# Does service quality predict behavioral intentions? An exploratory study in the banking sector in rural Punjab

Dr. Hardeep Kaur & Dr. Rajwinder Kaur
Assistant Professors,
P.G. Department of Commerce and Management
Khalsa College for Women, Amritsar.

**ABSTRACT**

Amidst the broad contours of ongoing financial reforms taking place in the financial system, the banking entities have entered into world of innovative financial services. Every firm is making active efforts in order to understand and react proactively to the needs of the customers. However, in order to attain excellence, envisaging the customer behavioral responses is must for the firms. In light of this, the present study attempts to study the extent of behavioral intentions that could be explained by the service quality constructs. The theoretical framework put forward by Zeithaml et al. (1996) is used to measure behavioral intentions while the modified SERVQUAL scale encompassing dimensions namely customer orientedness, assurance, reliability, image, cost effectiveness, technological updation and tangibility are used to measure the perceptions of service quality with regards to banking sector. A total of 250 customers residing in rural areas of Punjab participated in the study. High proportion of variance in word-of- mouth communication as well as switching propensity has been observed as a consequence of service quality dimensions while a modest proportion of variance has been reported in case of price sensitivity. The findings of the study have implications in terms of devising strategies to please and retain the customers.

**Keywords:** Behavioral intentions, Service quality, SERVQUAL scale, Banking sector.

## Introduction

In an era of fierce competition, the service firms that are offering undifferentiated products are struggling hard to delight their customers. Retaining the customers and turning the prospects into loyal customers is a major issue. The way the customers perceive the service quality has direct impact on their behavioral intentions. Studies have suggested that proper measurement of behavioral intentions helps to predict the actual behavior of the customers i.e. retention or defection (Ajzen and Fishbein, 1980). Zeithaml et.al, (1996) also stated the role of behavioral intentions in determining the issues of customer retention or switching by the business firms. Zeithaml (1981) proposed a multi-dimensional model of behavioral intentions consisting of word-of-mouth, purchase intentions, complaining behavior and price sensitivity. The model was tested by Bloemer et al. (1999) for diverse service industries like fast-food industry, leisure industry etc. and it was reported that the results are industry-specific rather than universally

applicable. Considering the usefulness of predicting the relationship between service quality and behavioral intentions, the objective of this paper is to study the extent to which service quality constructs can determine the behavioral intentions. The study is exploratory in nature and is confined to the perceptions of retail banking customers residing in rural areas of Punjab.

## Review of Literature

### Service Quality and Customers' Behavioural Intentions

Service Quality or a global judgment towards the performance of a service is believed to be a critical element to success in a today's world of fierce competition. In the words of Bitner and Hubbert (1994), service quality refers to "the consumer's overall impression of the relative inferiority/superiority of the organization and its services". Features like intangibility, heterogeneity, inseparability and perishability make it difficult to define and evaluate service quality (Parasuraman et al., 1985). Customer's often judge the service on the basis of what they notice and how they sense the quality. Perceptions serve as the fundamental measurement tool through which clients evaluate the attractiveness and/or desirability of the product or service. Because of the intrinsic credence properties of banking services, the dimensions underlying quality judgments are very specific to delivering quality.

Undoubtedly high levels of service quality provides a competitive edge to the firms in terms of more revenue due to increased market share, superior corporate image, customer satisfaction, enhanced loyalty and customer retention (Kumar et al., 2010). Parasuraman et al., (1988) developed a SERVQUAL scale to measure the service quality and proposed that service quality can be measured by predicting the gap between customer's expectations and perceptions of the performance of the service. They proposed ten dimensions to measure service quality which were later condensed into five dimensions namely reliability, tangibility, assurance, responsiveness and empathy. The SERVQUAL scale was widely used in the marketing literature in diverse sectors such as parks and recreation (Crompton, 1990), hospitality industry (Wilkins et al., 2007), banking industry (Ndubisi, 2007) etc. Nevertheless, the importance of this instrument has been well renowned but the model has been disparaged on both theoretical and operational grounds (Buttle and Burton, 2002). Thus, the constructs of service quality has been of keen interest to service marketing researchers and numerous studies focusing mainly on the cognitive aspects of these constructs (Yu and Dean, 2001; Wong 2013) have been carried out. The role of service quality in assessing the behavioral intentions of the customers has received a little research attention. Cronin and Taylor (1992) and Boulding *et al*. (1993) attempted to study the relationship between the service quality dimensions and the behavioral intentions but both focused on different dimensions of behavioral intentions. Cronin and Taylor (1992) considered repurchase intentions and reported insignificant relationships while Boulding et al. (1993) marked significant relationship of willingness to recommend and repurchase intentions with the service quality dimensions. Moreover, the research done by other researchers (Bloemer et al., 1999; Baker & Crompton, 2000) revealed different relationship between the attributes of two elements. Alexandris et al. (2002) reported that all the behavioral intentions namely word of

