



A COMPARATIVE ANALYSIS ON THE SERVICE QUALITY PERCEPTIONS OF PHILIPPINE COMMERCIAL BANKS

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Abstract: Achieving a high level of service quality has always been a primary concern for banks worldwide. Due in part to intense competition, the commercial banks in the Philippines are no different in this regard. This study aims to investigate the service quality expectations and perceptions of Philippine commercial banks from the perspective of the customers. Using the SERVQUAL Instrument as developed by Parasuraman, Zeithaml, and Berry (1988), a survey was conducted in order to measure customers' service quality expectations and perceptions of various commercial banks. Statistical analyses revealed that customers of different banks attach the same level of importance to the five dimensions of service quality and they have the same expectation ratings for all 22 items in the SERVQUAL Instrument. Depending on the bank patronized, customers gave significantly different perception ratings for seven items out of the 22 items in the said instrument. The results of the study will assist Philippine commercial banks in determining what aspects of bank service do customers consider the most important. This in turn will help them provide better services to their customers.

Key Words: Service Quality; Dimensions of Service Quality; SERVQUAL Instrument; Philippine Commercial Banks

1. INTRODUCTION

The modern concept of banking originated in Italy during the Middle Ages and slowly spread through Europe and other continents. In the Philippines, the concept of banking started with the establishment of *Obras Pias* during the 16th century Spanish colonial period. It continued to flourish throughout the American colonial era, during World War II, and even after. According to Bunye (2012), "the 1948 enactment of the Charter of the Central Bank of the Philippines [set] into motion the operation of the country's monetary authority."

Since then, "financial services continued to grow through the 1980s and 1990s as a result of a great increase in demand from [individuals,] companies, governments, and financial institutions." ("History of Banking," 2012) Moreover, the early 21st century "saw a major shift away from traditional banking to Internet banking." ("History of Banking," 2012)

Banking belongs to the service industry where service quality is evaluated by customers using the five dimensions, namely: reliability, responsiveness, assurance, empathy, and tangibles. However, a more common approach in Service Management literature is to define service quality as "the difference between a customer's expectations of a service and

the perceptions of the service that is [actually] delivered.” (Fitzsimmons & Fitzsimmons, 2008)

The SERVQUAL Instrument, a questionnaire composed of 22 scaled items covering the five dimensions of service quality, was developed by Parasuraman et al (1988) in order to quantitatively measure service quality. According to Buttle (1996), SERVQUAL “provides a technology for measuring and managing service quality.”

Since then, numerous articles have tackled service quality in various service sectors including the banking industry using the SERVQUAL Instrument and other similar models.

The study of Spathis, Petridou and Glaveli (2004), for instance, discussed the service quality of Greek banks using the Bank Service Quality (BSQ) model. Statistical tests indicated that male bank customers have a more positive perception of service quality compared to their female counterparts. Results also showed that male bank customers ranked effectiveness and reliability as the most important dimensions of service quality while female bank clients ranked price as the most important.

The paper of Culiberg & Rojsek (2010) investigated the service quality of retail banks in Slovenia using the SERVPERF 28-item scale. Factor analysis showed that the 28 variables can be grouped into four factors: assurance & empathy, reliability & responsiveness, access, and tangibles. On the other hand, multiple regression analysis revealed that five variables (assurance & empathy, service range, access, tangibles, and reliability & responsiveness) are good predictors of customer satisfaction.

Akhtar (2011) explored the relationships among service quality, satisfaction, and loyalty in private commercial banks in Bangladesh. Product features and physical aspects were found to be positively correlated with service quality. It was also established that “customers who perceive service quality will be satisfied and will remain loyal to the bank.” (Akhtar, 2011)

The research of Ramez (2011) employed the SERVQUAL Instrument in order to evaluate the service quality of Bahraini commercial banks. The study revealed that bank customers consider reliability as the most important dimension of service quality while empathy is the least important. Results further indicated that there are no significant relationships between the customer’s socio-demographic characteristics (e.g. age, gender, educational attainment, etc.) and the overall service quality.

2. OBJECTIVES OF THE STUDY

The purpose of this paper is to evaluate the service quality expectations and perceptions of Philippine commercial banks from the point of view of the customers. Specifically, it aims to test the following null hypotheses:

- (a) customers of different banks attach the same level of importance to the five dimensions of service quality;
- (b) customers of different banks have the same expectations of bank service quality; and
- (c) customers of different banks have the same perceptions of bank service quality.

