



# The Quality of Service of Commercial Banks in The City of Tarlac

**Narciso A. Martin, Jr.**

*Department of Education Region 1 – La Union Schools Division Office*

*Philippine Association of Researchers and Statistical Software Users, Inc. (PARSSU)*

**Abstract** –This study used the descriptive method of research and described the quality of service of selected commercial banks in Tarlac city. The study had one-hundred six (106) respondents who were chosen through systematic random selection. The SERVQUAL questionnaires developed by Parasuraman et al., (1988) and interviews were the main tools in the data gathering. Rankings on the performances gap scores and weighted means on the customers' expectations and actual quality service were presented as bases for analyses. The results of the study revealed that quality of service of the banks did not meet the "strongly agree" expectation of the customer-respondents inspite of the management efforts to give the best quality of customer services. Problems still occur. Bank 1 customers revealed that major dissatisfactions were not only staff related but also on tangibility factors such as modern equipments, security alarms and gadgets used. Bank 2 faced problems to tangibility as well particularly appealing facilities and also noted dissatisfactions mostly fall on staff related areas. For Bank 3, the major customers' dissatisfactions were entirely staff related. The result of the study could be a basis for banks' understanding to review their policies, systems and procedures to attain the "strongly agree" expectation of their respective customers along with the identified gap.

**Keywords** – Expectation Score, Gap Score, Perception Score, SERVQUAL

## INTRODUCTION

All over the world, the service sectors contribute significant success in the field of business. In fact, they have contributed much in the generation of income, both locally and internationally, making it a focus for some researchers who have already confirmed that the importance of providing quality service into their customer contact patterns become imperative into their day-to-day operations. Researchers such as Parasuraman et al., (1988) and Amoah-Mensah (2010) suggested that for the entities to continuously survive in the market, the quality of service should be designed following customer delight in the long run.

Banking system in the country has served the growing Philippine population in many ways services have gone as far as paying insurance premiums through the banks. Government-owned banks (DBP and LandBank) and commercial banks served the government employees and laymen in the remittance of their premiums to the GSIS (Government Service Insurance System) even their electric bills to the MERALCO (Manila Electric Company) and other related companies such as SSS (Social Security System) and Pag-Ibig (Home Mutual Development Fund) to minimize fare and other expenses in doing the transactions. This is very convenient for busy individuals and working employees who may transact

business in one sitting or many transactions accomplished in one venue.

At present, the Philippine banking system has identified four (4) types of banks; (domestic) universal and commercial banks (38), thrift banks (74), rural banks (620) and cooperative banks (41). (*see Table 1 of BSP- Physical Network, 2010, for complete data*)

Universal (19) and commercial banks (19) continued to be the dominant players in the industry. The restructuring of the banking system, which involves the consolidation and closure of weak banks, resulted in a reduction in the number of banking institutions. A new class of banks referred to as "expanded commercial banks" and "unibanks" were created to enhance competition and efficiency in the banking industry (<http://www.yahoo.com>).

In Tarlac city, as the locale of the study has thirty-four (34) banks operating and categorized according to their products and services offerings in the community. To date, it comprises twenty-three (23) universal banks, five (5) rural banks, one (1) savings bank, one (1) thrift bank, one (1) development bank and three (3) commercial banks located within the city proper (<http://www.philippinedirectory.com/tarlaccity>, 2012).

The growing popularity of service quality among banking institutions has made it an object of



concern for some people. This is also because of their exposure to the operations of these players in the financial sector. Researcher Velasco (2011) mentioned in his study that the city of Tarlac is growing at a steady pace in the last decade and the reason why it is now considered one of the Highly Urbanized Cities (HUC) proclaimed under former President Gloria Macapagal Arroyo. Part of that progress is the mushrooming of banking institutions, many of which were subjected to bank's product and services leverage and comparison.

Involved in the industry of commercialized banking and cognizant of the importance of delivering quality banking services among the customers, the researcher felt the relevance of conducting this study which looked into the quality service of commercial banks in Tarlac City. This study hoped to contribute in helping improve the operations of the commercial banks through "quality of customer service delivery".

**OBJECTIVES OF THE STUDY**

The findings of this study will benefit the concerned bank officials and employees, bank customers and the local banking community.

This study attempted to look into the quality of service of selected commercial banks in Tarlac city. The quality of service was delimited to the front-line services of the bank. The respondents were the customers of the bank since they were directly served by banks' employees. Out of thirty-eight (38) Financial Institutions (FIs) Under BSP Supervision/Regulation, nineteen (19) commercial banks were categorized and classified as Private Domestic Banks (7) and Foreign Banks and their Subsidiaries (12). From those Private Domestic Banks and/or commercial banks as determined by BSP, three (3) of them had satellites in Tarlac city which was the locale of the study. These were Eastwest Banking Corporation, Bank of Commerce and Veterans Bank and were labeled as Banks 1, 2 and 3 respectively (*BSP Directory of Banks, November 2011*). This study looked into the quality service of commercial banks. Specifically, it sought answers to the following questions. 1) How do the bank clients' expectations and actual experiences towards quality of service of commercial banks in Tarlac City describe on the areas of Reliability, Assurance, Tangibility, Empathy and Responsiveness (RATER)?, and 2) What are the gaps identified on quality service based on respondent's expectations from that of actual service experienced?

