RELATIONSHIP MARKETING STRATEGIES AND CUSTOMER PERCEIVED SERVICE QUALITY IN BANKS

Dr. Udayakumar. OK
Associate Professor
PG Department Of Commerce
Govt College Madappally
Vadakara
India

Aswin Prakash P
Assistant Professor
School Of Management Studies
Chinmaya Institute Of Technology
Kannur
India

One of the determinants of the success of relationship marketing of a bank is service quality perceived by the customers. It is this perceived quality which determines the strength of the Relationship Marketing. Every customer has an expectation as to the service quality they suppose to receive when they approach a bank. Service quality is measured by how well a service is delivered by a bank in relation to its customer expectations. Banks that meet or exceed their customers’ expectations are considered to have high service quality. Thus, in this era of increased competition, in order to prosper, it has become imperative for banks to focus on developing long-term relationships with their customers. This paper explores as to what kind of relationship marketing strategies banks are pursuing in today’s competitive environment and what is the effect of these strategies on service quality as perceived by the customers.

Key Words: Relationship marketing, Service Quality, Customer Expectation, Marketing Strategies

Introduction

Relationship marketing implies attracting, maintaining and enhancing customer relationships. Servicing and selling to an existing customer is viewed to be just as important to long term marketing success as acquiring new customers. Some of the benefits of pursuing relationship marketing that acquiring new customer are more costly than retaining existing ones. One of the determinants of the success of the relationship marketing strategies is how the customer perceives the resulting service quality. This is because it is the perceived service quality that is the key driver of perceived value. It is the perceived value which determines the strength of the Relationship Marketing Strategies of the banks. Service quality measures how well a service is delivered compared to customer expectations. Banks that meet or exceed the expectations are considered to have high service quality.

Significance of the Study

The forces of deregulation, globalisation and advancing technology have greatly increased the competitive pressure in the banking industry. The banking industry is going through turbulent times. Since financial reforms started, banks have been given a great degree of freedom in determining their rate structure for deposits and advance. The freedom of choice which bank customers did not have earlier because of standardised product and regimented interest rates has now been given to the customers. Banks are functioning under competitive pressures emanating from within the banking system from non banking institutions as well as from the domestic and international capital markets. Thus in this era of increased competition, it will be imperative for banks to focus on developing relationship marketing strategies and service qualities with their customers. This paper covers a detailed analysis of the service quality of the banks and examines the relationship between Relationship Marketing Strategies and Service Quality.
Scope of the Study

The study is confined to making a comparative analysis of the Relationship Marketing Strategies of banks in Kerala. Among the banks in Kerala three banks each of public sector and private sector are considered. For the purpose of the study various aspects Relationship Marketing Strategies are analysed from the perceptions of the customers of the banks. The customers selected for the study includes SBI, PNB and Canara bank from public sector and HDFC bank, Axis bank and ICICI bank from private sector banks with equal representation.

Objectives of the study

The objectives of the study are:

- To analyse the level of working of Relationship Marketing Strategies of banks.
- To examine the perceptions of the customers regarding the impact of Relationship marketing Strategies on Service Quality.

Hypotheses

In this study the researcher has formulated and tested the following hypotheses:

1. $H_0_1$: The level of implementation of Relationship Marketing in banks is excellent.
2. $H_0_2$: There is no significant relationship between Relationship Marketing Strategies and Customer perceived Service Quality.

Methodology of the Study

The methodological aspects of the study are narrated under the following heads.

Sources of Data and Method of Collection

The study is descriptive in nature and is mainly based on primary data. Primary data was collected from the customers of public and private sector banks by using a well structured questionnaire. The study made use of certain secondary data also, which was collected from magazines, journals, and the publication of RBI, books, reports, internet source and some other published and unpublished sources.

