Analysis of Service quality parameters among co-operative banks - a study with respect to Kerala

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ABSTRACT

Measuring customer satisfaction is critical in the process of serving the customer. The importance of improving service quality in the banking industry is highly considered for achieving objectives of the industry in whole. Service quality considerations are comparatively less among co-operative banks in the state due to various reasons. An in depth analysis of the service quality perceptions of their customers is essential to achieve sustainable growth for the sector. The perceived quality is normally assessed based on service quality dimensions such as tangibles, reliability, responsiveness, assurance and empathy. The SEVPERF instrument is considered as an ideal instrument to measure service quality. This study is an attempt to measure service quality among co-operative banks in Kerala using SERVPERF instrument.

1. Introduction

The banking industry has undergone rapid changes, followed by a series of fundamental developments due to liberalization and deregulation trends initiated in the country in early 1990"s. There has been a change in the very concept of traditional banking activities and concept of quality in service has gathered attention of all customers. Increasing competition among a broad range of domestic and foreign institutions in product marketing area has become a prevalent practice and thus attempt to be different from other banking institutions has become the priority consideration of the sector. It is predominantly seen that, in line with the increase in overall economic activities, financial institutions, too, have modified themselves accordingly in all the spheres including customer services. To meet the demands of today's marketing environment, organizations are looking to service initiatives as a means to create or sustain competitive advantage. Measuring customer satisfaction is critical in the

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process of serving the customer. The importance of improving service quality in the banking industry is highly considered for achieving objectives of the industry in whole. The concept of service quality is complex due difficulty in measuring unlike a product quality, which can be measured with certain yardsticks. It can be presumed that service quality lies within the minds of the customer based on his perceptions on quality parameters.

In the present scenario of fierce competition, service firms strive to stay in the forefront of today's marketplace by offering quality service. Research has shown that service quality is an essential strategy for winning and retaining customers. Indeed, the quality of service is more important than price in differentiating a service firm from its competitors and in fostering customer loyalty. It is very complex to analyze the impact of Service quality on customer satisfaction. However it is established that generally quality service creates satisfied customer and may lead profitability to the firm as such. A study on Customer behavior gives valid insights about the customer which in turn helps the firm to develop quality yardsticks to cater the needs of the customer.

Consumer behavior is very complex phenomenon, which is considered primarily in marketing decisions. It has been rightly said, "Understand, you do not understand, you will not understand, you cannot understand all your customers but still

you have to do your best to understand them." In consumer behavior this is very difficult to make a uniform theory that may suggest that a particular individual or group will behave in a particular manner. Consumer behavior is dynamic and to be studied regularly. Increasing awareness, living standards and urbanization has led to increase in the changing preferences and the same has forced the marketers to change their product features, packaging styles, distribution channels and so on. There is a famous saying the "Success has a simple formula-Do your best and people must like it'. The study of consumer behavior is compulsory to know about likes and dislikes of consumers from time to time so that the products and services can be offered accordingly. Customers have their own unique needs, demands and preferences in a particular segment. Marketers have to study customers in particular segment to present the product or service in such a way that the customer satisfaction is assured. When customer is treated as the king of the market, the study of consumer behavior becomes more important for marketing decisions.

1.1 Co-operation- Definition and concept

The meaning of the word co-operation may be considered as working together. To be more precise, co-operation means working together to accomplish a common objective. It is developed as a new concept to eradicate economic inequality

from the society. Co-operation promotes voluntary association of individuals having common needs who work together towards the achievement of common economic needs. In today's world it is recognized as a sector of business enterprise distinct from public or private sector.

