

FACTORS INFLUENCING SERVICE QUALITY IMPROVEMENT IN THE NIGERIAN BANKING SECTOR: A DISCOURSE

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Abstract

Service quality standardization and improvement are necessary in attracting and retaining profitable bank customers. However, bank service quality is not only a function of SERVQUAL as commonly argued in service marketing literature, but of other organizational and environmental forces yet to be accorded rightful academic discourse. Thus, this paper is devoted to discussing forces other than SERVQUAL that can influence service quality of bank offerings. This conceptual paper was written through library research rather than field research. The study identified eleven forces that could influence service quality of bank offerings, namely government regulations, customer expectations/needs, customers' purchasing power, competition, companies' financial capacity, company's marketing orientation, staff training and development, level of research and development support, extent of technological adoption, economic condition, and SERVQUAL/SERVPERF survey.

Keywords: marketing, services, value, competition, strategy

Introduction

Globalization through ICT revolution has increased customers' knowledge about what should constitute ideal quality of banking services at any given time and anywhere in the world, including Nigeria. Consequently, bank customers have become more difficult to satisfy as their demand for improved bank service quality is on the rise on continuous basis thereby

making service quality consolidation and delivery very challenging to the operators.

In business parlance, improving service quality is a worthwhile investment as long as it can generate adequate revenue to recover the incurred cost and realize some profit. Thus, managerial decision to improve service quality especially in the banking sector must consider certain factors that influence service quality development, delivery, measurement and control to avoid pitfalls and as well maximize stakeholders' value – bank, customers, shareholders, employees and government.

Literature on the determinants of service quality revolves around SERVQUAL and SERVPERF models which dwell more on personnel competencies, customer needs, and service tangibility or visibility. However, certain forces within and outside the bank institutions could influence level of bank service quality delivery to the esteem customers. These forces have so far been debased in service quality literature, hence the need for a discourse on the factors influencing service quality improvement and delivery in the banking sector.

Concept of service quality

Service quality means 'quality service', 'premium service', 'superior service', 'excellent service' or 'satisfactory service' (Saddique, Kasim and Rahman, 2011; Arthur-Mends, 2016; Mawoli, 2018). Satisfactory quality service is one that meets or exceeds customer expectations (Palmer, 2005; Yea Shao and Li, 2009) or conforms to certain specification (Crosby, 1984). Customer expectation is the cumulative total of service information that a customer source from his/her personal needs and experiences, other customers' word-of-mouth communication (testimony and endorsement), industrial standards, and company promotional activities (Kotler and Keller, 2007; Parasuraman, Zeithaml and Berry, 1985). In other words, a bank's service quality is a situation whereby the bank is able to provide services in accordance with industrial minimum standards that meet or exceed customer's personal needs and at the same time confirm the good-stories about the company services as expressed by customers and promised by the company. Customer expectation forms the basis or standard upon which received or delivered services are compared.

The elements of service quality are tangibility, reliability, responsiveness, assurance and empathy (Parasuraman, *et al.* 1985). Thus, service quality can be defined as the ability of a firm and its personnel to provide services considered by consumers as tangible, reliable, responsive, assuring and empathic. *Tangible service* is the ability of the bank to visualize, concretize, and tangibilize its service offers through procurement, installation and application of modern operation facilities in an ambient environment. *Reliable service* is the ability of a bank to keep accurate customer data and provide accurate and error-free customer transactions. *Responsive service* is the ability of the bank personnel to attend to customers speedily, timely and willingly. *Assuring service* is the ability of bank personnel to demonstrate good knowledge of the job and courtesy that instills confidence in customers. *Empathic service* is the ability of the bank personnel to provide customized and personalized services. Bruhn and Georgi (2006) affirm that employees, tangibles and technology are the most important service and service quality resources.

Scholars are unanimous that service quality specification, measurement and control are the responsibilities of top managers (Kotler and Keller, 2007). However, service quality performance can best be determined from customer perspective (Cronin and Taylor, 1994) usually through a survey. Consequently, Scheinder and White (2004) argue that service quality is a subjective phenomenon because two customers can consume the same service but judge its quality differently.

