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Role of Customer's Expectation and Banker's Perception in Bank Selection Decision

Dr. R. Vasumathi[1]

Abstract: *This article reveals that the level of banker's perception of customer's expectation did not match with the level of customer's expectation and it ensures the necessity for reviving the perception about customer expectation by bankers .Further this article clearly declares that nowadays banks are driven by customers who demand service quality. The other factors like advertising, recommendation of others and service charges ranked next to service quality.*

Introduction

"Quality in a service or product is not what you put into it. It is what the client or customer gets out of it." - Peter Drucker.

Service industries have recognized the importance of customer service as a competitive weapon to differentiate themselves by ensuring customer satisfaction and providing superior service quality. The competitive environment and deregulated market have made it imperative for banks too to harness the best customer oriented practices and perceptions and to internalize them for providing added value to the customers through the employees. Managers should become more aware of their role in making the employees feel good about coming to work and give good customer service and provide the staff with adequate training ignoring the cost involved in it, so as to offer a consistently high standard of customer service, as good customer service costs less than bad customer service.

Customer expectations and perceptions are not based on a single factor and will be the result of a combination of several factors that customers determine as appropriate in the creation of satisfaction (Johnston & Lyth, 1991). Each subject's perceived expectations, performance evaluations, disconfirmation and satisfaction were subsequently measured by using multiple measures for each construct (Churchill, Jr., & Suprenant, 1982). There are many measurement and scaling issues to be addressed with respect to these constructs (Bolton & Drew, 1991).

Marketing of financial services differs from marketing in other industries in the involvement of marketing not only in the provision of services to customers but also procurement of raw material on which most of the services are based. In other words, bank marketing must perform two fundamentally different functions, *i.e.*, attracting deposits and attracting borrowers or users of funds. This double-sided nature of banking business adds a fascinating element of complexity to the truly fascinating business of financial services (Melever & Naylor, 1980).

[1] Assistant Professor, Department of Business Administration, Muthurangam Govt. arts College, Vellore.
Corresponding author: Dr. R. Vasumathi can be contacted at: vasumathiakil@gmail.com
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Review of Literature

Anderson, Cox and Fulcher (1976) conducted a research that involved a determinant attribute analysis of bank selection criteria. Specifically, the analysis assessed the principal decision factors used and their relative determinance in bank selection decisions. Until this study, most of the early literature postured that location was consistently cited as the most important criterion in bank selection. Utilizing determinant attribute analysis, the investigators established two clusters, one made up of convenience oriented bank customers and the other based upon service oriented bank customers. Recommendation by friends and reputation ranked one and two respectively with the convenience oriented bank customers, while location ranked seventh. However, in the service oriented bank customers, recommendation by friends and location ranked one and two respectively, while reputation was a close third. It should be noted that service, while implied was not specifically offered as a category. The researchers determined that a substantial level of trust in the bank and its abilities was necessary to make the consumer comfortable enough to establish a banking relationship.

The study of Parasuraman, Berry and Zeithaml (1991) empirically examined organizational barriers to delivering high-quality service performance as measured by customer perceptions and expectations. Using the extended service-quality model developed by Zeithaml, Berry, and Parasuraman (*Journal of Marketing*, 52, 35–48) as a conceptual framework, five specific propositions implied by the model and by earlier studies contributing to its development were tested. Such testing required a complex research design involving five service companies as well as samples of customers, contact employees, and managers from each company. The results had practical implications and suggested an agenda for future organizational research.

SERVQUAL Scale

The literature reviewing on SERVQUAL is a good start to deepen the author's knowledge of service quality because Parasuraman and his colleagues were among the first researchers to introduce the importance of quality in services. They are the creators of the SERVQUAL technique that has been widely used in various service environments. Among the general instruments, the most popular is SERVQUAL, a well known scale developed by Parasuraman *et al.* (1985; 1988), which has been used by a variety of banks in both original and adapted versions. Many researchers supported Parasuraman *et al.*'s (1985, 1988) technique that service quality measures through expectations and perceptions by addressing its gaps as a logical basis for formulating strategies and tactics to enhance customer satisfaction and a positive quality evaluation.