mouth communication, intention to purchase and price sensitivity can be significantly determined by the service quality dimensions.

The effect of service quality on behavioral intentions assumes different forms: direct effect, indirect effect or moderating effect by satisfaction (Falk, Hammerschmidt, & Schepers, 2010). Though there are many factors that influence the intention of the consumer yet the perception of service quality is believed to be the most important factor. High perceptions of service quality are related with favorable behavioral intentions and in turn lead to strong bond between the firms and their clientele base. On the other hand, reverse consequences takes place in case of low perceptions regarding service quality. Since these intentions are formed by the customers solely on the basis of how they perceive the services, thus rendering better service quality to existing customers will provide long-term success to the firms as satisfied clients are likely to exhibit favorable behavioral intentions which ultimately bring both monetary and non monetary benefits for the firms. There is however, a need for the service providing firms to understand how behavioral intentions mediate between the service quality and the monetary benefits or losses suffered by the firms due to customer retention or defection.

**Need of the study**

Assuming the importance of understanding the behavior of banking customers to develop effective strategies, this study aimed to empirically examine the relationship between the service quality constructs and behavioral intentions in the retail banking industry in rural Punjab. The modified SERVQUAL scale consisting of constructs namely customer orientedness, assurance, reliability, image, cost effectiveness, technological updation and tangibility, and the four dimensional framework encompassing word-of-mouth communications, switching propensity, complaining behavior and price sensitivity to measure behavioral intentions has been used to study the relationship.

**Method of the study**

**Sample**

The study is based on data collected from retail banking customers residing in rural areas of Punjab. A total of 250 customers were contacted during the two-month study period and a questionnaire consisting of range of statements to study the service quality perceptions and behavioral intentions were presented to them. They were asked to mark their responses on a five-point Likert scale ranking from strongly disagree (1) to strongly agree (5).

**Instrumentation**

**Service quality**

The 31-item modified SERVQUAL scale based on extensive review of studies (Parasuraman et al., 1991; Cronin and Taylor, 1992; Levesque and McDougall, 1996; Yavas et al., 1997; Akbaba, 2006; Choudhury, 2008) was used to measure the following dimensions of service quality:

1. Customer orientedness refers to the way a bank staff tends to look after the needs and wants of their customers in order to establish long-term relations with them. This dimension consisted of six items such as "bank employees understand the specific needs of the customers and serve them accordingly";
2. Assurance is the ability of the employees to express belief and confidence through their knowledge and politeness. It consisted of six items such as "customer centric counseling is given by bank when approached for loans";
3. Reliability is the ability possessed by the employees to carry out the promised service reliably and perfectly. This dimension was measured using four items like "bank provides its services at the time it promises to do so";
4. Cost effectiveness refers to the strategies opted by the firms to achieve high productivity while focusing on service excellence. This dimension consisted of three items such as "bank charges minimal service fees for the services offered to the customers" ;
5. Technological updation consisting of four items such as "website of the bank is fully informative and well designed" tends to explain the way the firms are adopting technology to stay ahead in a competitive market.
6. Image, a chief factor influencing customer satisfaction and behavioral intentions was measured using four items like "my bank acts as a corporate citizen and promotes ethical conduct in everything it does" ;
7. Tangibility consists of manifestation of physical facilities, equipment and communication materials to visual impression over the customers. It was measured with the help of four items such as "the physical facilities (like furniture, counter, seating facility, water facility, etc) available in the bank are visually appealing and matches with the type of services provided."

