

CUSTOMER PERCEPTION ON SERVICE QUALITY OF COMMERCIAL BANKS: A CASE STUDY IN PENANG, MALAYSIA

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ABSTRACT

The main objective of this study is to identify customer's perception on the service quality dimensions in commercial banks in Butterworth, Penang. In this study three commercial banks are chosen to be analyzed. These banks are Public Bank, CIMB Bank and Maybank that is located only in Butterworth. The results show that the most important service quality practice on customer's overall satisfaction is responsiveness as it is perceived as a dominant service quality. The results also reveal that the service quality dimension (independent variables) of attentive, flexibility, communication, friendliness and responsiveness are positively and significantly influencing the dependent variables (customer's perception). Thus, this present research concluded that service quality is the basic and also most important factor that influences the overall customer perception in preferring the services of Banks. This finding reinforces the need for banks managers to place an emphasis on the underlying dimensions of service quality especially on responsiveness and should start with improving service quality in order to attract more customers in future.

Keywords: Customer Satisfaction, Service Quality

INTRODUCTION

Highly stressed profits and cut throat competition have introduced the new marketing practices in the Malaysian banking sector which focus customer satisfaction. It has become very important for the banks to retain their existing customer as well as to enlarge it. As the numbers of banks are increasing; customers' expectations of service quality is growing. It has become imperative to measure the service quality of the bank so that the service providers can assess their level of service quality and identify the quality gaps for improvements. Service Quality is seen to be one of the main determinants of customer satisfaction. Every marketing textbook exhorts marketers to differentiate themselves from competitors and competing brands (Lamb, Hair, McDaniel, Boshoff & Teblanche, 2004).

As most of the differentiating variables suggested in the literature are easily imitated by rivals many firms are focusing their efforts on quality of customer service as a means of differentiation. Service quality has also been shown to be an important driver of customer satisfaction both from theoretical view point and empirically substantiated in a variety of industries including service industries. Product differentiation is impossible in a competitive environment like the banking industry. Banks everywhere are delivering the same products. Thus, bank management tends to differentiate their firm from competitors through service quality. Service quality is an imperative element impacting customers' satisfaction level in the banking industry. In banking, quality is a multi-variable concept, which includes differing types of convenience, reliability, services portfolio, and critically, the staff delivering the service.

According to Dr Zeti Akhtar Aziz, who is Governor of the Central Bank of Malaysia said that customer service is important in banking industry because by delivering service excellence such as enhanced attentive, flexibility, communication, friendliness and responsiveness, meeting client needs, and providing innovative products are essential to succeed in the banking industry. Moreover, customer service in banking industry via new technology in this digital age helps in building better customer relationship with the bank. According to Bank Technology News, Citigroup's 'smart banking' branch design and strategy integrates the ultimate in self-service branches with plans for seamless connections to anytime mobile, ATM and Internet services. Customer relationship management software handles the routine customer service so staff members are free to sell more effectively to the savvy, affluent market targeted by today's retail banks.

Background of Study

There are 3 banks have been chosen in this research that are Public Bank, CIMB Bank and Maybank. The reason being these 3 banks are located in the Butterworth Business Center. Below are some of the statements about the customer service for these 3 banks that have been selected in order to conduct this research.

According to a research done by Brei, M. and Schclarek, A. (2011) stated Public Bank is a top-tier bank in Malaysia, well-reputed for its prudent management, superior customer service, uncompromising service delivery standards and strong corporate governance and corporate culture. Public Bank Malaysia provides customer care support to satisfy the customers when they have queries and complaints to make. If you have certain queries or doubts regarding the banking or the financial services then you can contact the customer care support team. The bank tries to satisfy the needs of the individuals and tells them in brief about the investment plans or to maintain account in the bank that can maximize their investments.