Co-operation has been defined by different authorities in different way .However all most all definitions agree that it is an association of individuals formed for the achievement of common objectives basically of economic nature. A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. Co-operatives are considered as non-profit oriented entities functioning to cater the economic needs of its members. The International Co-operative Alliance (ICA) appointed a new commission to form fundamental principles. The commission in its report submitted in 1966 stated the following as the fundamental principles of co-operation:

- Voluntary, open and active membership
- Democratic control
- Member economic participation
- Autonomy and Independence
- Education, Training and Information
- Co-operation among co-operatives
- Concern for community

1.2 History of co-operative movement in India

India has basically an agrarian economy with 72% of its total population residing in rural areas. The rural people need lot of services in daily life which are met by village co-operative societies. The seeds of cooperation in India were sown in 1904 when the first Cooperative Societies Act was passed. Since then, the cooperative movement has made significant progress. Cooperatives have extended across the entire country and there are currently an estimated 230 million members nationwide. The cooperative credit system of India has the largest network in the world and cooperatives have advanced more credit in the Indian agricultural sector than commercial banks. The village cooperative societies provide strategic inputs for the agricultural sector, consumer societies to meet their consumption requirements at concessional rates; marketing societies help the farmer to get remunerative prices and co-operative processing units help in value additions to the raw products etc.

The cooperative structure in India consists of different constituents. At the bottom of this structure are the primary societies which render various types of services. Of this large number about 80% is concerned with agriculture. Most of these societies, about 60% deal with credit only. Thus a large majority of primary societies are related to agriculture and credit. They perform

various functions such things as credit, irrigation, marketing, transports etc. These are generally divided into two groups (i) credit societies and (ii) non credit societies.

For supervision and financial assistance to cooperative credit societies there are central banks and state cooperative banks. The central banks supervise the functioning of the primary societies of a district or art of a district and offer financial assistance to them heir capital is drawn from public deposits, share capitals and loans from other sources. Because of variety of sources from which these banks can draw money, they act as a link between cooperative societies and the money market. They function as balancing centers by diverting funds of surplus societies to the needy societies. They also perform ordinary banking functions also. At the top of the cooperative credit is the state cooperative bank, at the state level, known as the apex bank. It controls the working of central banks and provides finance to them. It also acts as the link between reserve bank f India from which it borrows and the central banks and primary societies. It directs the cooperative movement in the state. Its capital comes from share capital, public deposits and loans and advances from the state and Reserve bank of India. The National Cooperative Union of India is the apex organization promoting the cooperative movement in the country. Co operative Banks in India are registered under the Co-operative Societies Act. The cooperative bank is also regulated by the RBI. They are governed by the Banking Regulations Act 1949 and Banking Laws (Co-operative Societies) Act, 1965.

1.3 The Kerala scenario

The beginning of co-operative banks in Kerala dates back to early 20th century when in 1914, the then Maharaja of Travancore, his highness The Moolam Thirunal Ramavarma, by his proclamation introduced the "Travancore Cooperative Societies Regulation Act". As per the Act, the first cooperative society - The Trivandrum Central Cooperative Bank - was registered in the year 1915. At present there are 1614 registered co-operative banks of various dimensions function in the state.

After the formation of Kerala State, the Kerala Co-operative Societies Act of 1969 came into force with effect from15.5.1969 in order to enact a uniform law on co-operation applicable throughout the State. Consequent on the introduction of Kerala Co-operative Societies Act 1969, Societies with unlimited liability ceased to exist and societies with limited liability came into existence. Thereafter Government of Kerala passed the Kerala Co-operative (Amendment) Act 1999 which came into force with effect from 1.1.2000. Providing of membership to local body institutions, Deposit guarantee scheme in Primary Agricultural Credit

Societies, Consortium Lending Scheme, Co-operative Development and Welfare Fund, Independent Election Commission, Separate Audit Wing and Vigilance Wing, and Co-operative Examination Board are the new provisions made in the Amendment Act. The growth of Co-operative movement in Kerala was insignificant during pre-independent era.

Kerala can claim to have an elaborate and efficient rural credit system administered through primary Cooperatives, Central Cooperative Banks and Apex Cooperative Banks. The cooperative credit structure in Kerala comprises of 2 parts viz. (i) short and medium term credit structure (ii) long term credit structure. The short and medium credit requirements are met by a three tier system consisting of State Cooperative Banks at middle level and 1628 Primary Agricultural Credit Societies at the base level. In addition to this 85 urban cooperative Banks and 1013 Employees credit Cooperatives are meeting the Non-Agricultural Credit requirements of their members.