**Behavioral Intentions**

Keeping in mind the model put forward by Zeithaml et al., (1996) and the attributes used by other researchers (Cronin & Taylor, 1992; Boulding et al., 1993; Bloemer et al., 1999; Baker & Crompton, 2000), a multi-dimensional framework consisting of following constructs were developed to judge the perceived likelihood of a customer:

1. Word of mouth communications, consisting of four items, such as "I often say positive things about my bank to others."
2. Switching propensity, consisting of four items, such as "I would switch to a competitor in case I experience a problem with this bank."
3. Price sensitivity, consisting of four items, such as "I will consider this bank as a first choice to buy or transact services."
4. Complaining behaviour, consisting of three items, such as "I often complain to Bank Employee's, if I experience a problem with this bank."

**Data Analysis**

**Reliability Analysis and Descriptive Statistics**

In order to check the reliabilities of the scales used, the values of alpha were estimated. Table I below depicts the mean score, standard deviation and the values of alpha for the service quality and behavioral intentions constructs. It is revealed from the table I that the values of alpha for all the constructs referring to service quality scales were found to lie above the threshold level. The values were more than 0.80 and hence satisfactory. For the reliability scale also, the analysis revealed that all the items contribute positively to its internal consistency. On the other hand, constructs namely word of mouth communications, switching propensity and price sensitivity had acceptable values of alpha i.e 0.87, 0.83 and 0.70 respectively. The value of alpha for the fourth construct of behavioral intention namely complaining behavior is below the threshold limit. The value is 0.28 which is below satisfactory level. No improvements were found even by dropping this particular item and thus this particular dimension was removed from the scale for further analysis. The customer orientedness dimension of service quality had the highest mean score (6.02), while the reliability (5.50) and tangibility (5.42) had the lowest ones. It signifies that the quality aspects of the retail banking need further improvement. In terms of behavioral intention scales, the mean scores highlight that the majority of the customers expressed they may discontinue to do banking with the same bank if they find any problem as the mean score of the switching propensity was reported to be 5.44. At the same time, they have also developed positive word-of- mouth communications as this construct has mean score of 5.48. On the other hand, the construct price sensitivity reports highest mean score of 6.13 which shows that the customers are fond of high quality services that they are willing to pay more money as well.

**Table I Descriptive statistics and reliability analysis for the service quality scales and behavioral intentions**

| **Constructs** | **Number of items** | **Mean** | **Standard Deviation** | **Coefficient alphas** |
|---|---|---|---|---|
| Customer Orientedness | 6 | 6.02 | 0.81 | 0.89 |
| Assurance | 6 | 5.92 | 0.85 | 0.88 |
| Reliability | 4 | 5.50 | 0.90 | 0.85 |
| Image | 4 | 5.81 | 0.83 | 0.86 |
| Cost Effectiveness | 3 | 5.79 | 0.80 | 0.84 |
| Technological Updation | 4 | 5.68 | 0.78 | 0.83 |
| Tangibility | 4 | 5.42 | 0.41 | 0.81 |
| WOM communications | 4 | 5.48 | 1.05 | 0.87 |
| Switching propensity | 4 | 5.44 | 1.44 | 0.83 |
| Price sensitivity | 4 | 6.13 | 0.91 | 0.70 |
| Complaining Behavior | 3 | 2.21 | 0.61 | 0.28 |

**The relationship between service quality and behavioral intentions**

**WOM Communications and service quality**

Regression analysis was performed taking the seven service quality constructs as the independent variable and the WOM communication scale as the dependent variable. The results are given in the table II. It is clear from the results that the service quality constructs contributed significantly (F= 460, p< 0.001) and a large proportion (92%) variance was reported in the dependent variable. Out of the seven service quality dimensions, six dimensions except tangibility presented notable contributions (customer orientedness, t = 5.8, p< 0.001; assurance, t = 6.8, p< 0.001; reliability, t = 5.9, p< 0.001; image, t = 11.7, p< 0.001; cost effectiveness, t = 20.1, p< 0.001; and technological updation t= 31.1, p< 0.001) towards this dependent construct.

