functioning of MFIs such as practices in credit delivery, lack of product diversification, customer overlapping and with practicable suggestions to overcome the issues and challenges associated with microfinance sector in India. (Tiwari, A., 2012) conducted a comparative study between India and Bangladesh in terms of loan lend by institutes to customers, clientele, financial sustainability of MFIs in order to understand how MFIs in India are performing as against the MFIs in Bangladesh which is considered to be the originator of microfinance. The findings discovered that the Indian MFIs are more profitable and operating more efficiently than those in Bangladesh. Sarmah, G. N. and Das, D. K. (2012 attempted to analyze the rule of microfinance and Self-Help Groups (SHG) for the socio economic-development of the poor people in Lakhimpur District of Assam. For collecting the primary data, 250 respondents) were randomly selected covering the entire Lakhimpur District. The study concluded that after joining the SHGs, the poor rural people were able to increase their income and improved their standard of living by performing economic activities independently. Mula, G. *et al.* (2012) attempted to examine the growth and promotion of SHGs and performance of

financial institutions in microfinance at Cooch Bihar District, West Bengal. The study revealed that the District took the second position in credit linkage in spite of being slower physical growth of SHGs (seventh position) in the state. The study also revealed a skewed growth of SHGs in different stages of promotion among the different blocks. Samuel, J. *et al.* (2011) examined the impact of microfinance on the rural women. The study concluded that majority of the SHG members were middle aged, married and belonging to nuclear families from backward castes. The finding also showed that the major constraints faced by members were conflicts among group members, improper savings or procedures involved and lack of training or skill up gradation as moderate problems. Tom, R. T. and Selvam, V (2010) in their study identified that there is a need and expectation of the policy holders in connection with microfinance, its products, services, and the behavior of public to it and sustainable rural women development through micro insurance in Vellore Division, Tamil Nadu, India. The data was collected from primary as well as from secondary services. Primary data was collected from respondents using questionnaire and interview method. The study further aimed to find out how micro insurance is fostering rural growth. The finding showed that must be proper development of products that respond to the need of the clients and in a way that is commercially viable, they should have proper delivery channels. There is a need for market education.

### **Research Methodology**

The current study is based on primary data. For primary data, structured questionnaire was developed using various dimensions of SERVQUAL model. The universe of the study were the customers who have availed the services from various Microfinance Institutions like commercial banks, regional rural banks, cooperative banks, NBFC's ,NGO's and local money lenders in the selected cities of Rajasthan like Jaipur, Alwar, Ajmer, Kota and Bikaner on the basis of convenience. The sample size is 150.

### **Data Collection Method**

Questionnaire method was used to collect the data from respondents of the selected cities in the state of Rajasthan.

### **Research Design**

Exploratory and Descriptive Research Design

### **Sampling Technique**

Simple random probability sampling technique has been used for identifying the respondents of the study. Simple random sampling type of probability sampling has been used for the survey.

### **Objective of Study**

#### **The objectives of the present study are**

- To study the level of perception of customers on various dimensions of service quality.
- To compare the preference of patient's perception on various service quality dimensions as per SERVQUAL model.

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### **Hypothesis**

- H0: There is no significant difference in the perception of customers regarding selected dimensions of SERVQUAL model in Microfinance Institutions.
- H1: There is significant difference in the perception of customers regarding selected dimensions of SERVQUAL model in Microfinance Institutions.

### **Data Analysis and Interpretation**

For the present study, five dimensions of service quality have been taken i.e., tangibility, reliability, empathy, responsiveness and assurance. For every dimension under study, statements were designed and descriptive analysis has been done accordingly.

Table 1 shows that the customers are more satisfied with the tangibility dimension as it has the highest mean score (4.36134). Responsiveness is playing the second leading role with the mean score (3.83086) followed by Reliability with mean score (3.47732), Assurance with mean score (3.472) and Empathy with mean score (3.40934).

### **Findings and Suggestions**

On the basis of the present study, the major findings are:

- **Tangibility Dimension:** The overall mean score of perception in tangibility dimension of MFIs is 4.36134. The customers were highly satisfied with the variables Clean and comfortable waiting area (T4) (4.4067) and Material provided is visual and simple to understand (T5) (4.3867). Hence, it scores the highest rank among all the dimensions under study.
- **Reliability Dimension:** The overall mean score of perception in reliability dimension of MFIs is 3.47732. The customers were highly satisfied with the variables- Provides services exactly at the time promised (R1) (4.0933) and Maintains accurate and error free records (R2) (4.0733). Hence, it scores the third rank in rank analysis among all the dimensions.
- **Responsiveness Dimension:** The overall mean score of perception in responsiveness dimension of MFIs is 3.83086. The customers were highly satisfied with the variables- Employees give attention to each customer (RS 2) (4.2267) and Employees are very polite and courteous (RS 5)(4.1133). Hence, it scores the second rank in rank analysis.
- **Assurance Dimension :** The overall mean score of perception in assurance dimension of MFIs is 3.472. The customers were highly satisfied with the variables- Basic information of every transaction is provided (A4)(4.1267) and Easy and understandable documentation (A3) (3.7867). Hence, it scores fourth rank in the rank analysis.
- **Empathy Dimension :** The overall mean score of perception in Empathy dimension of MFIs is 3.40934. The customers were highly satisfied with the variables- Employees listen to customer's problems (E4) (4.3467) and Caring attitude of employees (E1) (3.3933). Hence, it scores fifth rank in the rank analysis.