1.4 Service quality – Definition and measurement

Service Quality is services that is consistent with customer expectations and stated obligation. Service quality is defined by Gronroos (1983) as the fulfillment of customers' Expectations Parasuraman et al. defined service quality as the

gap between customers' expectations of service and their perception of the service experience.

- A significant contribution towards measurement of service quality is by Parasuraman, Zeithaml and Berry (1985, 1988) by way of developing a measuring instrument called SERVQUAL. The central idea in this model is that service quality is a function of the difference scores or gaps between expectations and perceptions Here service quality parameters are measured using five dimensions such as

- Tangibles- appearance of physical facilities, equipment, personnel, and communication materials;

- Reliability- ability to perform the promised service dependably and accurately;

- Responsiveness- willingness to help customers and provide prompt service;

- Assurance- knowledge and courtesy of employees and their ability to convey trust and confidence;

- Empathy- the caring, individualized attention the firm provides its customers

SERVQUAL instrument consists of a 22-item instrument for assessing service quality based on customer's perceptions, which is, by his turn, the

difference between the customer's perceived quality and his/her expectation. The perceived quality is assessed based on service quality dimensions such as tangibles, reliability, responsiveness, assurance and empathy.

However, there has been an extensive debate whether the perception-minus-expectations specification would be appropriate or assessing perception alone would be sufficient. Some concerns about the SERVQUAL instrument were raised by Cronin and Taylor (1992; 1994) and Teas (1993; 1994). The authors argue that there are serious conceptual and operational drawbacks associated with the SERVQUAL model, inducing Cronin and Taylor (1992) to propose a perceived quality model called SERVPERF. The perceived quality model postulates that an individual's perception of the quality is only a function of its performance. Considering that the 22 performance items adequately define the domain of service quality, Cronin and Taylor (1992) proposed the SERVPERF instrument, which is a more concise performance-based scale; an alternative to the SERVQUAL model.

The SERVPERF scale is found to be superior not only as the efficient scale but also more efficient in reducing the number of items to be measured by 50 per cent. In the present study, the SERVPERF scale is used to measure to service quality among co-operative banks in Kerala.

2. Literature Review

In the banking field, Soterious and Zenios (1998) proposed that service quality is a factor that has an impact on profitability of financial institution. Several other researchers have indicated that improvement of service quality increases spending of organizations. This has the immediate impact of lowering profitability. However it is argued that there will be longer-term gains as the firm's ability to attract new customers. Also it is seen that loyalty current customers increases and they become repeat customers. These studies find that service quality has a measurable impact on customer retention, market share and profitability.

The two approaches for the measurement of customer service quality have been identified by previous researches. First being, service quality which is frequently been interpreted as output conformed to the specifications set by process designers. A second and alternative approach is that proposed by Frei, F., Kalakota, R., Leone, A. and Marx, L. (1999) which is that service quality that involves uniformity of service output around an ideal or target value determined by the customer. This introduces the concept of customer perceptions and represents a fundamental deviation from the traditional 'operations-focused' view of quality. The customer perception approach has been defined by Stafford, M. (1994) as a judgment relating to the superiority of the service

provided that should be assessed by measuring the difference between customer expectations of what should be offered and provided and what is actually offered and provided.

Service quality is regarded as a driver of corporate marketing and financial performance (Buttle, 1996). A sound measure of service quality is necessary for identifying the aspects of service that need performance improvement, assessing how much improvement is needed on each aspect, and evaluating the impact of improvement efforts. The evaluation of quality for services is more complex than for products because of their intrinsic nature of heterogeneity, inseparability of production and consumption, perishability and intangibility (Frochot and Hughes, 2000, Zeithaml, et al, 2006).

In the banking, customers have certain expectations or assumptions about the quality of service they will experience. Fulfillment of these expectations is likely to result in a high level of satisfaction, loyalty and recommendation. Falling short of those expectations could adversely affect the customer satisfaction, and ultimately the retention and loyalty. Individual firms have discovered that increasing levels of customer satisfaction can be linked to customer loyalty and profits (Hekett, Sasser, and Schlesinger, 1997), Sweeney, (1997), opinioned that mission of the banks is to provide its customers with most value at lowest cost in shortest span of time. The banks

should serve their customers efficiently and effectively for achieving customer loyalty.