3. METHODOLOGY

The sample consisted of 65 individual customers of two Philippine commercial banks. They were requested to answer the SERVQUAL Instrument as pioneered by Parasuraman et al (1988). The said questionnaire is divided into two parts.

One part dealt with the importance attached by the respondents to the five dimensions of bank service quality. Each respondent was asked to allocate a total of 100 points to the five dimensions reflecting their relative importance to the respondent.

Another part covered the customer's expectations and perceptions of service quality of their current banks. A total of 22 items have to be answered using a Likert scale of 1 (strongly disagree) to 7 (strongly agree).

The gathered data are then tabulated and analyzed using t-tests for independent samples.

4. RESULTS OF THE STUDY

A total of 65 usable responses (n=34 for Bank 1 and n=31 for Bank 2) were received in connection with the survey conducted. Table 1 shows the rankings and importance ratings given by the respondents to the five dimensions of bank service quality.

Table 1 Importance ratings for the five dimensions of service quality

Bank 1 n=34		
Rank	Dimension	Mean Rating
1	Reliability	25.15
2	Assurance	22.85
3	Responsiveness	20.74
4	Empathy	16.12
5	Tangibles	15.15
Bank 2 n=31		
Rank	Dimension	Mean Rating
1	Reliability	26.35
2	Responsiveness	21.71
3	Assurance	20.16
4	Empathy	16.45
5	Tangibles	15.16

As evidenced by Table 1, customers of Banks 1 and 2 consider reliability as the most important and tangibles as the least important dimensions of service quality. However, Bank 1 clients ranked assurance and responsiveness second and third most important, respectively while Bank 2 customers ranked responsiveness and assurance second and third most important, respectively.

Table 2 presents the mean expectation and perception ratings given by the respondents from the two banks to the 22 items found in the SERVQUAL Instrument.

As can be seen in Table 2, Bank 1 clients gave the highest expectation rating to item 12 and the lowest expectation rating to item 7. Item 12 refers to bank’s employees’ willingness to help customers while item 7 deals with banks performing the service right the first time.

For the perception ratings, the highest score was given by Bank 1 customers to item 19 and the lowest score to item 13. Item 19 pertains to the bank’s operating hours being convenient to all its customers while item 13 concerns bank employees being never too busy to respond to a customer’s request.

Table 2 Mean expectation ratings and mean perception ratings for Bank1 and Bank 2

Bank 1 n=34			Bank 2 n=31		
Item	Mean Expectation Rating	Mean Perception Rating	Item	Mean Expectation Rating	Mean Perception Rating
1	6.41	5.53	1	6.23	6.13
2	6.47	5.71	2	6.35	5.90
3	6.65	6.06	3	6.65	6.16
4	6.44	5.85	4	6.16	5.94
5	6.76	5.97	5	6.55	6.06
6	6.56	5.76	6	6.48	6.00
7	6.38	5.94	7	6.52	6.10
8	6.68	6.06	8	6.55	6.00
9	6.50	5.88	9	6.48	6.16
10	6.47	5.82	10	6.45	6.06
11	6.44	5.68	11	6.52	6.10
12	6.82	5.76	12	6.58	6.23
13	6.56	5.47	13	6.32	5.81
14	6.59	5.71	14	6.48	6.13
15	6.71	6.12	15	6.65	6.39
16	6.62	5.88	16	6.68	6.35
17	6.62	5.91	17	6.58	6.13
18	6.56	5.68	18	6.48	6.10
19	6.44	6.18	19	6.45	5.42
20	6.47	5.74	20	6.35	5.90
21	6.47	5.53	21	6.45	5.71
22	6.59	5.59	22	6.42	5.81

On the other hand, Bank 2 customers gave the highest and lowest expectation ratings to items 16 and 4, respectively. Item 16 deals with bank employees being consistently courteous to clients while item 4 refers to the visual appeal of the bank’s materials such as pamphlets and statements.

Item 15 was given the highest perception rating by Bank 2 customers while item 19 was given the lowest perception rating. Item 15 pertains to the customers feeling safe with their transactions while item 19 deals with the bank’s operating hours being convenient to all its clients.

