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Sreeja ES
Guest Lecturer of Commerce
Sree Kerala Varma College,
Thrissur, Kerala, India

A study on service quality of co-operative banks with special reference to Thrissur District

Sreeja ES

Abstract

Commercial banks are playing important role in the Indian Financial System and also the well-being of rural people. These banks are providing loans to rural people for their economic stability. The relationship between service quality and customer satisfaction has a direct impact. The results of most research studies reveal that service quality and customer satisfaction are indeed independent but are closely related. The service sector has tremendous development due to their differentiate service. In order to retain customers the organization wants to provide facilities. For this purpose the organization treat their existing customers in a better way than finding new customers. Customers are always taking the service with a lot of expectation. These expectations can meet by the organization by providing quality services with personal consideration. The importance of service quality has been increased in these recent years some5times there may be difference between customer's expectation and actual perception. The cooperative banks also contribute to the development of nation. A number of products and service offered by cooperative banks. The important products offered by the cooperative bank include deposit and loans. The deposits are again classified in to S.B account, Current Account, Recurring deposits, fixed deposits and cash certificates. The loans include loan to salaried employees, housing loans, educational loans, loan of physically challenged persons. Service include clearing, safe deposit locker, ATM, Demand Draft /Pay Order. In this study the service quality of cooperative banks at Thrissur District by taking customers samples. The study is descriptive in nature. Both primary and secondary data are collected for measuring service quality. SERVQUAL tool is used for this purpose. Reliability, Responsiveness, Assurance, Empathy and Tangibility were five dimensions considered for the study

Keywords: Service quality, cooperative banks, service quality and customer loyalty of cooperative banks and dimensions of service quality

Introduction

From the viewpoint of business administration, service quality The basic objective of every type of organization is to increase the profit by increasing the net revenue and by reducing cost. Now a day's customer satisfaction is one of the important factors which influence the return on an organization. Enhancement of customer satisfaction leads to customer loyalty. Keeping good relationship with customers is an easy way for capturing competitive markets. Service sector of Indian economy has tremendous development because of their services. Banking industry especially co-operative banks is not an exempted service sector from this. A number of cooperative banks are entered in to this sector with high level of products and services. In order to compete in this sector, cooperative banks have to more changes in their practices. Customer satisfaction is an important factor for every bank to retain their customers. Customer satisfaction means the attitudinal response of customers towards the functioning of their products and services.

Cooperative banks in India have become an integral part of the success of the success of Indian Financial Inclusion story. They have achieved many land marks since their creation and have helped a normal rural Indian to feel empowered and secure. The important features of cooperative banks are customer owned, democratic structures, profits are mainly pooled to form reserves while some amount is distributed to members, involved in community development foster financial inclusion by brining banking ton the doorstep of the lowest segment of society. Thus cooperative banks are an important part of the Indian Financial System. They comprise urban cooperative banks and rural cooperative credit institutions. Cooperative banks in India have a history of more than 100 years old.

Correspondence
Sreeja ES
Guest Lecturer of Commerce
Sree Kerala Varma College,
Thrissur, Kerala, India

Cooperative banks constitute an important segment of the Indian banking system. They have an extensive branch network and reach out to people in remote areas. They have traditionally played an important role in creating banking habits among the lower and middle income groups and strengthen the rural delivery system

Cooperative bank is financial entities which belongs to its members, who are same time the owners and the customers of their banks. These banks generally provide their members with a wide range of banking and financial services. They are differing from stake holder's bank by their organization, their goals, values and governance.

Cooperative Banks in India

Cooperative banks in India have become an integral part of the success of Indian Financial Inclusion story. They have achieved many land marks since their creation and have helped normal rural Indian to feel Empowered and secure. Cooperative banks in India have a history of almost 100 years. Cooperative banks are registered under the Cooperative Societies Act. These banks are also regulated by the RBI and governed by the Banking Regulation Act 1949 and Banking Laws Cooperative Societies Act 1955. The need for cooperative banks in India is much important to support the financial requirements of people. In order to provide much established support to every person in the country and for the development of the nation, cooperative banks are categorized at various dimensions and at various levels. The major strengths of cooperative banks are their local reach, transparent interaction with the customers and their efficient services to common people. It functions with the no profit and loss model. As the other banks in India cooperative banks perform all the basic banking functions look borrowing and lending credits. Thus cooperative banks are deeply rooted inside local areas and communities. They are involved in local development and contribute to sustainable development of communities, as their members and management board usually belongs to communities in which they exercise their activities

