

APPLICATION OF GAP MODEL IN FINDING SERVICE QUALITY GAPS: COMPARATIVE STUDY ON DOMESTIC AND FOREIGN BANKS OPERATING IN PAKISTAN

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Abstract

The banking sector of Pakistan is growing with every passing year and the quality play major role in the developed of banking sector. To retain the loyal customers quality service is vital. Though, quality and customer service are major driving forces in business community. Moreover, product's quality is its capability which satisfy customers expectations and needs. SERVQUAL scale questionnaire is used as research instrument which was developed by Parasuraman et al. (1988) which quantify the expected quality of banking services of selected samples of banks including domestic and foreign banks in Pakistan. A total of 300 respondents (account holders) were surveyed out of which, 50 account holders for each of the 6 banks including domestic and foreign Banks were surveyed. Sample selected is nonrandom convenient sampling method. This study is descriptive as well as comparative. The results therefore suggest that Bank Al-Falah has favorable gap scores in terms of Tangibility, Reliability and Responsibility. Whereas Soneri Bank earned average Gap Scores in Assurance and Empathy. Also, national bank performed as less service quality measure and holding gap scores greater than all the other banks.

Key words: SERVQUAL, Tangibility, Reliability, Responsibility

Jel codes: M31, M37, M41, M51

Introduction

Today, it is widely accredited that quality service is a multi-dimensional thought. In Pakistan, the banking sector is growing every year and the quality play major by offering quality services which keep customer loyalty up. Moreover, the quality and customer services are vital driving forces in the business community, also the quality of the product important as it satisfies the expectations and need of the customer. Henceforth banking is most subtle businesses all around the globe and plays an important role in the economy of Pakistan with no exemption. The sector facilitates and influences to participate in economic activities such as mobilization of resources, elimination of scarcity, and circulation of public finance. Fundamentally, the banking sector of Pakistan comprises of listed commercial banks such as national, foreign and private banks which are regulated by State Bank of Pakistan's (SBP) regulations, Moreover, SBP i.e. central bank of the country and inter alia entrusted with the responsibility for constant supervision of banking sector. Recently, the development of Pakistan's banking sector has shown extraordinary performance. The main purpose of this study is to find the association between customer satisfaction, loyalty and service quality in one frame in the commercial banking sector of Pakistan.

This study measures service quality and identifies service quality gaps in Pakistan banking industry using gap model. The sample size of the study is domestic versus foreign banks operating in Pakistan banking sector. The population is the customers of six banks including domestic banks such as National Bank of Pakistan (NBP), Muslim Commercial Bank (MCB), Soneri Bank Limited (SBL) and foreign banks are Standard Chartered Bank (SCB), Bank Al-Falah Limited (BAL) and Dubai Islamic Bank limited (DIBL). The study used an instrument to measure the service quality named as SERVQUAL model and established

by Parasuraman et al., (1985), after carrying out the study on 04 service settings such as repairs and maintenance of electrical appliance, retail banking, credit card, and long-distance telephone services. SERVQUAL model signifies service quality as a difference between customer perception of the service received and customer expectation of service offering Parasuraman et al., (1985). The model attempts to quantify what accurately consumer perception is when it comes to quality service, it depends on the extent of the gap between the perceived and expected service which in turn depends on the gap under the control of the service provider like marketing or delivery of the service, (Parasuraman et al., 1985).

Therefore, the measurement of quality service is based on both factor, how consumer assesses the delivery process of service and its outcome, (Parasuraman et al., 1985). The good service quality is one which exceeds or meet consumer expectation of the service. This study will use the SERVQUAL model for selected domestic and foreign banks operating in Pakistan to see its applicability the measurement of service quality and customer satisfaction. Also, the study aimed to determine perceived service quality by consumers in domestic and foreign banks and to find those dimensions that bring customers satisfaction.

RESEARCH QUESTIONS:

1. How consumers perceive service quality in both domestic and foreign banks in Pakistan?
2. Are costumers (account holders) really satisfied with service quality offered by these banks?

REVIEW OF LITERATURE

Quality service is more problematic for the consumer to assess than the quality of the product because of the absence of tangible evidence linked with services. In the early 1920s, the quality thinking initiated with the increase of inspection (Garvin, 1988). Therefore, the empirical and discussion studies related to quality in the late 1950s where the execution of development tools was typically designed to certify the standard level of manufacturing. Furthermore, the development tools were constructed with the aim to eradicate the statistical scrutiny of industrial goods and to keep in mind the customer's opinions, thus to share the accountability of quality to all the employees (Garvin, 1988, Juran, 1992). For this study, only one definition has been chosen that fit the purpose of study. The definition specified by "Parasurmaman (1985)" that is "Service quality is a comparison of expectations with performance". The authors cited 10 determinants that affect the presence of gap such as access. Courtesy, communication, credibility, reliability, responsiveness, security and understanding the customer and tangibles.