Parasuraman, Zeithaml, and Berry (1985, 1988) defined perceived service quality as ''a global judgment, or attitude, relating to the superiority of the service.'' They linked the concept of service quality to the concepts of perceptions and expectations in this way: ''Perceived quality is viewed as the degree and direction of discrepancy between consumers' perceptions and expectations.'' Thus, they suggested that customers' assessment of overall service quality is based on the gap between their expectations and their perceptions of performance levels. According to the SERVQUAL conceptualization, service quality can be assessed by five dimensions: tangibles, reliability, responsiveness, assurance, and empathy.

The tangibles dimension in SERVQUAL, measured by 4 items, deals with the appearance of physical facilities, equipment, personnel and communication materials. Reliability, measured by 5 items, refers to the ability to perform the promised service dependably and accurately. Responsiveness, measured by 4 items, measures the willingness to help customers and to provide prompt service. Assurance, measured by 4 items, deals with the knowledge, courtesy of employees and their ability to inspire trust and confidence. Finally, the empathy dimension of SERVQUAL,

containing 5 items, refers to the provision of caring, individualized attention to customers. Parasuraman et al. (1988) contended that the final 22-item scale and its five dimensions have sound and stable psychometric properties

Several researchers (for example, Athanasso poulos, 1995;Hussey, 1999; Kwan & Hee, 1994; Lam, 1995) extended the work to discuss the measuring and evaluating the validity and reliability of service quality. Researches confirmed that SERVQUAL provided validly and reliably measured the quality of the service provided by banks.

Cronin and Taylor (1992) noted that a customer's perception of service quality can be best measured by his/her "perceived" attitude about the service being rendered. Cronin and Taylor (1992) reported that their unweighted performance-based SERVPERF scale was a better method of measuring service quality than SERVQUAL. They contended that the SERVPERF scale consistently outperformed the SERVQUAL scale in terms of reliability and validity. Subsequent studies have supported Cronin and Taylor's (1992) assertion (Babakus and Boiler 1992; Babakus and Mangold 1992; Oliver 1993). Boulding et al. (1993, p. 24).

In India, many studies have emphasized the need for better service quality in banks (Brahmanandam and Narayana, 1990; Elias, 1982; Nageswar and Pramod, 1990; Gani and Mushtaq, 2003; Mushtaq,

2003). These studies have also alarmed public sector banks that if the present trend of customer dissatisfaction continues unabated, they would loose their valuable customers to their competitors' especially private and foreign banks. In light of such studies, public sector banks have offered guidelines for improvement in bank services. Therefore, service quality play an important role in banking services, because excellent service quality is accepted as a competitive strategy to differentiate one bank from another for corporate profitability and survival.

It is felt that service quality considerations are comparatively less among co-operative banks in the state due to various reasons. An in depth analysis of the service quality perceptions of their customers is essential to achieve sustainable growth for the sector.

3. Methodology

3.1 Need for the study

The cooperative credit sector in Kerala is flourishing despite the economic slump affecting the country. Credit cooperatives mobilized about Rs.4, 550 crore during the deposit-mobilization drive in March this year against a target of Rs.1, 250 crore. Deposits have more than doubled during the past three years. However, disbursement credit to the agriculture sector remained only a

small fraction of the total lending. The total deposit in the cooperative credit societies stood at Rs. 47,827 crore. This would touch Rs. 50,000 crore by November this year. Accepting the fact that co-operative sector is in a growth trajectory in the state, it is widely believed that the co-operative banks are not giving priority considerations to service quality when compared with banks in the other sector. There are no significant studies conducted in this direction attempting to measure service quality among co-operative banks in the state. A pilot study conducted among customers of the co-operative banks has revealed certain facts which need attention to develop strategies for further growth in the sector. It is generally felt that co-operative banks are lagging behind other banks in introducing a customer friendly banking environment. A major criticism has also been leveled against co-operative banks that, there functioning has been deviated from the general principles of co-operation .In many occasions an ordinary member finds it difficult to get credit facility. Also many co-operative banks, major motive has become profit oriented rather than as a non-profit organization. Equitable distribution of profit after retaining for reserves, among members is not observed mandatory by many co-operative banks. In light of these facts, it is felt that analysis of service quality parameters among co-operative banks is the need of the hour to identify customer perceptions to implement corrective measures, if needed, to ensure customer satisfaction.