Parasuraman *et al.* (1985) initiated a research stream couple of decades ago that many consider the most comprehensive investigation into service quality. Parasuraman *et al.* (1985) proposed service quality to be a function of pre-purchase customer expectations, perceived process quality, and perceived output quality. The researchers found that consumers evaluate the process as well as the outcome of the service received. In other words, the waiting time, the smile, and the attitude of the employees are as important as the approval of the loan. Through focus group interviews and later empirical investigation (Parasuraman *et al.*, 1985; 1988), the scholars found that consumers employed ten determinants in their evaluation of the service quality process, to uncover key attributes that significantly influence customers' perceptions of overall service quality. Beginning with the most important determinant, the list includes: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding the customer and tangibles.

Ta and Har (2000) studied the bank selection decisions in Singapore using the analytical hierarchy process, in which they presented the findings of a survey of undergraduates on bank selection preferences. In the study, nine criteria for bank selection decision and five banks are identified, and the decision problem was structured into a three-level hierarchy using the Analytic Hierarchy Process. The findings indicated that undergraduates place high emphasis on the pricing and product dimensions of bank services. Interestingly, convenient location and quality service ranked second and third respectively.

Taylor and Baker (1994) assessed the relationship between service quality and customer satisfaction in the formation of consumers' purchase intentions across four unique service industries. The results of the research, coupled with the weight of the evidence in the emerging services literature, suggested that consumer satisfaction was best described as moderating the service quality/purchase intention relationship. From the findings they strongly advocated the position that customer satisfaction and service quality were separate and distinct.

Objectives of the Study

- To study the association between customer's expectation and banker's perception of customers expectation.
- To assess the banker's perception on the importance of service quality as compared to location, advertising, recommendation of others, and service charges in the selection of a bank.

Hypotheses

- **$H_0$1** There will not be a significantly positive relationship between customer's expectation and the banker's perception of customer's expectation.
- **$H_0$2** Bankers didn't view service quality as more important in the selection of a bank by a customer than other factors, such as location, advertising, recommendation of others, and service charge

Research Design and Sampling Method

A combination of stratified and convenient sampling technique was employed in selecting the respondents of the study.

Research Sample

A sample size of nine hundred and fifty (950) customers of the SBI branches in Cuddalore district was selected as respondents.Convenience sampling was used in the selection of respondents, taking into account the likelihood of poor acknowledgement and lack of cooperation at banking environments.

Results and Discussion

Testing of Hypothesis-1: On the Association between Customer's Expectation and Banker's Perception of Customer's Expectation.

It is evident from literature review that there is a scanty research finding on the association between customer's expectation and banker's perception of customer's expectation. This view point is yet to be specifically addressed; therefore, this article aims to confirm the association between customer's expectation and banker's perception of customer's expectation.

Accordingly, the hypothesis is framed and tested for statistical significance, and the findings thus obtained are presented in Table 1.

Table 1: Correlation Coefficients between Customer's Expectation and Banker's Perception of Customer's Expectation

	Mean	Std. Deviation	N	Pearson Correlation	Sig.
Customer's Expectation	5.321	1.286	686	**.210**	**.453**
Banker's Perception of Customer's Expectation	5.797	0.540	15		

Source: Primary Data

The above Table 1 reveals that though not significantly correlated, banker's perception of customer's expectation have a positive correlation with customer's expectation as the obtained coefficient of correlation is 0.210 (p = 0.453). This shows that the level of banker's perception of customer's expectation did not match up with the level of customer's expectation, and it ensures the necessity for reviving the perception about customer's expectation by the bankers.