For quality service in terms of corporate, physical and interactive quality (Jormo Lehtinen. 1982), cited that corporate quality states how potential or current customers and public views the service provider. Moreover, physical quality states tangible characteristics of the service. Similarly, the interactive quality focuses on the interactive nature of the service provider, as well as the customer or representative with both animated or automated interaction. The work is done on the importance of corporate image and experience of service quality play major role in service sector (Gronroos, 2001, Lehtinen and Lehtinen, 1982). The customer frequently associates with same service firm which suggests that their previous experience and perception of service encounter each other. Henceforth the image notion was presented as another additional characteristic.

The image influence on customer perception of the firm's communication as well as its operations in many aspects, which makes it satisfactory to have a positive image. If for instance a bank's image either domestic or local, is undesirable, the influence of any mistake will frequently be overstated on the customer's mind. In contrast, a positive image will possibly make the customer ignore minor mistake and manage them. Though the minor mistake happens repeatedly, the image will be spoiled. The supposed quality services as an attitude relating to the superiority of a service or universal judgment cited by (Zeithaml and Bitner, 2003). The grandness of determining quality service assessments has been justifiable in the research literature. Many studies have shown quality service evaluations as closely connected to customer loyalty and positive behavioral intentions (Backman and Veldkamp, 1995; Baker and Crompton, 2000; Bloemer et al., 1999; Zeithaml et al., 1996). According to (Bowen & Schneider, 1985; Chase & Bowen, 1991; Kohli & Jaworski, 1990) delivery of services happens throughout between interaction with employees and customer,

also the attitude and behaviour of employees can affect customers' insight of quality service. The three factors model such as ambient condition, social factors, and facility design and quality service. These factors define service environments' fundamentals of service delivery process and it best includes as components of the functional dimensions. However, there are some dimensions that are focused and there is no universal agreement on the nature of quality or content cited by (Parasuraman et al, 1985: Gronroos, 2001).

RESEARCH METHODOLOGY

This section explains the research methodology of collecting data to address the answers of the research question. First, the research questions are addressed and so the hypotheses have developed. Next a sampling frame and information collection procedure has been evaluated. Finally, this section draws the validity and reliability test of data. Data for this study has been gathered from the customers from each of the three domestic and three foreign banks operating in Pakistan using SERVQUAL Questionnaire is one of the most widely used research instrument to measure quality of service (Brown et al., 1996). SERVQUAL measure the gap between customers' expectations for excellence and their perception of actual delivered service. A set of questionnaires distributed to customers of both domestic banks (including NBP, MCB, SBL) and foreign banks (BAL, SCB, DIB) operating in Pakistan. We had personally administered the whole survey.

This study will help each of the domestic and foreign banks in Pakistan by providing perception–expectation gap scores in identifying deficiencies in service quality about of each of 5 dimensions of quality. A total of 300 respondents (account holders) were surveyed out of which, 50 account holders for each of the 6 banks including domestic and foreign Banks were surveyed. The sample selected as nonrandom convenient sampling method. This study used the SERVQUAL scale questionnaire as research instrument which was developed by Parasuraman et al., (1988) to quantify predictable and apparent quality of banking services given by selected samples of banks including domestic and foreign banks in Pakistan. The research questionnaire used to collect the data contain four main components.

DATA ANALYSIS

The customers' expectation and perception of services to measure service quality in service sector. This study used service quality measurement model known as SERVQUAL. The model used the approach for determining quality service which is used to compare customers' expectation before service and their perception of the real service delivered. The SERVQUAL model inventers specify that the customers do not hold quality service attributes in the same respect and are not homogenously significant (Parasuraman, Berry, & Zeithaml, 1991). Moreover, in SERVQUAL model customer perception tool collect respondent input as importance of each construct by allocating total 100 points across many quality service dimensions. The information allows for a measure of salience that can be used to regulate service quality dimensions as most important for customers. Therefore, salience scores are also used to weight the results of SERVQUAL Q scores for each quality service construct by multiplying Q score with salience score attained from population. Henceforth weighted score delivers bigger insight to overall importance of quality service construct to survey population. Thus, allowing service leader to execute more targeted service with improvement. Also, author mentioned 05 generic dimensions such as:

TANGIBLES

It pertains to personnel and information material, the appearance of physical facilities, modern looking equipment etc. This survey is made on three domestic and three foreign banks. Based on the tangibility dimension the findings of these banks are:

BANK NAME	UNWEIGHTED AVERAGE	WEIGHTED AVERAGE
NBP	1.98	37.50
MCB	1.25	17.20
SBL	0.85	22.30
BAL	0.84	24.58
SCB	0.95	22.15
DIB	1.16	20.40