Sampling Technique

A Stratified Random Sampling Technique was used for the selection of sample respondents of both public and private sector banks in Kerala. At the outset, considering the area of entity, the whole state of Kerala is divided into three strata, namely, northern, central and southern regions. One district from each region was selected by using simple random sampling to represent the region. For the purpose of the study, six banks – SBI, PNB and Canara banks from the public sector and HDFC, ICICI and Axis banks from the private sector have been considered. 90 customers were selected from each bank by using simple random sampling method.

Confirmatory Factor Analysis

Before analysing the impact of Relationship marketing strategies on Service quality, the researcher considers the measurement model of factors of service quality to test the convergent validity. Customers’ perception regarding the impact Relationship Marketing Strategies on service quality is studied on service quality perceptions, which are based on the five dimension model comprising Reliability, Tangibility, Empathy, Assurance and Responsiveness. For this purpose, Relationship Marketing Strategies is considered as an independent variable and Service Quality as a dependent variable.
Reliability:

For measuring the reliability for service quality, the following hypotheses are framed.

H0: Constructs R1 to R4 has no effect on Reliability
H1: Constructs R1 to R4 has significant effect on Reliability

Table Showing
Model Fit Indices for CFA – Reliability

<table>
<thead>
<tr>
<th></th>
<th>$\chi^2$</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>TLI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability</td>
<td>.001</td>
<td>1</td>
<td>.981</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>.000</td>
<td>.000</td>
<td></td>
</tr>
</tbody>
</table>

All the attributes loaded significantly on the latent constructs. The value of the fit indices indicates a reasonable fit of the measurement model with data.

Tangibility

In order to measure the tangibility for assessing service quality the following hypotheses are framed.

H0: Constructs T1 to T5 has no effect on Tangibility
H1: Constructs T1 to T5 has significant effect on Tangibility

Table
Model Fit Indices for CFA – Tangibility

<table>
<thead>
<tr>
<th></th>
<th>$\chi^2$</th>
<th>DF</th>
<th>P</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>TLI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibility</td>
<td>6.790</td>
<td>5</td>
<td>.237</td>
<td>1.358</td>
<td>.995</td>
<td>.985</td>
<td>.998</td>
<td>.999</td>
<td>1.000</td>
<td>.003</td>
</tr>
</tbody>
</table>

All the attributes loaded significantly on the latent constructs. The value of the fit indices indicates a reasonable fit of the measurement model with data.

Empathy

For measuring the empathy, the following hypotheses are framed.

H0: Constructs E1 to E4 has no effect on Empathy
H1: Constructs E1 to E4 has significant effect on Empathy
Table Showing
Model Fit Indices for CFA – Empathy

<table>
<thead>
<tr>
<th></th>
<th>$\chi^2$</th>
<th>DF</th>
<th>P</th>
<th>Normed $\chi^2$</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>TLI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Empathy</td>
<td>1.297</td>
<td>1</td>
<td>.255</td>
<td>1.297</td>
<td>.999</td>
<td>.988</td>
<td>1.000</td>
<td>.999</td>
<td>1.000</td>
<td>.001</td>
<td>.023</td>
</tr>
</tbody>
</table>

All the attributes loaded significantly on the latent constructs. The value of the fit indices indicates a reasonable fit of the measurement model with data.

Assurance

Following hypotheses are framed for measuring the assurance

H0: Constructs A1 to A4 has no effect on Assurance
H1: Constructs A1 to A4 has significant effect on Assurance

Table Showing
Model Fit Indices for CFA – Assurance

<table>
<thead>
<tr>
<th></th>
<th>$\chi^2$</th>
<th>DF</th>
<th>P</th>
<th>Normed $\chi^2$</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>TLI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assurance</td>
<td>1.228</td>
<td>1</td>
<td>.268</td>
<td>1.228</td>
<td>.999</td>
<td>.989</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>.001</td>
<td>.021</td>
</tr>
</tbody>
</table>

All the attributes loaded significantly on the latent constructs. The value of the fit indices indicates a reasonable fit of the measurement model with data.

Responsiveness

For measuring the suitability of responsiveness, the following hypotheses are framed.