**Switching Propensity and service quality**

Again, regression analysis was performed taking the seven service quality constructs as the independent variable and switching propensity scale as the dependent variable. As shown in table II, the service quality constructs contributed significantly (F= 190.9, p< 0.001) and a large proportion (85%) the variance was reported in the dependent variable. All the seven dimensions significantly contributed (customer orientedness, t = 4.8, p< 0.001; assurance, t = 10.8, p< 0.001; reliability, t = 11.9, p< 0.001; image, t = 13.8, p< 0.001; cost effectiveness, t = 12.1, p< 0.001; technological updation t= 14.9, p< 0.001; and tangibility, t = 2.5, p< 0.005) towards this dependent construct.

**Price sensitivity and service quality**

Here, price sensitivity was assumed as the dependent variable and regression analysis was performed taking the seven service quality constructs as the independent variable. The results highlighted that the service quality constructs contributed significantly (F= 7.49, p< 0.001) but with a moderate proportion (28%) of the variance in the dependent variable. Only three dimensions, customer orientedness (t = 4.8, p< 0.001), assurance (t = 5.42, p< 0.001) and reliability (t = 5.97, p< 0.001) reported considerable contributions towards this dependent construct.

**Table II Simultaneous regression analysis for the prediction of WOM communications and switching propensity**

| **Service quality Constructs** | **WOM communications** | | | | **Switching propensity** | | | |
|---|---|---|---|---|---|---|---|---|
| | **B** | **β** | **t** | **p** | **B** | **β** | **t** | **p** |
| Customer Orientedness | 0.25 | 0.15 | 5.8 | 0.001 | 0.45 | 0.19 | 4.8 | 0.001 |
| Assurance | 0.27 | 0.29 | 6.8 | 0.001 | 0.53 | 0.72 | 10.8 | 0.001 |
| Reliability | 0.14 | 0.28 | 5.9 | 0.001 | 0.42 | 0.48 | 11.9 | 0.001 |
| Image | 0.23 | 0.34 | 11.7 | 0.001 | 0.52 | 0.58 | 13.8 | 0.001 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Cost Effectiveness | 0.34 | 0.56 | 20.1 | 0.001 | 0.41 | 0.56 | 12.1 | 0.001 |
| Technological Updation | 0.43 | 0.90 | 31.1 | 0.001 | 0.43 | 0.61 | 14.9 | 0.001 |
| Tangibility | n.s. | n.s. | n.s. | n.s. | 0.16 | 0.15 | 2.5 | 0.005 |
| | F= 460, p> 0.001, $R^2$ = 0.92 | | | | F= 190.9, p> 0.001, $R^2$ =0.85 | | | |

**Discussions and future research**

This study tried to establish the link between the service quality constructs and the behavioral consequences that may take place due to the perceived service quality with regards to the retail banking in rural Punjab. The results underlined strong support for the predictive power of perceived service quality on word-of- mouth communications and switching propensity explaining 92 percent and 85 percent of the variance respectively. The outcomes were in favor of the findings reported by Zeithaml et al. (1996), Bloemer et al. (1999), Baker & Crompton (2000), and Alexandris et al. (2015), who also suggested predictive power of the model. The results indicate the usefulness of service quality research, since word-of- mouth communications and switching propensity have turned out to be important dimensions of the concept of customer satisfaction and service loyalty.

Non-significant contribution of the tangible element to the prediction of word-of- mouth communications in the banking industry is an attention-grabbing issue. It may be due to the fact that visual impressions formed by the customers on the basis of the tangible element are a necessity today; it is something that is expected and thus does not convince the customer's evaluations. Studies in the other service sectors (Zeithaml and Bitner, 2000) also reported that tangibility does not play a major role in predicting the behavioral intentions of the customers. Further, on comparing the results of the study with those presented by Bloemer et al. (1999), it was found that the context of the study is noteworthy in determining the predictive power the individual constructs. In the present study, technological updation seemed to dominate the word-of- mouth communications and switching propensity. Cost effectiveness and image were also found to be important constructs in predicting both word-of- mouth communications and switching propensity.