4. STATISTICAL ANALYSIS

In order to determine if customers of the two banks attach the same level of importance to the five dimensions of service quality, the t-test for independent samples was performed five times. Table 3 presents the outcome of the said tests.

Table 3 Results of t-tests for independent samples for the five dimensions of service quality

Dimension	t-value	p-value
Tangibles	-0.087560	0.993041
Reliability	-0.409621	0.683474
Responsiveness	-0.489671	0.626068
Assurance	1.524048	0.132501
Empathy	-0.220605	0.826113

It can be seen in Table 3 that clients from Banks 1 and 2 attach the same importance ratings to the five dimensions of service quality. Although the rankings for the two banks are slightly different, the statistical tests proved the difference is insignificant. This means that regardless of the bank being patronized, the customers ascribe the same level of importance to the five dimensions of service quality.

In order to find out if customers of the two banks gave the same expectation ratings and same perception ratings to the 22 items in the SERVQUAL Instrument, the t-test for independent samples was employed 44 times. Table 4 shows the results of the said tests.

Table 4 Results of t-tests for independent samples for the mean expectation rating and mean perception rating

Results for Mean Expectation Rating			Results for Mean Perception Rating		
Item	t-value	p-value	Item	t-value	p-value
1	0.733528	0.465958	1	-2.95884	0.004346
2	0.658467	0.512637	2	-0.844622	0.401518
3	0.010917	0.991324	3	-0.472338	0.638317
4	1.283527	0.204009	4	-0.380259	0.705033
5	1.480979	0.143596	5	-0.384883	0.701621
6	0.378196	0.706557	6	-0.986486	0.327668
7	-0.811361	0.420123	7	-0.762032	0.448885
8	0.690810	0.492223	8	0.277563	0.782256
9	0.083363	0.933827	9	-1.23965	0.219703
10	0.114314	0.909352	10	-1.12576	0.264535
11	-0.378196	0.706557	11	-1.67724	0.098450
12	1.405910	0.164664	12	-1.94292	0.056497
13	1.311318	0.194510	13	-1.22090	0.226673
14	0.631643	0.530555	14	-1.98245	0.051794
15	0.332080	0.740931	15	-1.16249	0.249423
16	-0.355968	0.723054	16	-2.16565	0.034131
17	0.225205	0.822549	17	-0.960979	0.340237
18	0.422672	0.673974	18	-1.76165	0.082981
19	-0.052703	0.958136	19	2.882264	0.005394
20	0.658467	0.512637	20	-0.654140	0.515402
21	0.106966	0.915156	21	-0.715428	0.476988
22	0.989063	0.326416	22	-0.794451	0.429915



From Table 4, it is apparent that customers of Banks 1 and 2 gave the same expectation ratings to all of the 22 items in the SERVQUAL questionnaire. This means that regardless of the bank being patronized, clients have the same level of expectations across all the 22 items.

As demonstrated in Table 4, clients of Banks 1 and 2 gave different perception ratings for seven items in the SERVQUAL Instrument. The perception ratings given are significantly different for items 1, 11, 12, 14, 16, 18, and 19. Bank 1 was given a higher perception rating for item 19 while Bank 2 was given higher perception ratings for items 1, 11, 12, 14, 16, and 18.

Item 19 refers to the bank's operating hours being convenient to all its customers. Item 1 pertains to the bank having modern looking equipment, item 11 to the bank employees giving prompt service to customers, item 12 to the bank employees' willingness to help customers, item 14 to the bank employees' behavior instilling confidence in customers, item 16 to bank employees being consistently courteous to customers, and item 18 to the bank giving customers individual attention.

6. CONCLUSION & RECOMMENDATION

Based on the survey results and the statistical tests performed, it can be concluded that customers of different banks attach the same level of importance to the five dimensions of service quality. It can also be deduced that clients of different banks have the same level of expectation of service quality regardless of the bank being patronized. Lastly, it can also be inferred that customers of different banks have different level of perception of service quality depending on the bank being patronized.

Future studies can include other equally important aspects of bank service such as price, accessibility, etc. in their questionnaires. This will better capture the customers' expectations of bank service quality. Other studies can also relate overall service quality with customer satisfaction and customer retention in Philippine commercial banks.

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Presented at the Research Congress 2013
De La Salle University Manila
March 7-9, 2013

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