The present study is an attempt to measure service quality among co-operative banks in Kerala using SERVPERF scale. Data for the assessment of SERVPERF scale in retail banking were collected through a survey among the customers of co-operative banks in Ernakulam district of Kerala. SERVPERF instrument with 22 items was used for collecting the data regarding the respondent's perceptions.

3.2 Objectives of the study

1. To study consumer perceptions about service quality dimensions using SERVPERF analysis.

2. To develop strategies to enhance service quality among co-operative banks in Kerala.

3.3. Research Design

Area of the study:

The study was conducted selecting residents of Ernakulam district as sample. The population in the locality includes people from all income groups. The area is the commercial capital of Kerala and is place where a number of co-operative banks are functioning.

Primary Data:

A Questionnaire survey using SERVPERF instrument with 22 items was designed to collect primary data from sample identified.

Secondary Data:

Secondary data was collected from journals, magazines, web sites and from other relevant publications.

Research instrument :

SERVPERF instrument proposed by Cronin and Taylor (1992) is used to measure the service quality. The perceived quality model postulates that an individual's perception of the quality is only a function of its performance. Considering that the 22 performance items adequately define the domain of service quality.

Sample Size:

From the Sample Frame, sample sizes of 200 customers were selected for the purpose of the study.

Sampling Method :

Convenience sampling was used, based on the willingness and availability of the respondents. The study was conducted on consumers with different type of business.

4. Analysis and interpretations

The most popular assessments tool for service quality is SERVQUAL, an instrument designed by the marketing research team of Berry, Parasuraman, and Zeithaml (PB&Z). Through numerous qualitative studies, they evolved a set of five dimensions which have been consistently ranked by customers to be most important for service quality, regardless of service industry. These dimensions are defined as follows:

- Tangibles like appearance of physical facilities, equipment, personnel, and communication materials;

- Reliability factors like ability to perform the promised service dependably and accurately;

- Responsiveness factors like willingness to help customers and provide prompt service;

- Assurance factors like knowledge and courtesy of employees and their ability to convey trust and confidence;

- Empathy factors like, caring, individualized attention the firm provides its customers.

A set of 22 items covering all the above dimensions are used to measure service quality. The Respondents were asked to rate the above said 22 variables in a five point scale from strongly disagree to strongly agree. The scores assigned on these scales are from 1to 5 respectively. A SERVPERF scale also uses the same dimensions to study service quality. The difference being only perceptions is considered in SERVPERF analysis.

The profile of the respondents who participated in the survey is as follows

- 61% of the sample was men.

- 34% of the respondents were below25yrs of age, 28%between 25 and 40 and 38% above 40yrs of age.

- 18% of the respondents were below Rs 10000/pm income,36% in the income bracket 10000 to 20000, 24% in the income bracket 20000to30000 and 22% above 30000/-

4.1 SEVPERF analysis

Questions	Service quality variables	mean	Mean score in each dimension
1	The co-operative banks have modern looking equipment.	1.92	
2	The co-operative banks physical features are visually appealing	2.52	
3	The co-operative banks reception desk employees are neat appearing	2.71	
4	Materials associated with the service (such as pamphlets or statements) are visually appealing at the bank	3.79	
	Tangibles	10.94	2.73
5	When the bank promises to do something by a certain time, it does so	2.63	
6	When you have a problem, the bank shows a sincere interest in solving it	2.83	
7	The bank performs the service correctly at the first instance.	2.28	
8	The bank provides its service at the time it promises to do so	3.04	
9	The bank insists on error free records	2.69	
	Reliability	10.76	2.69
10	Employees in the bank tell you exactly when the services will be performed	2.52	
11	Employees in the bank give you prompt service	2.60	
12	Employees in the bank are always willing to help you	2.57	
13	Employees in the bank are never too busy to respond to your request	2.81	
	Responsiveness	10.52	2.63
14	The behaviour of employees in the bank instills confidence in you	2.63	
15	You feel safe in your transactions with co-operative banks.	2.69	
16	Employees in the bank are consistently courteous with you.	3.04	
17	Employees in the bank have the knowledge to answer your questions	2.91	