H0: Constructs Res1 to Res4 has no effect on Responsiveness
H1: Constructs Res1 to Res4 has significant effect on Responsiveness.

Table Showing
Model Fit Indices for CFA – Responsiveness

<table>
<thead>
<tr>
<th></th>
<th>$\chi^2$</th>
<th>DF</th>
<th>P</th>
<th>Normed $\chi^2$</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>TLI</th>
<th>CFI</th>
<th>RMR</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsiveness</td>
<td>.000</td>
<td>0</td>
<td>.000</td>
<td>0</td>
<td>1.000</td>
<td>.000</td>
<td>1.000</td>
<td>.000</td>
<td>1.000</td>
<td>.000</td>
<td>1.190</td>
</tr>
</tbody>
</table>

All the attributes loaded significantly on the latent constructs. The value of the fit indices indicates a reasonable fit of the measurement model with data.
Result and Interpretation

For measuring the level service quality in banks, researcher calculated the mean score percentage of the service quality (73.73%), which indicates that the level of service quality in banks is good. The CV indicates that the score is stable as the value is less than 20%. To verify whether the level of service quality in banks is good or excellent, Z test is used and the hypothesis is that the mean score of the service quality is excellent (75 percent of maximum possible score of 100) against the alternative hypothesis is that the mean score of the service quality is not excellent.

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Mean % Score</th>
<th>CV</th>
<th>Z</th>
<th>P Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Quality</td>
<td>540</td>
<td>73.73</td>
<td>7.54</td>
<td>73.73</td>
<td>10.23</td>
<td>-3.903</td>
<td>0.001</td>
</tr>
</tbody>
</table>

Source: Primary Data

Table shows that the mean score of service quality is 73.73 with a SD of 7.54, while the maximum score of the service quality is 100 (mean percentage score is 73.73). It further shows that the calculated value of Z is -3.903 and P value is 0.001. As calculated Value of P is less than 0.05, null hypothesis is rejected and it is concluded that the level of service quality in banks is good.

Bank Wise Service Quality Evaluation

For measuring the bank wise service quality, the following hypothesis is framed.

H1: The mean Score of Service quality is same for all the banks.

For the purpose of the study, ANOVA is applied and the result is exhibited in Table illustrated below:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Bank</th>
<th>N</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>F</th>
<th>P Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Quality</td>
<td>SBI</td>
<td>90</td>
<td>72.14</td>
<td>4.45</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Canara Bank</td>
<td>90</td>
<td>66.06</td>
<td>4.97</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>PNB</td>
<td>90</td>
<td>68.30</td>
<td>6.10</td>
<td>174.616</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td></td>
<td>HDFC</td>
<td>90</td>
<td>83.38</td>
<td>3.74</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Axis</td>
<td>90</td>
<td>73.57</td>
<td>4.31</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ICICI</td>
<td>90</td>
<td>78.96</td>
<td>4.06</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data
Table shows the bank wise customers’ perception on the service quality. It shows that the mean score of service quality is high in HDFC Bank (83.88), followed by ICICI Bank (78.96) with a standard deviation of 3.74 and 4.06 respectively. The mean score of Axis bank is 73.57, SBI is 72.14 and PNB is 68.30 with a SD of 4.31, 4.45, and 6.10 respectively.

The results of the ANOVA test depicted in Table also reveals that a statistical value of P is less than 0.05 for the variables, hence, the hypothesis $H_1$ rejected. So it can be concluded that the mean score of service quality perceived by the respondents differ with Banks.

**Bank Type Wise Service Quality Evaluation**

In order to analyse type of bank wise service quality the following hypothesis is framed.

$H_0$: The mean Score of Service quality is similar for public and private sector banks.