**MATERIALS AND METHODS**

The descriptive method of research was used to present the results of the study.

The study described the quality service of commercial banks in the city of Tarlac. The study revealed the expectations from that of actual quality service experienced by banks' customers. The study used the questionnaires and interview as the primary sources of data.

For research instrumentation, this study used the SERVQUAL questionnaires developed by Parasuraman et al., (1988). Number of research findings supporting SERVQUAL instrument have been concluded valid in measuring service quality among business ventures.

The SERVQUAL questionnaires and its 44-benchmark statements were adopted (<http://www.servqualquestionnaires.com>). The SERVQUAL model has distinct 22-benchmark statements that ask customer's expectation towards quality service of the bank and another 22-benchmark statement that attends to the actual service experienced of a systematic randomly selected customer. In this study, the 44-benchmarks statements (22 for expectations and 22 for actual service) need no refinements and were taken "as is".

Following this, the Gap Score for each dimension was calculated by subtracting the Expectation score from the Perception score. A negative Gap score indicated that the actual service (the Perceived score) was less than what was expected (the Expectation score).

$$G = P - E$$

The Gap score is a reliable indication of each of the five dimensions of service quality. Using SERVQUAL instrument, service providers can obtain an indication of the level of quality of their service provision and highlight areas requiring improvement.

**RESULTS AND DISCUSSIONS**

Among the three commercial banks, Bank 3 customers had the highest over-all expectation mean score on tangibility aspects and noted components were i) modern looking equipment; ii) visually appealing physical facilities and iii) visually appealing marketing materials.

Bank 1 customers had the highest over-all mean score of customers' expectations on all the reliability components except i) bank is dependable. For Bank 2,



noted reliability components were i) sincerity in solving customers' problems; ii) bank is dependable and iii) provide services as promised.

For responsiveness dimension, Bank 2 customers had the highest over-all mean expectation almost all of the components except i) employees' response to customer's requests. For Bank 1, noted components were i) promptness of employees and ii) employees' willingness to help.

On the area of Assurance, Bank 1 customers had the highest over-all mean expectation on all the assurance components. These were i) customer's confidence on employees; ii) safe feeling of customers in transactions; ii) courtesy of employees and iv) knowledge support from employees. For Bank 2, all of the assurance components except i) knowledge support from employees.

Empathy dimensions, the three commercial banks had obtained the highest over-all mean expectation. For Bank 1, all of the empathy components except i) personal attention by employees. For Bank 2, all the empathy components and for Bank 3, except empathy components are i) personal attention by employees and ii) customer's best interest at heart.

In terms of customers' actual service experienced, Bank 2 customers had the highest over-all mean score on tangibles factor among the three banks. Noted component was i) neat appearance of employees, the same with Bank 1. For Bank 3, noted components was i) modern looking equipment.

On reliability dimension, Bank 1 customers had the highest over-all mean score. Noted components were i) keeping promises and ii) sincerity in solving customers' problems.

Bank 1 obtained the highest over-all mean score on all of the responsiveness components.

Bank 1 customers had the highest over-all mean score among the three banks on assurance components except i) safe feeling of customers in transaction.

On the area of empathy sections, Bank 1 customers had the highest over-all mean score except i) convenient operating hours.

The gap scores revealed that among the components of tangibility, Bank 1 i) modern looking equipment got the highest level of dissatisfaction (-0.711). On the reliability dimension i) provide services as promised with the score of (-0.486). On the area of responsiveness, i) prompt service from employees with gap score of (-0.166). For assurance section i) safe feeling of customers in transaction with a score of (-

0.505) and i) convenient operating hours with a gap score (-0.424) for empathy dimension.

This indicates that the major reasons of dissatisfaction for customers of Bank 1 were not only staff related but also tangibles particularly modern equipments and security alarms and gadgets used in the daily operations.

Data revealed that Bank 2 on its tangibles, the highest score of dissatisfaction of customers came from i) visually appealing physical facilities (-0.376).

On the reliability dimensions, the highest dissatisfaction of customer was i) provide services as promised (-0.520). On the areas of responsiveness, the highest customers' dissatisfaction was i) bank informs when services will be performed (-0.648). On the assurance dimensions was i) safe feeling of customers in transactions (-0.540). On the components of empathy, the score with the highest dissatisfaction came from i) convenient operating hours (-0.484).

Bank 2 revealed that major reason of customers' dissatisfaction the bank faced problem to tangibles was i) appealing facilities, it was also observed that majorities yield negative scores indicating customers' dissatisfaction fall for staff related components.

For Bank 3 tangibility factors, the highest customers' dissatisfaction score was i) neat appearance of employees (-0.438) and the lowest dissatisfaction score was i) modern looking equipment (-0.250) which was expected because it is considered a new branch with new facilities and modernized looking equipment. However, there were striking performances gap because customers came with high expectations perhaps because of the existence of the "Big 3" banks in the community making a point of their standard comparisons.