**Table 1: Descriptive Analysis**

Dimension	Factor	N	Std. Mean	Std. error	Std. Deviation	Dimension Mean	Dimension Std. Deviation	Rank
Tangibility	Helpful administration (T1)	150	4.2733	0.05426	0.6645	4.36134	0.549218	I
	Proper Sign Boards (T2)	150	4.3667	0.03948	0.48351			
	Modern and clean infrastructure (T3)	150	4.3733	0.04288	0.52516			
	Clean and comfortable waiting area(T4)	150	4.4067	0.04345	0.53214			
	Material provided is visual and simple to understand(T5)	150	4.3867	0.04415	0.54078			
Reliability	Provides services exactly at the time promised (R1)	150	4.0933	0.06974	0.8541	3.47732	0.886082	III
	Maintains accurate and error free records(R2)	150	4.0733	0.07022	0.85997			
	Provides services right at the first time(R3)	150	2.32	0.05856	0.71719			
	Waiting system is same for all customers(R4)	150	2.9333	0.10855	1.32941			
	Forms are easily understandable (R5)	150	3.9667	0.05468	0.66974			
Responsiveness	Satisfactory hours of operation (RS1)	150	3.2533	0.09748	1.19387	3.83086	0.857988	II
	Employees give attention to each customer (RS2)	150	4.2267	0.0435	0.53277			
	Employees are always ready to respond to customer's request (RS3)	150	3.7933	0.05699	0.698			
	Informs exactly when the services will be delivered (RS4)	150	3.7677	0.0864	1.05815			
	Employees are very polite and courteous(RS5)	150	4.1133	0.0659	0.80715			
Assurance	Fee charges information is provided (A1)	150	3.9933	0.05715	0.69992	3.472	0.921368	IV
	Pre and post services available (A2)	150	2.8133	0.10508	1.28693			
	Easy and understandable documentation(A3)	150	3.7867	0.05722	0.70078			
	Basic information of every transaction is provided(A4)	150	4.1267	0.06437	0.78831			
	Benefits under Government Schemes (A5)	150	2.64	0.09234	1.1309			
Empathy	Caring attitude of employees (E1)	150	3.3933	0.0978	1.19785	3.40934	0.905206	V
	Individual attention to customers (E2)	150	2.32	0.05856	0.71719			
	All customers are same for administration (E3)	150	3.78	0.06747	0.82633			
	Employees listen to customer's problems (E4)	150	4.3467	0.03899	0.4775			
	Specific needs of customers is taken care of (E5)	150	3.2067	0.10673	1.30716			

### **Suggestions**

Firstly, Microfinance Institutions must ensure that the customers are well informed regarding benefits under various government schemes announced from time to time. Secondly, MFIs must pay individual attention to the customers as they require more understanding about various technicalities because of their level of education. Thirdly, post disbursement services must also be available to the customers. Fourthly, MFIs should develop a system to make use of Mobile Vans which will help them to reach new account holders in remote and unreserved communities and in order to reduce set up and operational cost, MFIs can also develop a banking agent channel by contracting with the local super markets to manage their operations at the village level as their banking system.

### **Conclusion**

The results of the study shows that the customers of Microfinance Institutions are most satisfied with the Tangibility dimension i.e. clean and comfortable waiting area as it has maximum mean score (4.4067). The staff of MFI's willingness to give attention to each customer i.e. responsiveness with mean score (4.2267) is playing the second leading role in providing satisfaction to the customers of these Microfinance Institutions. The, Reliability Assurance and Empathy with mean score 3.47732, 3.4720 and 3.40934 holds third, fourth and fifth position respectively to make the customers feel satisfied. The above results indicate that there is a significant difference in the perception of customers regarding various dimensions of SERVQUAL model in Microfinance Institutions.

### **Limitation of the Study**

The present research is limited to the analysis of perception of customers on the dimensions of SERVQUAL model only. Literacy level of the respondents was very low which resulted in the problems faced in filling up the questionnaire. Since, humans have tendency to behave artificially when they know that they are being observed. So, the customers upon whom the research is carried may behave artificially when they are aware that they are being observed. The problem of imperfections of data involved in the statistical analysis is in a way inevitable in all such behavioral science research.

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