The cooperative banks can be divided in to two categories based on their functions. They are,

1. Long -Term Cooperative Credit Institutions
 - State Level
 - District Level
 - Village Level
2. Short- Term Cooperative Credit Institutions
 - State cooperative Banks
 - District Cooperative banks
 - Primary Agricultural Cooperative Societies

Cooperative banks in India finance rural areas under:

- Farming
- Cattle
- Milk
- Hatchery
- Personal Finance

Cooperative Banks in India finance urban areas under:

- Self-Employment
- Industries
- Small Scale Units
- Home Finance
- Personal Finance
- Consumer Finance

Service quality in banking sector is the most important criteria. It helps to evaluating and satisfying customers and there by increases the customer loyalty and average retention of customers. Among service quality determinants reliability, assurance and empathy have always played a pivotal role.

Significance of study

Now days a lot of cooperative banks are entered in to our service sector. Cooperative societies provide a number of services but with different qualities. Quality is an important factor for surviving in the competitive market. Customers are entering into cooperative banks with lot of expectations especially customers in rural areas. Sometimes the expectations are fulfill otherwise it is not possible. So this study is an attempt to analyses the expectation and actual perseverance of different customers and also for understanding is there any gap or mismatch between the expectations and actual perseverance of customers of cooperative banks at Thrissur district

Statement of the problem

The banking industry is undergone rapid changes, followed by a series of fundamental developments due to liberalization and deregulation of trends. Quality is the important factor which leads to development banks. A lot of recent services are improving the satisfaction of customers. Especially rural customers are entering in to cooperative banks with lot of expectation. These expectations are fulfilled by cooperative banks. Sometimes there may be success or failure. So this study is an attempt to understand the quality of cooperative banks in Thrissur District

Objectives of the study

- To understand the socio-demographic conditions of customers
- To determine the different dimensions of service quality
- To evaluate the service quality of cooperative banks in Thrissur District

Research Methodology

This study includes both primary and secondary data. Primary data collected from 70 customers of cooperative bank of Thrissur District. A structured schedule is used for collecting information from information. Three cooperative banks in Thrissur district are selected for data collection. The data collected from customers who visit the bank during the data collection. The objective of the study is explained to customers for their cooperation it was a free talk between them. Secondary data were collected from different books, journals and various websites.

Tools used

Mathematical and statistical tools are like percentage, mean score etc. were used for data analysis. Mainly the mean score of different statements of five dimensions were computed for measuring the service quality.

Dimension of service quality

The service quality of co-operative banks was determined by using SERVQUAL tool of Parasuraman. It includes five dimensions Reliability, Responsiveness, Assurance, Empathy, and Tangibility.

Data Analysis

Table 1: Socio-Demographic data of customers

Variables	Category	Number	Percentage
Gender	Male	38	54
	Female	32	46
Age	20-30	5	8
	30-40	18	26
	40-50	22	31
	50-60	15	21
	Above 60	10	14
Educational Qualification	Illiterate	4	6
	S.S.L.C	30	43
	Secondary Education	22	31
	Higher Education	8	13
	Professional Education	6	9
Residence	Urban	23	33
	Rural	47	67
Overall Service Quality	Very Bad	2	3
	Bad	7	10
	Average	9	13
	Good	32	46
	Very Good	20	28

Table No1 shows the demographic profile of customers. When analyzing it is clear that 38% of customers are female and 32 % are male. 31 % customers are included under the age category of 40-50. Only 5% included under 20-30. Majority of customers have S.S.L.C. education (36%) and a

little percentage carried out degree or more education. 67% of customers are included under rural category and rest in urban category. When analyzing overall service quality 46% of respondents said that service quality is good; and only 3% admitted very bad.