	Assurance	11.27	2.82
18	The bank gives you individual attention	2.06	
19	The bank has operating hours convenient to all its customers	2.65	
20	The bank has employees who give you personal attention	2.52	
21	The bank has your best interests at heart	3.35	
22	The employees of the bank understand your specific needs	2.79	
	Empathy	13.37	2.67

The SERVPERF score represents the perceived performance on the components of service quality. In equation form, it can be expressed as:

$$SQ = \sum_{j=1}^{k} P_{ij}$$

Where

SQ = perceived service quality of individual.

k = Number of attributes / items

p = Perception of individual 'i' with respect to performance of a service firm on attribute 'j'.

The SERVPERF scores on reliability, responsiveness, assurance and tangible have been calculated by the mean of service quality variables in each factor among the respondents.

Factors in service quality	Mean score	SQ Score
Tangibles	2.73	
Reliability	2.69	
Responsiveness	2.63	
Assurance	2.82	
Empathy	2.67	
	13.54	2.71

The overall score of 2.71 implies perceived service quality is low with regard to the performance of co-operative banks in Kerala.

4.2 Reliability Analysis

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.723	.715	22

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
T1	57.8650	48.921	.260	.714
T2	57.2600	49.138	.254	.715
T3	57.0750	49.788	.199	.718
T4	55.9900	52.422	-.097	.730
Reliability1	57.1500	49.837	.090	.730
Realiabilty2	56.9550	47.219	.286	.712
Reali3	57.3000	47.367	.289	.712
Reali4	56.7500	46.108	.395	.702
Reali5	57.0900	45.680	.368	.704
Res1	57.2600	47.631	.241	.717
res2	57.1850	46.815	.252	.717
res3	57.2100	49.081	.213	.718
res4	56.9700	50.461	.091	.726
Ass1	57.1550	47.760	.255	.715
Assy2	57.0950	46.850	.324	.709
Assr3	56.7500	46.198	.404	.702
assy4	56.8800	48.910	.235	.716
Em1	57.7250	47.678	.325	.709
em2	57.1350	48.328	.290	.712
em3	57.2600	44.967	.585	.689
em4	56.4300	47.231	.373	.706
em5	56.9950	48.126	.347	.709

Reliability analysis reveals the consistency of scale used. Cronbach's Alpha of 0.715 is considered as an acceptable value and reflects reasonable degree of reliability. The item total statistics shows that no substantial change in alpha is possible by deletion of any item. Hence all items considered for the study worth retention.

Dimensions Cronbach Alphas

Dimensions	Item coefficient (alphas)	Reliability item alpha
Tangibles	4	0.725
Reliability	5	0.708
Responsiveness	4	0.7414
Assurance	4	0.731
Empathy	5	0.775
Total scale reliability	22	0.715

Reliability coefficients (Cronbach alpha), which is based on the internal consistency of the items pertaining to the different service dimensions, were computed separately for the five dimensions on the SERVPERF instrument. As shown above, all the dimensions were reasonably reliable, with greater than 0.7 alpha values.

