

## AN ASSESSMENT OF SERVICE QUALITY IN PRIMARY COOPERATIVE CREDIT INSTITUTIONS

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**Abstract:** The population in Kerala is highly depended on cooperative institutions to meet their financial requirements. There are 1647 Primary Agricultural Credit Societies making Co-operative institutions well rooted and share 30% of bank branches, deposits and loans. These institutions are playing a key role in the social and economic development of the state. Quality of services became a key differentiation factor due to the highly competitive environment, globalization and increase in customer choices. This is even more critical for banking and financial services providers and has become an essential element for profitability and survival.

**Index Terms:** Service Quality, SERVQUAL Model, Customer Satisfaction.

### I. INTRODUCTION

According to RBI as on June 2018 Kerala has 6624 branches of commercial banks making it one of the best banking states in India. In addition to this, there are 783 branches of District Co-operative Banks and 1647 Primary Agricultural Credit Societies making Co-operative institutions well rooted and share 30% of bank branches, deposits and loans. These institutions are playing a key role in the social and economic development of the state.

The rural cooperative credit institutions in Kerala are classified into short term and long-term structure. Under short term structure the State Cooperative Bank is on the apex level, District Cooperative Banks or the Central Cooperative Bank on the district level and at the basic level there are Primary Agricultural Credit Societies (PACS). The Government of Kerala has now proposed to form Kerala Co-operative Bank, which is being referred as Kerala Bank, by integrating 14 district co-operative banks with the state co-operative bank. Once the Kerala Bank has been formed the three-tier structure of rural cooperative short-term credit institutions will become a two tier.

Parasuraman et al. (1991) has pointed out that delivering high quality services will help a firm to differentiate their offerings from 'look-alike' competitive services. Quality of services became a key differentiation factor due to the highly competitive environment, globalization and increase in customer choices (Boaden and Dale, 1993). This is even more critical for banking and financial services providers and has become an essential element for profitability and survival.

### II. LITERATURE REVIEW

Kumar (2008) on his study on "Customer Satisfaction in Indian Banking: A Case of Yamuna Nagar District in Haryana" has observed that the drivers of customer satisfaction are changing and urban population are not interested in spending time in bank branches. A study was conducted by Lenka, Suar and Mohapatra (2009) on service quality, customer satisfaction and loyalty in Indian Commercial banks and found that human, technical and tangible aspects play vital role in improving customer satisfaction. R.K.Uppal(2009) has studied the level of satisfaction of banking customers in India among three categories of banks namely public, private and foreign banks. He has found that among these categories of banks, there is a significant difference in time spend for making financial transactions.

The factors that have influenced the level of customer satisfactions in Primary Agricultural Credit Societies have been studied by V. Gopinathan et.al., and identified various socio-economic factors with

the help of multiple regression analysis in 2016. K Nadarajan (2012) has studied the customer orientation of PACS in Pondicherry and found that the customer satisfaction is positively correlated with the employees' behaviour with respect to their response to the specific needs of the customers and giving importance for sharing information with the customers. A comparative study on customer satisfaction in nationalised banks and cooperative banks in Palakkad were studied by Dr.P.Radhakrishnan in 2018 and found that both category of banks are serving different segments of the society and are making efforts to improve the level of customer satisfaction on a day to day basis.

### III. STATEMENT OF THE PROBLEM

Primary Agricultural credit societies are unable to provide modern banking facilities but they are able to create a niche market in the highly competitive banking industry. They stand for the welfare and economic well being of its members. Thus, the service quality and members' satisfaction are very critical for them and hence focused on these parameters. As per the Service Quality Model proposed by Parasuraman, Zeithaml et.al, the service quality is estimated by quantifying the gap between expected and perceived quality of services by its customers. Expected quality means the quality expected by the customer who have already availed a particular service and perceived quality means the actual quality of service they experienced. Thus  $SQ = P - E$ , where P is the member's perceptions and E is the member's expectations.

### IV. OBJECTIVES

1. To explore the opinions of members in Primary Agricultural Credit Societies in relation to quality of services in both expectation and perception level.
2. To measure the gap in perceived and expected service quality.

### V. THEORETICAL REVIEW

The service quality is measured using a five-dimensional research instrument called SERVQUAL, proposed by A. Parasuraman and Valarie A. Zeithaml in their article 'SERVQUAL: A multiple item scale for measuring consumer perceptions of service quality' in January 1988. The five dimensions are "tangibles, reliability, responsiveness, assurance and empathy".