INTERPRETATION:

In case of un-weighted average Bank Al-Falah Limited has very much good-looking environment and well equipped according to customers view because it holds 0.84 un-weighted tangible averages. Secondly customers' viewpoints showed that Soneri bank has also good-looking environment and physical facilities as it holds 0.85 after Bank Al-Falah limited. Whereas, standard chartered bank stood in 3rd position, Dubai Islamic Bank limited holds 4th position, Muslim Commercial Bank in 5th position and National Bank of Pakistan stood in 6th position in terms of physical facilities and equipment as tangible average accordingly. In case of weighted average customer viewpoints, the most valued score given to Muslim commercial bank according to tangible average which holds 17.20 (1ST position). Whereas, DIB, SCB, SBL, BAL and NBP hold 20.40 (2nd position), 22.15 (3RD position), 22.30 (4th position), 24.58 (5th position) and 37.50 (6th position) respectively.

RELIABILITY

The capability to perform assured service to the customer correctly and fairly. Based on the reliability dimension, the findings of the SERVQUAL model on selected banks are-

BANK NAME	UNWEIGHTED AVERAGE	WEIGHTED AVERAGE
NBP	2.038	43.395
MCB	1.176	23.006
SBL	0.894	22.235
BAL	1.008	20.308

SCB	1.179	30.694
DIB	1.243	24.59

INTERPRETATION

In case of un-weighted average Soneri Bank limited provides a very reliable service to its customers have good faith on it because it holds 0.894 reliability averages and stood in 1st position. Whereas, Bank Al-Falah stood 2nd position and holds 1.008 average reliability score, Muslim Commercial Bank stood 3rd position and holds 1.176 average reliability score, Standard Chartered Bank stood 4th position and holds 1.179 average reliability score, Dubai Islamic bank stood in 5th position and holds 1.243 average reliability score and National Bank of Pakistan stood 6th position which holds 2.038 average reliability score according to reliable service providence to its customers. In case of weighted average customer view the most valued score according to reliability holds Bank Al-Falah 20.308. Whereas, Soneri Bank Limited 22.235, Muslim Commercial Bank 23.006, Dubai Islamic Bank 24.59, standard chartered bank 30.694 and National bank of Pakistan 43.395 holds 2nd, 3rd, 4th, 5th, and 6th position respectively.

RESPONSIVENESS

To help in customer nature and desire to deliver them quick service that make up the dimension of responsiveness. Parasuraman, et al., (1991) exemplify components in responsiveness and express client precise time duration among those services are done, punctuality of service, disposition to be of help, also too busy to response to client requests.

BANK NAME	UNWEIGHTED AVERAGE	WEIGHTED AVERAGE
NBP	2.068	51.41
MCB	1.225	29.365
SBL	1.079	25.88
BAL	1.0892	22.44
SCB	1.209	27.525
DIB	1.26	24.955

INTERPRETATION

In case of un-weighted average, SBL takes more responsibility and think customers as it best interest because it holds 1.079 responsibility averages. Whereas, BAF, SCB, DIB, MCB and NBP holds 1.0892, 1.209, 1.26, 1.225 and 2.068 as responsibility average respectively. In case of weighted average customer view the most valued score according to responsibility holds BAF 22.44. Whereas, Dubai Islamic Bank

holds 24.955, SBL holds 25.88, SCB holds 27.525, MCB holds 29.365 and NBP holds 51.41 average responsibility scores and stood 2nd, 3rd, 4th, 5th, and 6th position respectively.

ASSURANCE

Parasuraman, et al (1991) enclosed actions by workers like continuously well-mannered behavior inspires self-confidence, and information as major components of assurance. The substitutes competency, courtesy, quality, and security within the original 10 dimensions for evaluating service quality (Zeithaml, et al, 1988).

BANK NAME	UNWEIGHTED AVERAGE	WEIGHTED AVERAGE
NBP	2.017	39.905
MCB	1.244	25.115
SBL	0.86	15.735
BAL	1.084	17.169
SCB	1.185	24.75
DIB	1.258	24.83

INTERPRETATION

In case of un-weighted average SBL best assure their customers by providing service during their expected span of time because it holds 0.86 assurance averages. Whereas, BAF holds 1.084, SCB holds 1.185, Muslim commercial bank holds 1.244, DIB holds 1.258 and NBP holds 2.017 as assurance averages accordingly. In case of weighted average customer view the most valued score according to assurance given to SBL because it holds 15.735 average assurance score. Whereas, BAF holds 17.169, SCB holds 24.75, DIB holds 24.83, MCB holds 25.115 and NBP holds 39.905 as average assurance scores and stood 2nd, 3rd, 4th, 5th, and 6th position respectively.