Implications for Hypothesis-1: On the Association between Customer's Expectation and Banker's Perception of Customer's Expectation

The finding of the study implies that the there is a necessity for the bankers to think of delighting customers with various products and services, so to match up with the ever rising level of customer's expectation. Furthermore, it is noted that the banker's perception of customer's expectation is not having a statistically significant association with customer's expectation. Hence, the formulated first null hypothesis is accepted and the alternative research hypothesis is rejected at 0.05 level.

Testing of Hypothesis-2: Bankers Perception of Factor influencing the Bank Selection Process

Literatures show that the service quality along with location, service charges/fees, recommendation from friends and relatives, advertising, and numerous other factors were considered to be influencing the consumer in selecting a bank. The banking institutions are in need to perceive the expectations of those aspire to be the customers and also those of existing customers, so as to enhance the customer base of the banker, by providing the facilities and services at competitive cost, price and quality.

It was imperative for the bankers to fill Gap-1 of the service gap model of the service process, thus the bankers were asked to rank from 1 to 5, with 1 being most important and 5 being least important the impact of the following factors including advertising, location, service quality, recommendation of others and service charges.

The second hypothesis addresses the problem pertaining to the banker's perception on the importance of service quality in relation to four other factors deemed significant in the selection of a bank that was garnered from the existing literature review. Therefore the five factors needed to be tested against each other to determine their importance in the banker's perception of customer's selection process. The data thus collected was analysed and given in Table 2.

Table 2 exhibits the results of the data on the banker's perception of factors influencing the consumer in selecting a bank. Banker's perceived service quality as the second most important factor next to location for selecting a bank by the customers. The mean for location and service quality were 1.800 and 2.267 and the standard deviations were 0.941 and 1.163. Advertising was considered to be the third most important factor that influences in selecting a bank. Service charge's was the fourth most important factor influencing the customers in selecting the bank. Recommendation from friend was ranked fifth as a reason influencing the customers in selecting the bank.

Table 2: Bankers Perception of Factor influencing the Bank Selection Process

	Advertisement		Location		Service Quality		Recommendation of Friends & Relatives		Service Charges	
Order of Choice	**Frequency**	**%**	**Frequency**	**%**	**Frequency**	**%**	**Frequency**	**%**	**Frequency**	**%**
1	2	13.3	7	46.7	5	33.3			1	6.7
2	2	13.3	5	33.3	4	26.7			3	20.0
3	3	20.0	2	13.3	3	20.0	3	20.0	4	26.7
4	6	40.0	1	6.7	3	20.0	3	20.0	3	20.0
5	2	13.3					9	60.0	4	26.7
Total	15	100	15	100	15	100	15	100	15	100
Mean	3.267		1.800		2.267		4.400		3.400	
SD	1.280		0.941		1.163		0.828		1.298	
Rank	3		1		2		5		4	

Source: Primary Data

Implications for Hypothesis 2: Bankers Perception of Factor influencing the Bank Selection Process

The bankers are of the view that bank location plays a vital role in the bank selection process by customers. Then service quality and thereafter advertisement, charges, and recommendations influence the process of selecting a bank by customers. It denotes that convenient location of banks would enhance the customer's priority to choose the banks. Based on the findings, the second null hypothesis is accepted and the alternative research hypothesis is rejected at 0.05 level.

Banks once relied upon products to make their profit margin in a highly regulated industry, and the customers basically were on the sidelines, now banks are driven by customers who demand service quality.

Findings

1. The banker's perception of customers' expectations is not having a statistically significant association with customers' level of expectations.
2. The bankers viewed that customers selecting a bank depends largely on its location than service quality.

Conclusion

The bankers have to reconsider their perception of customers' expectation and think of delighting customers with various products and services, so to match up with the ever rising level of customers' expectations. To a great extent, the quality of service provided by banks would enhance the customers' priority to choose a bank than most other factors like convenient location, charges, and so forth as they are indistinguishable among various bankers

The relationship between customer expectations with banker's perceptions of what the customer desires is low. Given that, the analysed data documented in this area requires further evaluation to determine the constructs that forms the basis for such outcome based on future research directions. Moreover, the banker's perceived location as the foremost the process of bank selection.

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