From a study of Vilasini Krishnan (2008) CIMB Group is Malaysia's second largest financial services provider and one of Southeast Asia's leading universal banking groups. Formerly known as Bumiputra-Commerce Holdings Berhad, it has been listed on the Main Board of Bursa Malaysia, the nation's stock exchange since 1987. Satisfaction of CIMB Bank customer is the best measure of success for them. As such, they value any feedback regarding their products and services. According to Khair Mirza (2010) Malayan Banking Berhad (Maybank) is the largest banking group in Malaysia and has a strong regional presence in South East Asia. They would love to hear about positive experiences you have had with Maybank. Alternatively, if they have let you down in any way, they would also like to know about it. Their staff is committed in treating complaints seriously and resolving them as quickly and fairly as possible.

PROBLEM STATEMENT

Devin McCreery (2010) found that many banks lagging in various areas, including the time taken in answering customer calls, waiting time, the way employees greeted customers, whether the customers received correct and sufficient information and follow-ups from banks. Sean Poulter (2011) shocking failures by banks have been revealed in a study showing half of customers are unhappy with how complaints are dealt with. Bad service and bad advice which can lead to serious financial loss are fuelling an average 7,143 complaints a day.

Data from Technical Assistance Research Programs (TARP) finds that the majority (63%) of customers who do take the time to complain are not completely satisfied with the bank's

response to their problem. Handling problems efficiently, paying attention to questions or concerns, and resolving problems on the phone are clearly of key importance to retail bank customers.

Hence, customer service cannot be an optional extra. It must be negotiable. It must be mandatory and managed. According to Malinda Zellman (2010) excellent customer service can improve the bank's ability to lure affluent prospects, elevate the bank's profitability, lower bank operation costs, and/or create greater customer loyalty. Therefore, a bank garners a great competitive benefit when it optimizes customer service.

RESEARCH OBJECTIVES

1. To identify factors that influence customer perception towards services quality of Commercial Banks. (Public Bank, CIMB Bank and Maybank in Butterworth, Penang.)
2. To determine the leading factors of service quality that influence customer perception.
3. To identify the best service quality among the commercial banks

LITERATURE REVIEW

Customer is the person or group that is the direct beneficiary of a project or service. (David Square, 2010). Customer satisfaction is the state of mind that customers have about a company when their expectations have been met or exceeded over the lifetime of the product or service. The achievement of customer satisfaction leads to company loyalty and product repurchase. (Kevin Cacioppo, 2005). A high customer satisfaction will bring the business loyal customers, repeat orders and uses a wide ranges of services offered by a business.

Customer Service in Banking Industry

Customer service is any form of communication or interaction between a company representative or an employee and an individual(s) doing business with that company. The heart of every business lies in the hands of its customers, so the company's ability to establish and maintain a strong customer base is essential for its growth and survival. According to Papasolomoys Doukakis (2002) most banks constantly try to keep their customers due to high marketing cost.

In order to run a successful bank branch, the bank must have a good customer service. Many customers are loyal to a bank because of the customer service provided. Customer service in banking industry must be able to respond to customer questions using a variety of methods, including phone, email, fax and postal mail. For example, a bank customer may ask about increasing his credit card limit or applying for a personal loan. The customer service representative must be ready to assist customers and complete standard and complex requests with a positive and friendly attitude. (Bridgette Austin, 2010)

In banking industry, customer service representative assists customers over the phone and in person to collect, complete, or advise on business and money transactions. Customer service representative will also perform routine research on customer's accounts to answer general questions or set up new services. The representative makes outbound calls to clients to verify information or collect additional information that will aid the client in a solution from previous inquiries or problem (Bianca Bumpers, 2010). Johnston (1995), Parasuraman et al. (1997), Berry (1992), and Zeithaml (1993) identified the 5 determinants of customer service in banking industry are attentive, flexibility, communication, friendliness and responsiveness.

