

An Empirical Study on Quality of Banks' Service during the Demonetization in India

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Abstract - "Demonetization", the word that shaken the nation on Nov 8th 2016. Central Government came up with decision to withdraw the existing Mahatma Gandhi series notes of 1000 and 500. This decision had significant impact on banking sector since it act as a central hub for channeling the legal tender. This research work focuses on measuring the quality of banks' services during demonetization era. SERVPERF model, proposed by Cronin and Taylor is used to measure the service quality. This model has five dimensions- Tangible, Reliability, Responsiveness, Assurance and Empathy. There exist 22 variables across five dimensions. The estimation of service quality is based on the perspective of the customer. The research Work is conducted in three cities of Kerala.

Key Words: Demonetization, Service quality, Reliability, Tangibles, Responsiveness, Assurance, Empathy

1. INTRODUCTION

On November 8th 2016, Central Government of India, had withdrawn the legal tender of notes 500 and 1000. They introduced new Mahatma Gandhi series notes in 500 and 2000. Demonetization is a tool to battle Inflation, Black Money, Corruption and Crime, discourage a cash dependent economy and help trade. Its policy of the government by banning Rs. 500 and Rs.1000 currency notes has influenced all almost all the corner of the economy. Its effect on Banking Sector is significant as Bank is a center for channeling the legal tender money to all needs of the society. Demonetization had big impact on banking sector since it act as a central hub between Government and public for the exchange of currency. The biggest game changer of demonetization is banks in the nation. Banks had to make sure that customer relationship is up to predefined standards. Banks' quality of service to customer is highly relevant in the success of demonetization program. It is fact that banks are under severe constrains, but it is important to keep the quality in service. This research paper is mainly focus on the banks' performance in the perspective of customers during demonetization period. The service quality of the banks is going to measure using SERVPERF (service quality) scale. SERVPERF technique was implemented by Cronin and Taylor. SERVPERF scale has five dimensions- Reliability,

Assurance, Responsiveness, Empathy, and Tangibility. There exist 22 statements across these five dimensions. This research work uses the SERVPERF model to identify the issues in service quality during demonetization.

2. LITERATURE REVIEW

"Demonetization", the word that shaken the nation on Nov 8th 2016. Central government came up with the decision of demonetize the legal tender of notes 500 and 1000. The demonetization of the highest denomination note undertaken by the government is a big shock to the Indian. Demonetization is the process where government declares the currently running currency notes illegal to be tender after the declaration is made. There are both pros and cons of demonetization in the Indian economy. The reasons for demonetization are to control counterfeit notes that could be contributing to terrorism, and to undermine or eliminate the "black economy". Demonetization is introduced with prospects of having long term benefits even though it may retard the growth rate in the initial stage.

Reserve Bank of India plays the pivotal role in this demonetization drive. Banks are core part of any economy. They channelized the money to the smooth functioning of different sectors. Initiatives of Green Banking, made the banks to transform conventional banking services into modern banking services. Surgical strike on black money had brought enormous changes in the economy. All the demonetized notes needed to deposited in banks and take back the new ones. Banks are intermediate between public and Government for take part in the scenario. It is fact that bank employees are under heavy stress in this conditions but it is important to deliver in such circumstances. Customers of banks always have expectation regarding the banks service so it is necessary that bank had to ensure the quality of service.

Service quality is business administration term used to describe the achievement in service. The accurate measurement of service requires a subjective method. A customer will have perceptions of service that they obtained. It is necessary to estimate the quality of banks' service. SERVPERF is tool introduced by the Cronin and Taylor to measure the service quality. In real sense, it is actually improvement of Parasuraman SERVQUAL model which is based on the comparison of perception and

expectation of the customers. SERVPERF model consider only the perception of customers. Cronin and Taylor argued that only perception was sufficient for measuring service quality and therefore expectations should not be included as suggested by SERVQUAL. This argument is widely accepted by the leading researchers. SERVPERF adopts the five dimensions of SERVQUAL and the 22- item scale in measuring the service quality. The five dimensions are Tangible, Reliability, Responsiveness, Assurance and Empathy. This research work uses SERVPERF model to analyze the effects of demonetization in the service quality of banks with reference to three cities in Kerala.

3 METHODOLOGY

This study is conducted in three cities in Kerala – Thrissur, Kochi , Kozhikode among 600 respondents. The main objective of the research is to compare the perceptions of customers regarding the quality of banks’ services during demonetization period especially to compare the perception of three cities in kerala regarding the quality of banks’ services. On the ground of above objective it is hypothesized that

Null hypothesis, H1: There is no difference in the perceptions of the Cities regarding the quality dimensions of banks’ services

Alternative hypothesis H2: There is difference in the perceptions of the cities regarding the quality dimensions of banks’ services

3.1 Source of data

The study relies on both primary and secondary data. For collecting the primary data from customers, a structured questionnaire is designed. The questionnaire consists of two parts. Part A had 22 statements based on 5 dimensions .This statements are measured in five point likert scale. Part B consists of demographic details of respondents. Secondary data is collected through journals and publications from banks’ official website and interactions with the economist and respective officials.

3.2 Research Instrument

SERVPERF tool, proposed by Cronin and Taylor is used to measure the perceptions of customer regarding the quality of banks’ services. This tool has five dimensions- Tangible, Reliability, Responsiveness, Assurance and Empathy. There exists a 22 item scale among these five dimensions of SERVPERF

IBM SPSS is used to analyze the data. Reliability analysis and ANOVA are statistical tools used to drawn the results from inferred data.