4.3 Factor Analysis

The important service quality factors in banking are identified with the help of factor analysis. Before conducting the factor analysis, the validity of data for factor analysis is examined with the help of Kaiser-Mayer-Ohlin measure of sampling adequacy and Bartletts test of sphericity. The KMO measure of sampling adequacy (0.595) is greater than the standard minimum of 0.50. And the chi-square is significant even at zero per cent level. Both these tests confirm the validity of the data for factor analysis. The scores on 22 variables related to the service quality of banks are included for factor analysis. The factor analysis results in 8 important service quality factors.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.595
Bartlett's Test of Sphericity	Approx. Chi-Square	2297.156
	df	231
	Sig.	.000

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.005	18.203	18.203	4.005	18.203	18.203	2.623	11.922	11.922
2	3.207	14.575	32.778	3.207	14.575	32.778	2.597	11.803	23.724
3	2.448	11.126	43.904	2.448	11.126	43.904	2.560	11.636	35.361
4	2.063	9.376	53.280	2.063	9.376	53.280	2.308	10.490	45.851
5	1.584	7.201	60.480	1.584	7.201	60.480	2.265	10.296	56.147
6	1.399	6.357	66.837	1.399	6.357	66.837	1.820	8.272	64.419
7	1.190	5.411	72.248	1.190	5.411	72.248	1.572	7.145	71.565
8	1.135	5.157	77.406	1.135	5.157	77.406	1.285	5.841	77.406
9	.798	3.629	81.034						
10	.610	2.775	83.809						
11	.519	2.359	86.168						
12	.502	2.283	88.451						
13	.454	2.062	90.513						
14	.395	1.794	92.308						
15	.355	1.612	93.919						
16	.306	1.391	95.310						
17	.287	1.307	96.617						
18	.258	1.173	97.790						
19	.175	.795	98.585						
20	.142	.645	99.230						
21	.106	.483	99.713						
22	.063	.287	100.000						

Extraction Method: Principal Component Analysis.

Rotated Component Matrix(a)

	Component							
	1	2	3	4	5	6	7	8
T1	-.030	.247	**.783**	-.008	.064	.038	-.022	-.460
T2	-.059	.246	**.921**	-.014	-.071	.071	-.003	.012
T3	-.051	.062	**.922**	.051	-.064	.027	-.009	.174
T4	.004	-.128	.014	.079	-.012	-.057	-.019	**.959**
Reliability1	-.084	.059	.003	.039	.016	-.005	**.882**	.027
Realiabilty2	.411	-.009	-.035	.045	.074	.011	**.748**	-.059
Reali3	**.871**	.015	-.058	-.096	-.026	-.013	.211	-.037
Reali4	**.800**	.082	.044	.047	-.006	.183	-.072	-.074
Reali5	**.805**	.078	-.112	.007	.071	.169	.058	.128
Res1	-.156	-.008	.215	**.737**	-.060	.209	.091	.028
res2	-.098	-.027	.058	**.816**	-.005	.185	.120	-.067
res3	.161	-.101	-.017	**.734**	.091	-.096	-.019	.136
res4	.070	-.009	-.208	**.703**	.073	-.193	-.115	.006
Ass1	-.055	.045	.027	.003	**.882**	.065	.022	.065
Assy2	.067	.055	-.042	.081	**.858**	.137	-.075	-.007
Assr3	.462	.062	-.039	.158	.241	**.526**	-.326	.003
assy4	.059	-.019	-.067	.010	**.793**	-.019	.105	-.075
Em1	.131	**.872**	.142	-.036	.086	-.163	.012	.015
em2	.062	**.825**	.228	-.059	.013	-.055	-.053	-.237
em3	.170	.608	.222	-.007	.052	**.644**	.082	-.051
em4	.225	-.046	.042	.028	.104	**.843**	.024	-.051
em5	-.052	**.777**	.061	-.073	-.029	.409	.096	.006

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a Rotation converged in 6 iterations.

The eight factors extracted explain service quality variables in co-operative banks to the extent of 77.4%.The 8 factors were in conformity with the dimensions considered for the study. The result of factor analysis is as follows.

- The 22 items considered for the study are reduced to 8 factors

- These 8 factors accounts for 77.4% of the co-variance among the variables.

- Factor 1 is the combination of three scale items included in the reliability dimension.

- Factor 2 is the combination of three scale items included in the empathy dimension.

- Factor 3 is the combination of three scale items included in the Tangible dimension

- Factor 4 is the combination of all scale items included in the Responsiveness dimension

- Factor 5 is the combination of three scale items included in the assurance dimension.

- Factor 6 is the combination of one scale items included in the assurance dimension and 2 scale items in the empathy dimension.