Table 2: Identification of 25 dimensions in five dimensions and measurement of service Quality

Dimensions	Mean Perception	Mean Expectation	Mean Quality Gap
Reliability	4.15	4.30	-0.15
Performs service at right time	4.24	4.43	-0.19
Maintaining error free records	4.14	4.26	-0.12
Wide range of products and services provided	4.03	4.28	-0.25
Security on transactions	4.17	4.24	-0.07
Overdraft privilege on current accounts	4.15	4.31	-0.16
Responsiveness	4.10	4.22	-0.12
Always willing to help	4.09	4.27	-0.18
Never too busy to respond to queries	4.00	4.14	-0.14
Knowledge of customers business and Willingness to help	4.16	4.30	-0.14
Availability of credits and favorable credits	4.05	4.12	-0.07
Fast and efficient counter services	4.18	4.27	-0.09
Assurance	3.92	4.23	-0.31
Have the knowledge to answer the questions	3.91	4.22	-0.31
Politeness and friendly staff	4.00	4.21	-0.21
Gives individual attention	3.90	4.29	-0.39
Provision for financial advise	3.91	4.24	-0.33
Ease of access to account information	3.90	4.17	-0.27
Empathy	4.01	4.25	-0.24
Understand specific needs	4.01	4.28	-0.27
Lower service charge	4.12	4.21	-0.09
Confidentiality of bank	3.84	4.23	-0.39
Products and service profitability	3.99	4.23	-0.24
Convenient operating hours to all its customers	3.84	4.23	-0.39
Tangibility	4.17	4.24	-0.07
Modern looking equipment	4.15	4.28	-0.13
Physical facilities are usually appearing	4.00	4.15	-0.15
Employees are well groomed	4.19	4.28	-0.09
Counter partition in banks and its branches	4.16	4.20	-0.04
Speed and efficiency in transactions	4.18	4.27	-0.09

For measuring the service quality 25 statements under 5 dimension where considered such as reliability, responsiveness, assurance, empathy, tangibility. for this

purpose the expected mean score and perceived mean score of these statements were calculated. And the difference of these two scores was found for calculating the quality gaps

score. The mean expectation scores are very high and it is ranged from 4.12-4.31. The highest expectation was related to overdraft to current accounts, lower service charge, knowledge of customers business and willingness to help etc. the lowest expectation is related to the availability of credit on favorable terms.

The mean perception score was ranged from 3.84 to 4.24. The highest perception score was related to reliability dimensions (performs service at right time) and the lowest perception score was related to empathy dimension on convenient operating has all its customers.

When analyzing the quality gap scores for it is clear that the expectations of actual perception of all five dimension and 25 statements are statistically different. Hence, there is a gap between the customers' perception and expectation of service quality of different cooperative banks. The highest gap of the quality related to assurance dimension with the gap score of 0.31 and the lowest gap score of the quality related to dimension of tangibility, with gap score 0.07.

Findings

- It is found that 54% of customers are Males and 46% are females.
- Majority of customers were included under 40 – 50 age category
- Most of customers have only S.S.L.C education and a little percentage had degree and more education
- 67 % of customers were come from rural area and rest were from urban area
- 46 % were admitted that overall service quality was good
- By analyzing service quality it is understood that the expectation and the actual perception of customers are different.
- There is gap between perception mean score and expectation mean score.
- Quality gap was more in assurance dimension and less in tangibility dimension

Conclusion

Now a days it is clear that cooperative banks have very much importance for national development. They are active part in local communities with stronger commitments and social responsibilities. The SERVQUAL was useful for analyzing the service quality. It helped to evaluate and monitor various dimensions of statements. The customers especially from rural areas were come to co-operative banks with lot of expectations. The expectation and the actual perception of customers were different and a mismatch is existed between these two points. The quality gap was more on assurance dimension and it was less in tangibility dimension. The cooperative banks must take care for improving service quality. Otherwise the level of satisfaction will reduce it will affect the future growth of co-operative banks. In the service sector delivering of high quality service has been recognized as a critical factor for developing and maintaining long term and satisfying relationship with customers. In terms of customer- bank relation cooperative banks tend to foster a consciousness and unconsciousness feeling of cognitive trust among customers and anticipate a perception of being fair and more honest institution's compared with other banks.

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