

ABSTRACT

THE INFLUENCE OF CUSTOMER-PERCEIVED SERVICE QUALITY ON CUSTOMERS' BEHAVIOURAL INTENTIONS

The Indian banking industry is going through turbulent times. With the lowering of entry barriers and blurring product lines of banks and non-banks since the financial sector reforms, banks are functioning increasingly under competitive pressures emanating from within the banking system, from non-banking institutions, and from the domestic and international capital markets. In this era of mature and intense competitive pressures, it is imperative that banks maintain a loyal customer base. In order to achieve this and improve their market and profit positions, many retail banks are directing their strategies towards increasing customer satisfaction and loyalty through improved service quality.

In the present competitive Indian banking context, characterised by rapid change and increasingly sophisticated customers, it has become very important that banks in India determine the service quality factors, which are pertinent to the customers' selection process. With the advent of international banking, the trend towards larger bank holding companies, and innovations in the marketplace, the customers have greater and greater difficulty in selecting one institution from another. Therefore the current problem for the banking industry in India is to determine the dimensionality of customer-perceived

service quality. This is because if service quality dimensions can be identified, service managers should be able to improve the delivery of customer perceived quality during the service process and have greater control over the overall outcome. Moreover, investigating the influence of the dimensions of service quality on customers' behavioural intentions should provide a better understanding of the drivers of customer satisfaction and also help to specify, measure, control and improve customer perceived service quality. Hence, to gain and sustain competitive advantages in the fast changing retail banking industry in India, it is crucial for banks to understand in-depth what customers perceive to be the key dimensions of service quality and what impacts the identified dimensions have on customers' behavioural intentions.

The statistical analyses of survey responses in this study reveal interesting findings. The study suggests that customers distinguish four dimensions of service quality in the case of the retail banking industry in India. These four dimensions of customer-perceived service quality are: customer-orientedness, competence, tangibles and convenience. The first factor, customer-orientedness is primarily related to the attitude and skills of the employees providing the service. The second factor, competence, is primarily associated with the concept of providing reliable services to customers. The third factor, tangibles, is primarily associated with the visual appeal of the banks' physical facilities and communication materials to the customers. Finally, the fourth factor, convenience, encompasses items related to the convenience of the banks' branch locations and the spread of the banks' ATM networks. Identifying the underlying dimensions of the service quality construct in the Indian retail banking industry is the first step in the definition and

hence provision of quality service. The results of this study also offer strong support for the intuitive notion that improving service quality can increase favourable behavioural intentions, namely, WOM (Word-of-Mouth) communications and purchase intentions and decrease unfavourable intentions, namely, complaining behaviour. Furthermore, the results yielded an intricate pattern of service quality-behavioural intentions relationship at the level of the individual dimensions. The service quality factor customer-orientedness was found to be the most important for influencing WOM about the bank and customers' complaining behaviour, followed by competence, tangibles and convenience, whereas in the case of purchase intentions, competence emerged as the most important factor followed by customer-orientedness, tangibles, and convenience. The results thus provide evidence of the usefulness of service quality research, since WOM communications and purchase intentions have been suggested as important dimensions of the concept of service loyalty. Investigating the influence of the dimensions of service quality on customers' behavioural intentions should help to measure, control and improve customer perceived service quality. Hence, these issues should be a central concern for retail bank managers as well as service management academics and practitioners. Important managerial implications and recommendations are also presented.