An independent sample Z test is used to compare the mean scores of variables for two different groups, that is, public and private sector banks and the results are shown in Table below:

**Table Showing Mean, Standard Deviation and Z Value for Type of Bank**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Type of bank</th>
<th>N</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Z</th>
<th>P Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service quality</td>
<td>Public</td>
<td>270</td>
<td>68.83</td>
<td>5.78</td>
<td>-19.861</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td></td>
<td>Private</td>
<td>270</td>
<td>78.63</td>
<td>5.69</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Primary Data*

Table reveals that the mean score of service quality is higher (78.63) with a SD of 5.69 in private sector banks. The mean score of public sector bank is 68.83 with a SD of 5.78. The result also shows that there exists significant difference between public and private sector banks as to service quality since $P$ value is less than 0.001. So the hypothesis $H_0$ is rejected. Therefore, it can be concluded that there exists significant difference in the service quality between public and private sector banks.

**Analysis of the Impact of Relationship Marketing Strategies on Service Quality**

For analysing the objective of the impact of CRM on service quality, CRM has been considered as an independent variable and service quality as a dependent variable.

The relationship between the two variables is studied with the help of correlation analysis. Correlation is an appropriate measure to analysis the relationship between two variables which are interval-scaled and ratio-scaled. Furthermore, correlation coefficients reveal magnitude and direction of relationships which are suitable for hypothesis testing. The researcher used Pearson Correlation to identify the relationship of Relationship Marketing Strategies with service quality. For analysing the same the following hypothesis is formed.

$H_0$: There is no significant relationship between Relationship Marketing Strategies and Service Quality.
### Table Showing

**Correlation of Relationship Marketing Strategies with Service Quality**

<table>
<thead>
<tr>
<th></th>
<th>Correlation</th>
<th>Lower bound</th>
<th>Upper bound</th>
<th>Z</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship</td>
<td>0.994</td>
<td>0.994</td>
<td>0.994</td>
<td>210.785</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td>Marketing Strategies-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service quality</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Primary Data*

From the Table 5.88, it is observed that the correlation coefficient of Relationship Marketing Strategies with service quality is greater than 0.5 (0.994) and the P value is significant for all the levels and hence the hypothesis is rejected. So it may be concluded that there exists a positive relationship between Relationship Marketing Strategies and Service Quality.

### Findings of the Study

1. The level of service quality evaluation reveals that the mean score of service quality is 73.73 (73.73%). The Z test applied reveals that the level of service quality in banks is medium level.
2. Bank wise service quality evaluation shows that the mean score of service quality is high in HDFC bank (83.38) followed by ICICI bank (78.96). The mean score of Axis bank is 73.57, SBI 72.14, PNB is 68.30 and Canara Bank is 66.06. The F test applied reveals that there exists significant difference in the mean score of service quality among the respondents of different banks. The post-hoc test reveals that significant difference exists in the mean score of service quality between all the individual banks considered.
3. Bank type wise service quality evaluation discloses that the mean score of service quality is higher (78.63) in private sector banks as compared to public sector banks (68.83). The result of Z test shows that significant difference exists in the mean score of service quality between public and private sector banks.
4. Correlation analysis of Relationship Marketing Strategies with Service Quality reveals that there exists a positive relationship between Relationship Marketing Strategies and service quality.

### Conclusion

The banking sector in the current scenario has emerged as the key sector in an economy. The significance of it is further emphasised by the increase in the number of group in the sector. The severe competition customary among the public and private sector banks has led them to taking all the appropriate steps to do well. Therefore, they must strategise their business approach and plans in such an effective way that they can maintain themselves in a profitable manner for a longer period of time. The present study on Relationship Marketing Strategies and Customer perceived Service Quality in banks in Kerala concludes Relationship Marketing Strategies have significantly and positively influenced on Service Quality.
Bibliography


www.academia.edu
www.indianjournals.com
www.globaljournals.com
www.rbi.org.in
www.researchfront.in
www.shodganga.inflibnet.ac.in
www.iba.or.in
www.banknetindia.com
www.magic.sw.com
www.sas.com
www.magic.sw.com
www.crm-forum.com/academy