Approaches to measuring service quality

The two popular approaches in measuring service quality are Service Quality (SERVQUAL) model and Service Performance (SERVPERF Model). The SERVQUAL model, also called disconfirmation model, is developed by Parasuraman, Zeithaml and Berry in 1985. The model states that service quality is the arithmetic positive difference or neutrality between *customer perceptions* and *customer expectations* ('P = E' or 'P > E'). However, SERVPERF model otherwise called performance-only-measure was developed by Cronin and Taylor (1994). It advocated for a more direct measurement of service quality such that customers can rate service provider's performance by totally disregarding the issue of customer expectations.

Determinants of service quality

Zeithaml, Parasuraman and Berry (1990), through focus research identified ten generic dimensions that customers use to evaluate service quality, namely credibility, security, access, communication, understanding the customer, tangibles, reliability, responsiveness, competence, and courtesy.

- i. **Credibility:** this refers to the extent to which customers perceive service provider to be trustworthy, believable and honest. In other word, does the bank have good reputation?
- ii. **Security:** this is concerned with the degree to which customers perceive their transactions with the banks to be free from danger or risk. Put differently, are the banks mobile applications safe from intrusion? Are the banks ATM terminals secured?
- iii. **Access:** this addresses the question of whether banks' staff is approachable or easy to contact when a customer needs to lay complaints or make enquiries.
- iv. **Communication:** this can be defined as the ability of bank staff to give customers attentive listening ear and also get them informed in the language they understand. Impliedly, does the bank personnel avoid use of technical financial jargons when communicating with customers?
- v. **Understanding the customer:** it is very important for banks' staff to make efforts to know customers and their needs. Is the bank aware that a customer is sick and need to be attended to quickly without following queuing protocols?
- vi. **Tangibles:** this has to do with the appearance of physical, equipment, personnel, and communication materials.
- vii. **Reliability:** this refers to the ability of a bank and its staff to perform the promised service dependably and accurately. Is the customers' transaction with the bank erroneously recorded? Is the customers' account under credited and over debited?
- viii. **Responsiveness:** responsiveness is said to be established when bank staff have willingly help customers to provide prompt services. That is, is the bank ready, willing and quick to approve overdraft application by a profitable and loyal customer?
- ix. **Competence:** this can be defined as the extent to which banks' staff are perceived to possess the skills and knowledge required to perform the banking services.
- x. **Courtesy:** this is the degree to which customers perceive banks' staff to be polite, respectful, considerate and friendly. Does the gateman or tellers consistently greet bank customers when they step into the bank premised and bid them farewell when leaving?

Factors influencing service quality in Nigerian banks

Several factors can motivate service providers to improve or decrease the quality of service offers:

- i. **Government regulations:** If service quality is generally regarded as the ability of a company to meet certain standards, then the question is who has the authority to set product and service standards, especially in view of the need to protect the interest of the customers and the general public? World-over, only governments have the sole authority of setting and regulating minimum quality standards for each industry. In the Nigerian banking industry, the Central Bank of Nigeria (CBN) regulates quality standards of the commercial banks. Thus, if CBN sets new minimum customer service standards for commercial banks, compliance will translate to improved service quality.
- ii. **Customers' expectations/needs:** The motive for consumer purchases is to satisfy customer needs or expectation. Customers form expectation prior to purchases usually through government's announced minimal standards, company adverts and promises, customers' past experiences, and word-of-mouth (Parasuraman, Zeithamal and Berry, 1985). High customers' expectations push companies to upgrade service quality and vice-versa.
- iii. **Customer purchasing power:** In business, service quality has its accompanying value and/or price. That is, the price customers are capable and willing to pay for certain service quality will determine the cost the service-providers will be ready to expend in providing such quality services, and vice versa. The rule that prevails is 'there should be value for money, and money for value' on the part of customers and companies respectively. Thus, where a company's target market has low purchasing power, they may be unable to pay for high service quality which hinders service quality improvement decisions and action by the company. The opposite is the case with companies targeting customers with high purchasing power.
- iv. **Competition:** Service quality is one form of marketing strategies used in surviving and winning business competition. Thus, quality of products and services of different companies differ. Certain companies create a niche through service quality, some takeover market leadership position through service quality, while others can successfully challenge the market leader through service quality. Mawoli (2017) affirms that service quality is a common competitive strategy for not only attracting or snatching new customers, but for retaining the banks' existing customers and disallowing other competitors from snatching them away.
- v. **Company's financial capacity:** Quality service is a function of money; in fact, it is a costly investment (Mawoli, 2017). Thus, banks with stronger financial base can provide better and superior service quality than counterparts with weak financial status. Mawoli (2018) found that strong

deposit money banks in Minna invested more on service quality than weak banks during economic recession.