Attentive

Attentiveness is important in customer service in banking industry especially when customers approach bank personnel to ask for assistance regarding anything that pertains to his or her bank account. Therefore, it is appropriate that for bank personnel to pay close attention so that the appropriate solution can be raised to address the customer's problem. Establishing eye contact is also a must here. Eye contact is a sure way to express that the customer's issue is indeed given due attention. (Sam Miller, 2010)

Flexibility

There is a must for flexibility in customer service especially in banking because sometimes people and situations can be difficult and unpredictable. If customers have a flexible mindset their ability to think clearly and problem solve will become fluid and effortless. Customers will adapt easily to the changing dynamics in the environment. (Jamieson Romanelli, 2004) The vendor of the service would normally include a 24 hours per week customer support service which enabling the customer to benefit from a quality service. (Peter Hann, 2003)

Communication

Communication is the key for a good customer service as it is totally about listening to the customer. J.C. Vogen, 2003, mentioned that customer service personnel must be able to effectively communicate with customer exactly what the issue is. They must be able to best address issues which are clearly presented. The key of communication in customer service is remembered customer service is designed to help address questions and concerns of customers.

Friendliness

The warmth and personal approachability (rather than physical approachability) of the service, particularly of contact staff, including cheerful attitude is the ability to make the customer feel welcome to the organization (Zeithaml, 1993). Thus, friendliness is important in customer service in order to deal with clients and offer them good service. A person needs to love people and it is serve as a key traits in customer service skills and probably it is the one which allow customer service representative to care about their comfort and feelings. (Jeffrey Gitomer, 2010)

Responsiveness

Responsiveness is being fast and right by delivering services to customers efficiently with the correct information (Meehan and Dawson, 2003). Dr Neil Flanagan, (2009) in his paper, mentioned that whatever the business is, responsiveness is the umbrella which covering all organizational activities. Responsiveness is fulfilling customers' needs and wants courteously when they want it at a price that matches their expectations. Customers are prepared to pay more for a product or service delivered when they want it. Responsiveness is an individual as well as a group quality.

RESEARCH METHODOLOGY

Sample

The sample size for this study is 210 customers from banks which located at Butterworth, Penang. Convenience sampling technique was used for this study to distribute questionnaires to the customers of the banks at Butterworth, Penang.

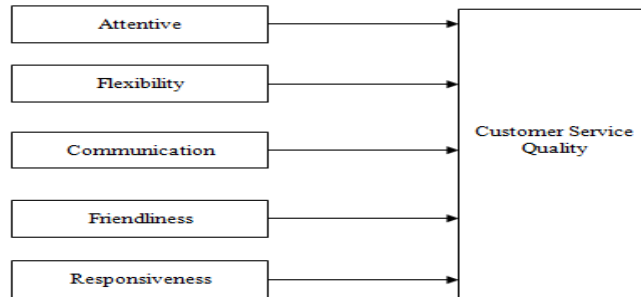
Data

Questionnaires were distributed by hand for the banks’ customers in this study. There are 2 sections in the questionnaire. Section A consists of the customer demographic. While, Section B consists of questions about the level of customer service quality of Public Bank, CIMB Bank and Maybank. The following analysis was done to analyze the data:

- i. Descriptive Analysis
- ii. Linear Regression Analysis
- iii. One way ANOVA : Post Hoc Test Analysis

Theoretical Framework

Based on the literature review discussed above, research framework designed as below:



Hypothesis

Attentive, flexibility, Communication, Friendliness and responsiveness are the main factor in customer service for banking industry.

RESULT ANALYSIS

Descriptive Analysis

Table 1. Measurement and descriptive statistics of Customer Perception on Service Quality

<i>Variables</i>	<i>Respondents</i>	<i>Percentage</i>
Age	20-30	39.0
	30-40	29.0
	40-60	30.0
	>60	2.0
	Total	100
Gender	Male	46
	Female	54
	Total	100
Race	malays	15
	Chinese	70
	India	13
	Other	2
	Total	100

(Continued...)