Zeithmal et al. (1996) put forward a proposition that price sensitivity and complaining behaviour were also vital elements of behavioral intentions and were related with service quality perceptions. But in this particular study, the scale related to complaining behavior was rejected due to very low reliability score (0.28). With regards to price sensitivity, it was determined that majority of the banking customers are ready to pay ore just to receive better services. This finding is based on the characteristics of the sample. However, three dimensions- customer orientedness, assurance and reliability reported considerable contributions in predicting this construct. This is an issue that needs further investigation, since it could be important for the managers. Further the sample used for this particular study was of limited size, thus care should be taken while generalizing the results. Taking into account the critique of the contextual meaning of service

quality (Ekinci and Riley, 1999), other modified versions of SERVQUAL scale can be considered to establish the relationship with behavioral intentions. Moreover, the relationship can also be studied on the basis of gaps between customer's expectations and customer's perceptions. Finally, the low internal consistency reliability of complaining behavior scale should also be considered. Furthermore, the concept of customer satisfaction and customer loyalty could also be included to understand the behavioral components.

**References**

Akbaba, A. (2006). Measuring service quality in the hotel industry: A study in a business hotel in Turkey. *International journal of hospitality management*, *25*(2), 170-192.

Alexandris, K., Dimitriadis, N., & Markata, D. (2002). Can perceptions of service quality predict behavioral intentions? An exploratory study in the hotel sector in Greece. *Managing Service Quality: An International Journal*.

Armstrong, R. W., Mok, C., Go, F. M., & Chan, A. (1997). The importance of cross-cultural expectations in the measurement of service quality perceptions in the hotel industry. *International Journal of Hospitality Management*, *16*(2), 181-190.

Anabila, P., Narteh, B., Tweneboah-Koduah, E. Y., & Box, L. G. (2012). Relationship marketing practices and customer loyalty: evidence from the banking industry in Ghana. *European Journal of Business and Management*, *4*(13), 51-61.

Baker, D. A., & Crompton, J. L. (2000). Quality, satisfaction and behavioral intentions. *Annals of Tourism Research*, *27(3)*, 785-804.

Bitner, M. J., & Hubbert, A. R. (1994). Encounter satisfaction versus overall satisfaction versus quality. *Service quality: New directions in theory and practice*, *34*(2), 72-94.

Bloemer, J., De Ruyter, K. O., & Wetzels, M. (1999). Linking perceived service quality and service loyalty: a multi-dimensional perspective. *European Journal of Marketing*, *11(12)*, 1082-1106.

Boulding, W., Kalra, A., Staelin, R., & Zeithaml, V. A. (1993). A dynamic process model of service quality: from expectations to behavioral intentions. *Journal of Marketing Research*, *30(1)*, 7-27.

Buttle, F., & Burton, J. (2002). Does service failure influence customer loyalty? *Journal of Consumer Behaviour: an international research review*, *1*(3), 217-227.

Choi, K. S., Cho, W. H., Lee, S., Lee, H., & Kim, C. (2004). The relationships among quality, value, satisfaction and behavioral intention in health care provider choice: A South Korean study. *Journal of Business Research*, *57(8)*, 913-921.

Choudhury, K. (2008). Service quality: insights from the Indian banking scenario. *Australasian Marketing Journal (AMJ)*, *16(1)*, 48-61.

Crompton, J. L. (1990). Attitude determinants in tourism destination choice. *Annals of tourism research*, *17*(3), 432-448.

Cronin Jr, J. J., & Taylor, S. A. (1992). Measuring service quality: a reexamination and extension. *Journal of marketing*, *56*(3), 55-68.

Falk, T., Hammerschmidt, M., & Schepers, J. J. (2010). The service quality-satisfaction link revisited: exploring asymmetries and dynamics. *Journal of the Academy of Marketing Science*, *38*(3), 288-302.

Finn, D. W. & Lamb, C.W. (1991). An evaluation of the SERVQUAL scales in a retailing setting. *ACR North American Advances*, *18(2)*, 483-490.