- vi. **Company's marketing orientation:** Companies pursue different marketing orientations - production, product, selling, customer, societal, and customer-relationship-management (CRM) orientations. However, only product, customer and CRM orientations support quality consciousness and improvement. Thus, banks that imbibe quality-improvement marketing orientations value customers; also, they depend on customers' feedback on how the banks are performing along service encounters; and they seek new ideas on quality improvement.
- vii. **Staff training and development:** Given the uniqueness of service as compare to goods (Kotler and Keller, 2007) especially in terms of its inseparable and simultaneity nature, companies' staff need to be trained on regular basis on issues that could raise or deteriorate service quality ranging from courtesy, competence, responsiveness, reliability, tangibility, empathy, communication, approachability, security, and credibility (Zeithaml, Parasuraman and Berry, 1990). Mawoli (2018:2-3) clarifies:
the tangibility dimension (visualizing and modernizing physical facilities) was developed to neutralize the intangibility feature of services; the reliability dimension (accurate and standardize service delivery) was introduced to resolve the concretization problems associated with heterogeneity characteristic of services; the responsiveness dimension (timely delivery of services) is invented to unlock the problem of measuring the perishable nature of services; the assurance dimension (demonstrating service knowledgability to customers) and empathy dimension (providing individualized service) are there to simplify measurement of the inseparability and indivisibility attributes of services.
- viii. **Level of research and development support:** Technology is associated with service quality delivery in banks and service industry in general. Through research, new technologies evolve and improved quality services are provided. Thus, the degree of service quality sophistry and improvement is a function of the amount of financial, human and material resources nations, industries and universities commit to research and development.
- ix. **Extent of technological adoption:** In a globalized world strengthened by economic unions that support free trade among member states, latest service-support technologies can be shipped from a more technological advanced country to a less technologically advanced one. Thus, banks with high technology adoption rate or culture can improve level of their service quality in the industry over and above that of the competitors.

- x. **Economic situation:** All business strategies, including service quality, are meant to be implemented in an economy and therefore, affected by the changes in economic condition. During economic boom and unlike the period of economic recession, businesses thrive profitably as much money is in circulation due to adequate employment of labour and other economic resources. Thus, banks can invest to improve their service quality to the delight of customers, while the customers reciprocate by paying premium price for improved service quality. Sahin, Kitao, Cororaton and Laiu's (2010) study revealed that large enterprises are less affected by economic recession than small enterprises.
- xi. **SERVQUAL/SERVPERF surveys:** Funding SERVQUAL/SERVPERF surveys using Nigerian banks as case studies, and effectively disseminating the research findings to the bank executives who are the decision makers and policy developers can go a long way in providing relevant inputs for service quality improvements. Therefore, adoption and sustainability of SERVQUAL and SERVPERF research can influence state of service quality delivery in the bank.

Conclusion

The banking sector is one of the most regulated, competitive, technologically driven and customer-valued sector within the service industry of the economy because of its financial intermediation roles from the areas of surplus to the areas of deficit. This has increased the need for individual banks to improve the quality of their service offerings on sustainable basis to flow above competition. Improving service quality of bank offerings is not only a function SERVQUAL (tangibility, reliability, responsiveness, assurance and empathy) but of other extraneous variables, namely government regulations, customer expectations/needs, customers' purchasing power, competition, companies' financial capacity, company's marketing orientation, staff training and development, level of research and development support, extent of technological adoption and economic situation among others. The paper, therefore, recommends that bank executives should appraise the organizational and environmental forces that impact service quality decisions if business profit and stakeholders' values are to maximized.

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