Table 1. Measurement and descriptive statistics of Customer Perception on Service Quality

<i>Variables</i>	<i>Respondents</i>	<i>Percentage</i>
Employment	Government Employment	13.0
	Private Employment	55.0
	Homemaker	8.0
	Student	13.0
	Retired	4.0
	Unemployment	2.0
	Others	5.0
	Total	100
	Income	< RM1000
RM1000 – RM2000		26
RM2000 – RM3000		20
RM3000 – RM4000		21
RM4000 – RM5000		7
> RM5000		7
Total		100
Determinant of Service Quality	Attentive	17
	Flexibility	17
	Communication	19
	Friendliness	22
	Responsiveness	25
	Total	100

210 questionnaires were distributed equally to the three banks. From that, 200 questionnaires were received and were fully answered. 39.0% of respondents were in the age range from 20 to 30 years old. While, 29.0% of respondents were aged from 30 to 40 years old, 30.0% of respondents are aged of 40 to 60 years old and there are only 2.0% of respondents are 60 years old and above. 46.0% of the respondents were male.

There were 15.0% of Malay respondents took part in this research. 70.0% Chinese respondents participated in this survey. The rest were 13% Indian respondents and 2.0% respondents who were Kadazan and Sikh.

Employment was categorized to six categories, which are government employment, private employment, homemaker, student, retired, unemployment and others. There were 13.0% of respondents in government employment, 55.0% in the private sector, 8.0% of respondents are homemaker and 13.0% of students participated in this research. A small percentage, that's 4.0% of respondents already retired, 2.0% of respondents unemployed and 5.0% of respondents' employment are others such as businessman.

The respondents' level of income, were 19.0% below RM1000. The highest income level of respondents in this survey is range between RM1000 to RM2000, which are 26.0%. 20.0% of respondents' level of income is in the range of RM2000 to RM3000 and the second highest of respondents' income level is RM3000 to RM4000, which is 21.0% of respondents and lastly

7.0% numbers of respondents are from income range of RM4000 to RM5000 and RM5000 and above.

Linear Regression Analysis

In order to determine the leading determinant linear regression was used in this study. Below is table indicates the summary of regression between independent variable and dependent variable.

Table 2. Regression Results

<i>Independent Variables</i>	<i>Constant(a)</i>	<i>Slope (b)</i>	<i>R</i>
Attentive	4.677	0.080	0.310
Flexibility	4.847	0.034	0.131
Communication	4.693	0.073	0.328
Friendliness	4.684	0.075	0.286
Responsiveness	4.629	0.091	0.375

Based on table above, R value is between $-1 > R < 1$. As for the independent variable of Attentive the equation is $Y = 4.677 + 0.080 X$ and R value is 0.310 which is the third highest variable compare with other variable. R value in this equation does not exceed 0.5, which indicates a weak relationship.

While, the equation for flexibility is $Y = 4.847 + 0.034 X$ and the R value is 0.131 which is the lowest R value compared to other variables. Again it indicates the weak relationship. Next, the equation for communication is $Y = 4.693 + 0.073 X$ and the R value is 0.328 which is the second highest variable if compared with others which is also indicates a weak relationship. While the equation for friendliness is $Y = 4.684 + 0.075 X$ and the R value is 0.286 which is the second lowest variable if compared with others. Although there is a relationship between IV and DV but the relationship is weak than attentive and communication. The IV of responsiveness has the highest R value among all the variables, which is 0.375 and the equation is $Y = 4.629 + 0.091 X$.

This variable is still considered as a weak relationship but when compared with other variables in this research this variable has the strongest relationship towards dependent variable rather than other independent variables in this study.

Hypothesis Testing

Table 3. Overall result of hypothesis testing

<i>Hypothesis</i>	<i>Result</i>
Hypothesis 1: Attentive is the main factor in customer service for banking industry.	Accept
Hypothesis 2: Flexibility is the main factor in customer service for banking industry.	Accept
Hypothesis 3: Communication is the main factor in customer service for banking industry.	Accept
Hypothesis 4: Friendliness is the main factor in customer service for banking industry.	Accept
Hypothesis 5: Responsiveness is the main factor in customer service for banking industry.	Accept

One Way ANOVA: Post Hoc Test Analysis

The post hoc test can be used to determine the significant differences between group means in an analysis of variance setting. Table 4 shows that when compared attentive factor among Public Bank, CIMB Bank and Maybank, the mean difference for Public Bank is the best which are 0.24375 compared with CIMB Bank, and 0.75625 compared with Maybank. This shown that Public Bank staffs are very attentive in providing services to the customers.