Fishbein, M., & Ajzen, I. (1975). Belief, attitude, intention and behavior: An introduction to theory and research, Reading, Mass: Addison- Wesley Pub. Co.

Ibrahim, E. E., Joseph, M., & Ibeh, K. I. (2006). Customers' perception of electronic service delivery in the UK retail banking sector. *International Journal of Bank Marketing*, *24(7)*, 475-493.

Jen, W., Tu, R., & Lu, T. (2011). Managing passenger behavioral intention: an integrated framework for service quality, satisfaction, perceived value, and switching barriers. *Transportation*, *38(2)*, 321-342.

Kumar, M., Kee, F. T., & Charles, V. (2010). Comparative evaluation of critical factors in delivering service quality of banks. *International Journal of Quality & Reliability Management*, *27(3)*, 351-377.

Kuruuzum, A., & Koksal, C. D. (2010). The impact of service quality on behavioral intention in hospitality industry. *International Journal of Business and Management Studies*, *2(1)*, 9-15.

Lee, J., Graefe, A. R., & Burns, R. C. (2004). Service quality, satisfaction, and behavioral intention among forest visitors. *Journal of Travel & Tourism Marketing*, *17*(1), 73-82.

Levesque, T., & McDougall, G. H. (1996). Determinants of customer satisfaction in retail banking. *International Journal of Bank Marketing*, *14(7)*, 12-20.

MacKay, K. J., & Crompton, J. L. (1990). Measuring the quality of recreation services. *Journal of Park and Recreation Administration*, *8*(3), 47-56.

Ndubisi, N. O. (2007). Relationship quality antecedents: the Malaysian retail banking perspective. *International Journal of Quality & Reliability Management*, *18(7)*, 534-546.

Oh, H. (1999). Service quality, customer satisfaction, and customer value: A holistic perspective. *International Journal of Hospitality Management*, *18*(1), 67-82.

Pritchard, M. P., Howard, D. R., & Havitz, M. E. (1992). Loyalty measurement: A critical examination and theoretical extension. *Leisure Sciences*, *14*(2), 155-164.

Rust, R. T., & Oliver, R. L. (2000). Should we delight the customer? *Journal of the Academy of Marketing Science*, *28*(1), 86-102.

Ryu, K., & Jang, S. S. (2007). The effect of environmental perceptions on behavioral intentions through emotions: The case of upscale restaurants. *Journal of Hospitality & Tourism Research*, *31*(1), 56-72.

Tsaur, S. H., Lin, C. T., & Wu, C. S. (2005). Cultural differences of service quality and behavioral intention in tourist hotels. *Journal of Hospitality & Leisure Marketing*, *13*(1), 41-63.

Wakefield, K. L., & Blodgett, J. G. (1996). The effect of the servicescape on customers' behavioral intentions in leisure service settings. *Journal of Services Marketing, 10(6),* 45-61.

Wilkins, H., Merrilees, B., & Herington, C. (2007). Towards an understanding of total service quality in hotels. *International Journal of Hospitality Management*, *26*(4), 840-853.

Wong, I. A., & Dioko, L. D. A. (2013). Understanding the mediated moderating role of customer expectations in the customer satisfaction model: The case of casinos. *Tourism Management, 36,* 188-199.

Yavas, U., Bilgin, Z., & Shemwell, D. J. (1997). Service quality in the banking sector in an emerging economy: a consumer survey. *International journal of bank marketing, 60(2),* 31-46.

Yu, Y. T., & Dean, A. (2001). The contribution of emotional satisfaction to consumer loyalty. *International journal of service industry management, 32(3),* 387-410.

Zeithaml, V. A. (1981). How cdnsuper evaluation processes dlffer between goods and serveces. In *Conference: American Marketing Association First Services Marketing Conference,* 186-190.

Zeithaml, V. A., Berry, L. L., & Parasuraman, A. (1996). The behavioral consequences of service quality. *Journal of Marketing, 60(2),* 31-46.

Zeithaml, V.A. & Bitner, M.J. (2000), Services Marketing, McGraw-Hill, Boston, MA