Table No.1.Five Dimensions of Service Quality

Dimensions	Definition
Tangibles	"Physical facilities, equipment and appearance of personnel"
Reliability	"Ability to perform the promised service dependably and accurately"
Responsiveness	"Willingness to help customers and provide prompt services"
Assurance	"Knowledge and courtesy of employees and their ability to inspire trust and confidence"
Empathy	"Caring, individualised attention the firm provides its customers"

Source: (Parasuraman et al. 1988)

Another study undertaken by Parasuraman et al. (1994) developed three questionnaire formats for application in different sectors like computer manufacturer, retail chain, life insurer and auto insurer. Lewis et al. (1994) has conducted a study using SERVQUAL model in financial services in relation to student market. The significance of students' market for banks and building societies are highlighted. Wuhner et al. (1995) has modified the SERVQUAL model to address the underlying problems in Austrian Banking industry. The study suggested the use of problem specific research instruments. A

study of service quality by Alfred (2001) in US using SERVQUAL Questionnaire has been used to study the service quality of bank and credit union employees.

Padhy and Swane (2009) has compared the service quality of private, public and foreign banks in India. They found that all banks are having a lower score than their customer expectations. Sangeetha (2011) has appraised 14 different quality models applicable to banking industry and listed the issues for future researches. The study revealed that even within the industry the dimensions vary with country and cultural context.

Indeed, in majority of the researches has accepted SEQRVQUAL as their basic model and tried to enrich and empower the model. This model has been widely applied within the industry as well. Wide replications of the model ensure the reliability and validity of the dimensions and the scale. The results of these studies may vary from the original studies because of the difference in data collection and analysis.

## VI. RESEARCH DESIGN

Primary data is collected from 78 respondents who are members of Primary Agricultural Credit Societies in Ernakulam District with the help of structured questionnaire. The instrument used in the research is a structured questionnaire which includes 51 questions. Questionnaire is divided into three parts, first part contains demographic details, second part deals with the expected service quality and third part with the perceived service quality. The service quality questions are measured on a five-point Likert Scale which has been widely used in researches for measuring expected and perceived quality of services.

## VII. ANALYSIS

**The null Hypothesis;** There is no significant difference in the expected and perceived service quality in the members of Primary Agricultural Credit Societies in Ernakulam District. The expected and perceived service quality are measured on five dimensions namely tangibles, reliability, responsiveness, assurance and empathy. The Validity testing using the tool, Cronbach's Alpha has given a value 0.880 that indicates that the level of internal consistency is high. The Paired sample t test has been used for hypothesis testing and the result shows a significant difference in the expected and perceived service quality with P value < 0.001 and the mean difference is 21.9201. The expected service quality has got a higher mean value and thus, the null hypothesis is rejected.

### 7.1. Analysis of dependent variables

There is a significant difference in mean value for all five dimensions with p value <0.001 and the means of Perceptions are lower than the expectations for all the five dimensions. The difference in mean is lower for the tangibles and higher for the reliability. The detailed values are given in Table no.2

Table no.2.Paired Sample T test on dependent variables

Pairs	Dependent Variable	Mean Values	Difference in Mean
Pair 1	Expectations - Tangibles	17.3077	3.38462
	Perceptions - Tangibles	13.9231	
Pair 2	Expectations - Reliability	23.6923	5.84615
	Perceptions - Reliability	17.8462	
Pair 3	Expectations - Responsiveness	19.2308	4.76923
	Perceptions - Responsiveness	14.4615	
Pair 4	Expectations - Assurance	19.3846	4.00000

	Perceptions - Assurance	15.3846	
Pair 5	Expectations - Empathy	23.0000	3.92308
	Perceptions - Empathy	19.0769	

## 7.2. Analysis of Demographic variables

The correlation of demographic factors like age, gender, educational qualifications, number of years of membership, income on level of customer satisfaction are studied. The results show that there exists a statistically significant correlation with the age, educational qualification, number of years of membership and income of the members. The gender factor does not have any significant correlation with customer satisfaction. Educational qualification is showing slightly negative correlation.

Table No.3 Correlation Analysis on Demographic variables

SL No.	Demographic Factors	Correlation Coefficient	Significance
1	Age	.475	.001
2	Gender	.115	.315
3	Educational Qualification	-.174	.020
4	Number of years of membership	.247	.029
5	Income	.559	.001

## VIII.FINDINGS

There exists a gap between the expected and perceived service quality of services in Primary Agricultural Credit Societies in Ernakulam District. The members who are more educated with a graduate degree or higher are found to be more demanding on the service quality while people who are only school educated are somewhat gratified with what they are getting. The members of PACS are having more expectations on the reliability and empathy from the employees. Among the five dimensions expectations on tangibles are found to be lesser.

## IX.SUGGESTIONS

Even being the owners, the customers in PACS are not getting the services up to the level of expectation. Most of the studies and discussions on PACS only talk about improving the infra structure and amenities. But, providing high quality services are also equally significant to have better customer satisfaction and thereby retain their customer base. The behaviour of employees is found to be more valued than tangibles, hence staffs should be given proper trainings in dealing with customers and for being customer oriented. The staff, management and members in these cooperative societies are locally based and their operations are restricted to a village, Panchayat or municipality and thus PACS should be able to understand the financial needs and requirements of their members in a better way. Even if they are facing lot of constraints, PACS can create a competitive advantage by providing better quality services and maintaining good rapport between members and employees.

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