Next for the comparison of flexibility factor, the result again indicates between these 3 banks are 0.32500 for Public Bank compared with CIMB Bank, and Public Bank compared to Maybank is 0.76875. Again Public Bank is the best for flexibility factor in providing banking services to their customers.

As for the communication, the mean difference for Public Bank is 0.27500 compared with CIMB Bank, and 0.87500 compared with Maybank. Public Bank seem to be good in communication skills during the banking transaction with their customers, they have a good understanding on their customers' needs and wants.

The mean difference of friendliness factor for CIMB Bank compared to Public Bank is - 0.17500, and 0.57500 compared with Maybank. This shows that CIMB Bank is better than Maybank in terms of friendliness factor when delivering services to customers.

Responsiveness is important in delivering services by the banks' staffs. Public Bank's staffs are good in responsiveness compared with CIMB Bank and Maybank. This can be proven by the mean difference for Public Bank when compared to CIMB Bank is 0.12500, and when compared with Maybank is 0.64167.

Table 4. Post Hoc Test between Public Bank, CIMB Bank, Maybank and Independent Variables

<i>Dependent Variable</i>	<i>Banks (I)</i>	<i>Banks (J)</i>	<i>Mean Difference I-J</i>
Attentive	Public Bank	CIMB Bank	0.24375
	Public Bank	Maybank	0.75625
	CIMB Bank	Maybank	0.51250
Flexibility	Public Bank	CIMB Bank	0.32500
	Public Bank	Maybank	0.76875
	CIMB Bank	Maybank	0.44375
Communication	Public Bank	CIMB Bank	0.27500
	Public Bank	Maybank	0.87500
	CIMB Bank	Maybank	0.60000
Friendliness	Public Bank	CIMB Bank	0.17500
	Public Bank	Maybank	0.75000
	CIMB Bank	Maybank	0.57500
Responsiveness	Public Bank	CIMB Bank	0.12500
	Public Bank	Maybank	0.64167
	CIMB Bank	Maybank	0.51667

*The mean difference at the 0.05 level

CONCLUSION

In this study, five independent variables, attentive, flexibility, communication, friendliness and responsiveness were used in measuring the customer service quality in banking industry. These variables have relationship with customer service quality which is proven in hypothesis and also in line with the study of Johnston (1995). Parasuraman et al. (1997), Berry (1992), and Zeithaml (1993).

The finding of the study shows, responsiveness is the most important variable in customer service quality. This is because responsiveness is the process of taking action quickly to meet the specific needs of customers. It means keeping customers informed about ongoing activity to meet their requests and giving them a sense that fulfilling their requests is important. Based on the results, Public Bank has the best customer service than CIMB Bank and Maybank. Thus, CIMB Bank and Maybank need to improve on their customer service in order to satisfy their customers to the highest level. As a conclusion, all banks must satisfied customers and have good customer service quality. Happy customers usually become repeat customers. Therefore, competent, well-trained customer service representatives are needed to handle questions and issues in the bank.

Any banks which have high quality customer service are a key indicator of customer loyalty. Yet, quality customer service relieves pressure for the bank to attract new customers and a thorough customer service program will help banks maintain an existing customer base rather than lose a percentage of it.

LIMITATION

This study was applied in a smaller scope which is only 3 banks selected in Butterworth, Penang only. In the future, this study must be carried out at all of the banks in Malaysia. The result shows on this study is only the proposed variables which referred from the related journal. Probably some other factors might influence in determining customer service quality level in commercial banks.

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