The sampling technique is proportionate stratified random sampling. Sampling size of survey is 600. This consists of 200 respondents of each from three cities. The customers

of different demographic features are incorporated in the survey.

4. DATA ANALYSIS

The Cronbach alpha was performed to verify the reliability of the components used. For all SERVPERF dimensions, the components show the value than 0.7. Hence the data tabulated is reliable for further analysis. Before comparing the means through ANOVA, it is important to make sure that data is following the assumptions in ANOVA. Shapiro wilk test for normality shows significance value greater than 0.05. Skewness and kurtosis value is between -3 and +3 Hence therefore the values are well within the normal curve. ANOVA tables of five dimensions show the relevance of 22 variables collected in terms of three cities- Thrissur, Kochi and Kozhikode. For each variable, P Value which is less than 0.05 is taken as significant.

Table -1: Reliability

Reliability	Mean & SD	City			ANOVA P
		Thrissur	Kochi	Kozhikode	
Bank fulfill the promise in time specified	Mean	3.07	2.74	3.1	0.003
	S.D	1.324	1.117	0.992	
Bank shows interest in solving problem	Mean	1.565	1.58	2.02	0.00
	S.D	0.760	0.628	0.844	
Bank completes the service at first instance	Mean	2.05	2.025	1.915	0.251
	S.D	0.933	0.823	0.825	
Bank provides service within promised time	Mean	1.935	2.035	2.105	0.156
	S.D	0.961	0.835	0.853	
Bank insist on error free records	Mean	2.54	2.58	2.43	0.370
	S.D	1.092	1.081	1.127	

Table -2: Tangible

Tangible	Mean & SD	City			ANOVA P
		Thrissur	Kochi	Kozhikode	
Bank have modern looking equipment	Mean	2.075	2.405	2.055	0.001
	S.D	0.940	1.228	0.821	
Physical features are visually appealing	Mean	4.095	3.77	4.07	0.00
	S.D	0.836	0.848	0.792	
Bank reception desk are neat appearing	Mean	3.2	2.915	3.06	0.123
	S.D	1.407	1.424	1.339	
Materials associated with service are visually appealing	Mean	3.53	3.61	3.47	0.450
	S.D	1.0977	1.146	1.088	

Table -3: Responsiveness

Responsiveness	Mean & SD	City			ANOVA P
		Thrissur	Kochi	Kozhikode	
Employees informs the exact time of service	Mean	2.185	2.04	2.025	0.144
	S.D	0.902	0.906	0.876	
Employees gives prompt service	Mean	1.665	1.53	1.51	0.036
	S.D	0.745	0.625	0.575	
Employees are willing to help	Mean	2.62	2.48	2.475	0.353
	S.D	1.145	1.155	1.116	
Employees are never busy too respond	Mean	1.635	1.56	1.515	0.181
	S.D	0.751	0.623	0.575	

Table - 4: Assurance

Assurance	Mean & SD	City			ANOVA P
		Thrissur	Kochi	kozhikode	
Employee instills confidence in customer	Mean	2.15	1.985	2.06	0.180
	S.D	0.939	0.876	0.854	
Customer feel safe in transactions	Mean	3.07	2.88	2.94	0.071
	S.D	0.859	0.824	0.842	
Employees are courteous with customer	Mean	2.68	2.48	2.52	0.171
	S.D	1.115	1.138	1.120	
Employees have knowledge to answer the question	Mean	2.44	2.57	2.555	0.453
	S.D	1.145	1.118	1.123	

Table - 5: Empathy

Empathy	Mean & SD	City			ANOVA P
		Thrissur	Kochi	Kozhikode	
Bank gives individual attention	Mean	2.64	2.51	2.475	0.313
	S.D	1.182	1.107	1.129	
Bank operating hours convenient	Mean	3.41	3.515	3.375	0.434
	S.D	1.112	1.138	1.131	
Employee gives personal attention	Mean	2.19	2.065	2	0.086
	S.D	0.920	0.814	0.868	
Bank has Best interest at heart	Mean	2.53	2.58	2.52	0.859
	S.D	1.164	1.166	1.164	
Employees understand specific needs	Mean	3.055	3.05	2.77	0.0752
	S.D	1.439	1.423	1.391	

Table 1 show that level of significance is satisfying only for first two variables, fulfill promise and problem solving. The Anova table 2 shows that banks equipment, physical features are only significant in the tangible dimension while measuring the service quality in reference to three cities. It is identified from table 3 that prompt service is only significant in the responsiveness dimension. In the Assurance dimension, no value is significant while explaining the quality of banks' service with respective of three cities. Similar to that case of Assurance dimension,

Table 5 show that no variable is significant which is expressing in terms of cities.

Anova table of Reliability conveys that two variables are significant hence the null hypothesis to be reject.

Anova table of Tangible shows that two variables are significant hence reject the null hypothesis.

Anova table of Responsiveness shows that one variable is significant hence reject the null hypothesis.

Anova table of Assurance and Empathy shows no significance hence accept the null hypothesis.

5. CONCLUSIONS

The perceptions of customer states that banks performance are poor in the demonetization era. It is a fact that banks are severe constrains but they need to deliver in any circumstances. This research work shows that SERVPERF dimensions – Reliability, Tangibility, and Responsiveness are only significant in measuring quality of banks service during demonetization period with reference to three cities in Kerala. This study found out negative impact on the some aspects which may lead to poor performance of banks. They are Fulfill promise, Problem solving, modern equipment, physical features and prompt service.

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