EMPATHY

Empathy is kind as well customized consideration organization offers to its customers. Individual care and suitable operational hours are two main components enclosed by Parasuraman, et al., (1991) in their analysis of sympathy.

Bank name	Unweighted average	Weighted average
NBP	2.314	42.564
MCB	1.395	27.506
SBL	1.178	24.37
BAL	1.172	27.192
SCB	1.497	28.12
DIB	1.321	25.92

Interpretation

In case of un-weighted average Bank-Al-Falah shows a hospitable environment to its customers because it needs to achieve more customer loyalty and holds 1.172 empathy averages. Whereas, SBL stood 2nd position by holding 1.178 empathy averages, DIB stood 3rd position as it holds 1.321 empathy averages, MCB stood 4th position by holding 1.395, SCB stood 5th position by holding 1.497 average empathy score and NBP stood 6th position which holds 2.314 average empathy score. In case of weighted average customer view the most valued score given to SBL as it holds 24.37 average sympathy score, whereas DIB, BAL, MCB, SCB and NBP stood 2nd, 3rd, 4th, 5th, and 6th position by holding 25.92, 27.192, 27.506, 28.12 and 42.564 as average empathy scores respectively.

COMPARISON OF UNWEIGHTED AVERAGE SERVQUAL SCORES

BANK NAME	UNWEIGHTED AVERAGE
NBP	2.2422
MCB	1.6992
SBL	1.1014
BAL	1.14468
SCB	1.282
DIB	1.2754

INTERPRETATION

Measuring overall performance, SBP is providing best customer desired services and achieve extensive customers' delighters as it secure 1.1014 Average Un-Weighted SERVQUAL score. Whereas, Bank Al-Falah stood at 2nd position after Soneri bank in overall performance measurement but the other four branches don't have that much score. They all are needed to improve service quality due to having the same level in terms of performance. Their service providers don't pay much attention to their customers' interest as compare to that of two banks (SBL and BAL). Similarly, NBP of Pakistan being a large working group in Pakistan's Banking sector should consider the customers as a part of its for enabling good service quality.

COMPARISON OF WEIGHTED AVERAGE SERVQUAL SCORES:

BANK NAME	WEIGHTED AVERAGE
NB	42.9528
MCB	25.7634
SBL	22.161
BAL	21.314
SCB	25.8952
DIB	25.4258

INTERPRETATION

BAL secured 21.314 and stood in 1st position in terms of quality of services. Whereas SBL secured 2nd position and holds 22.161. Here is the same way other four banks need to be improved their quality of services to providing same quality service to their customers. By this way customer loyalty cannot be achieved for remaining four banks including DIB, SCB, MCB and NBP.

IMPORTANT WEIGHT COMPARISON

<u>BANKS/DIMENSIONS</u>	Average Tangible Score	Average Reliability Score	Average Responsiveness Score	Average Assurance Score	Average Empathy Score
National Bank of Pakistan	37.49	43.395	51.41	39.905	42.564
Standard Chartered Bank	22.15	30.694	27.525	24.75	28.12
Muslim Commercial Bank	24.58	23.006	29.365	25.115	27.506
Soneri Bank Limited	22.295	22.235	25.88	15.735	24.37
Bank Al-Falah Limited	17.194	20.308	22.44	17.169	27.192
Dubai Islamic Bank Limited	20.403	24.59	24.955	24.83	25.92

INTERPRETATION

In the above table, dimension wise gap score is calculated and presented which shows that Bank Al-Falah has favorable gap scores in terms of Tangibility, Reliability and Responsibility because it holds comparatively little number as that of remaining two dimensions. Where as in case of Assurance and Empathy average Gap scores. Soneri Bank is showing favorable results as can be seen in table. We can easily examine that National Bank of Pakistan being large working group and national bank of country is having less service quality measure and holding gap scores greater than all the other banks.

Conclusion

The quality service is unpredictable between customers' expectations for offering service as well customers perception for service received and requiring respondents to answers the question about their perception and expectation (Parasuraman, 1988). SERVQUAL assist as a diagnosis procedure for finding widespread areas of an organization's quality service weaknesses and strengths. The tool produces

organized, interactive and multi-stage process that progresses from the known dimensions and items within that correspond to the specific companies and industries (Zeithaml, 1988).

Also, this tool is considered for use any kind of business providing service business and basic skeleton through its expectations or perceptions format, surrounding statement for each of the five dimensions (Parasuraman,1988). The items of the scale were then pre-tested for wording, design and comprehension. The results therefore suggest that Bank Al-Falah has favorable gap scores in terms of Tangibility, Reliability and Responsibility. Whereas Soneri Bank earned average Gap Scores in Assurance and Empathy. Also, national bank performed as less service quality measure and holding gap scores greater than all the other banks.

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