- Factor 7 is the combination of two scale items included in the reliability dimension

- Factor 8 is last scale item in the tangible dimension.

The reliability dimension containing five scale items is split in to 2 factors. Similarly empathy dimension also split into two factors. Courteous attitude of the employees is included in the assurance dimension, but this scale item along with two scale items in empathy dimension namely "personal attention of the employees and feeling for best interest at heart by the bank" forms a separate factor in the analysis. The last tangible scale item namely Materials associated with the service (such as pamphlets or statements) are visually appealing at the bank is accounted as a separate factor.

4.4 Conclusions

The SERVPERF analysis to find service quality among co-operative banks Kerala by taking a sample from Ernakulam district in kerala revealed that perceived service quality is low. In none of the five dimensions of service quality, co-operative banks could score a mean score above 3 in the five point scale. The study highlights the need to look inwards by the co-operative banks to develop standards to satisfy its customers to avoid possible drain of its customer base.

4.1 Limitations of the study

The consumer behavior is a very complex topic and hence any customer based studies

Face certain limitations. The following are certain limitations of this study.

1. The behavior of the customer while approaching them to fill the questionnaire was unpredictable.

2. The shortage of time was another constraint for the study.

3. There may be error due to bias of respondents.

4. Lack of customer awareness about real yardsticks for judgment was a major constraint.

5. The sample was restricted to 200customers, which may restrict the scope

6. The present study is restricted to analysis of service quality using SERVPERF scale. No attempt is made in the study to find out overall attitude of the customer towards co-operative banks.

5. Suggestions

The following suggestions are offered to increase service quality among co-opeartive banks in Kerala.

5.1 Need to Improve the Infrastructure

The tangible dimension in the service quality is a serous matter of concern to co-operative banks. The visually appealing interior formats are a major incentive for the customer to retain its association with the bank. A major issue raised about co-operative banks during pilot study is that delay in attending the customer is more compared with other banks. Poor infrastructure makes this issue more critical. Attempts in the direction to improve the infrastructure are essential for co-operative banks to compete with new generation banks. There should be technology support to improve the quality of service.

5.2 Need for re-orientation to customer centric service parameters

The objective of a customer-centric system is to deeply understand the customers. Then you can give them what they want, how, where and when they want it, in a manner that they are happy. All the rest of marketing won't make up for failures on these key strategic elements. Customer retention is vital in every business point of view. A customer is the most important visitor on your premises. His aspirations and concerns should be viewed with utmost care to retain them.

5.3 Need for differentiation of service offers

To gain a competitive advantage, the firm whether a bank or a company should differentiate itself from its competitors based on the attributes that are important, distinct, communicable, superior, preemptive, affordable and profitable to the customers. Further, co-operative banks should understand the importance of positioning as a strategy to develop customer base. Normally co-operative banks cater the needs of customers with

limited credit requirements .Hence the strategy is to differentiate the service parameters to this segment of customers. Thus positioning of the bank in this segment may impart customer retention. The ability to deliver core services–which may not differ all that much from what others do–in a different manner will introduce customer enthusiasm. Clients will recognize the difference and will show loyalty to the bank.

5.4 Significance of training to bank employees

The soft skills of the employees play an important role in increasing service quality as such. The employees should be trained to remain motivated to perform their duty with utmost care and feeling of concern with the customers. The co-operative banks are lagging far behind in the utilization of technological advancements in the baking sector. The reluctance on the part of the employees to adapt to the changing technological working environment makes the situation further serious. The co-operative banks are known for high level politically motivated trade union activities in the state. This creates a hindrance to the efforts made to train the staff to modern functional banking environment.

5.5 Need for adherence to principles of co-operation

The versatile principles of co-operation are the unique selling proposition for co-operative banks.

The principles such as non-profit motive, democratic control etc impart a kind of ownership feeling to it customers. Of late it is seen due to over political interference and various reasons many co-operative banks have deviated from the principles of co-operation in their functioning. This has resulted in loosing of vast customer base of co-operative banks. The principles of co-operation are the main means of differentiation to co-operative banks when compared with other bank.

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