On the reliability areas, the highest customers' dissatisfaction score was i) sincerity in solving customer problems (-0.373); for responsiveness dimensions, the highest score was i) banks informs when the services will be performed (-0.325); for assurance components, the highest customers' dissatisfaction was i) adequate support from employees (-0.219) and for empathy sections, the highest customer's dissatisfaction was i) individual attention of employees (-0.531).

The entire over-all mean of the SERVQUAL dimensionality (i.e. tangibility, reliability, responsiveness, assurance and empathy) for Bank 3 revealed the major reasons for customers' dissatisfaction are mostly staff related factors.



DIMENSION	COMMERCIAL BANKS			
	BANK 1	BANK 2	BANK 3	GRAND MEAN
Tangibility	-0.434	-0.240	-0.338	-0.337
Reliability	-0.305	-0.364	-0.249	-0.306
Responsiveness	-0.123	-0.403	-0.276	-0.268
Assurance	-0.229	-0.287	-0.174	-0.230
Empathy	-0.192	-0.289	-0.326	-0.269
GRAND MEAN	-0.257	-0.317	-0.273	-0.282

The above table showed the summary of the gap scores among commercial banks in the city of Tarlac highlighting weak areas for relational improvements particularly in the customer service patterns.

**CONCLUSION AND RECOMMENDATION**

On the bases of the findings of the study, noted some of the conclusions drawn such as 1) there is no perfect commercial bank in Tarlac city despite of management effort to set 100% quality on the services sections of each bank, 2) all customers of commercial banks in Tarlac city are looking forward to modernize equipment and appealing physical facilities to be used by the bank in processing their transactions. Bank 1 and Bank 2 should consider the equipment used by Bank 3 in its daily operations, 3) employees must always in their proper uniform, dress code and neat in grooming as these are always first noted by their customers. Banks 1 and 2 somehow got satisfaction rates, then it could be concluded that Bank 3 employees need strict compliance to their standard grooming and appearances as define on Bank’s Code of Ethics and Discipline, 4) the three banks, particularly Bank 2 should focus also to their specific marketing materials (flyers, pamphlets and

catalogues) its availability in the bank and should be computer-aided design to make it more appealing most particularly for Bank 3 which does not used the convenience of television ads for products and services commercials, 5) Bank 1 employees need to understand that customers are always after to promptness of service and should provide services as promised, 6) Bank 2 employees should initiate to approach customers and tell or inform or guide them about the services of the bank and likewise provide services as promised, 7) Bank 3 customers feel safer in their transactions in the bank compared to other commercial banks maybe because of the police stations post few meters away from the branch location. Bank 3 may not have problems to its equipment used however, the bank needs a direct review on its manpower, 8) Bank 3 employees should support and inform their clients when services will be performed, 9) bank gadgets, alarm systems and security personnel for Bank 1 and Bank 2 needs to define for the confidence and safety of their customers in the bank, 10) the management of the three (3) commercial banks is somehow facing slight predicaments because of the “Big 3” existence in the city in terms of longer banking hours, and 11) the purpose of suggestion box positioned inside the bank’s premises is considered futile.

Further, among the recommendations given were 1) Bank 1 may invest for new modern equipment inside the bank. Two (2) of the banks currently use old models of computers wherein customers nowadays like to see flat screen computers as a sign of competitiveness. Bank 3 uses modernized equipments compared to other commercial banks since it is still a new branch to account. Banks 1 and 2 need repositioning of their physical facilities to make it visually appealing. It is found out that CCTV camera and recorder, security cameras and alarm systems, motion detector and smoke heat detector are placed not actually visible to customer’s eye of Bank 2, 2) key officers of Bank 3 need stricter implementation of proper dress code and grooming and monitoring if employees are religiously complying, otherwise corresponding sanctions like demerits should be



served to erring employees, 3) the three commercial banks need to invest in the production of more appealing marketing materials of the bank particularly Bank 3. All commercial banks in Tarlac City have personalized website that customers can access anytime in case of inquiries but customers find it waste of time because it is not designed user-friendly. It is revealed that Bank 1 (Looking After You) has TV advertisements of products and services offerings although not that oftentimes air. Bank 2 (A Passion for Service) is always noted with TV commercials flash. The three banks usually paid advertisements on magazines and the rest are flyers, catalogues and pamphlets. Bank 3 (The Bank of Choice) does not use the convenience of commercials and noted the bank does not have plastic-standby in front to put in shape these marketing materials, 4) management must provide branch a direct daily access to their personal branch website wherein customer complaints (softcopy) could be secured because not all customers have the courage to drop personally their comments and recommendations on the suggestion box when banking public are eye-opened transacting and employees have the chance to conceal the customer's feedback forms, 5) all commercial banks in Tarlac city particularly Bank 1 needs to provide promptness of service as this is the major source of an outstanding customer service delivery however, this is hamper when customers are always witnessing queuing, waiting lines and clogging as a daily disease in the bank, 6) Bank 2 employees are viewed with lacking of initiatives, willingness to serve and telling customers what they exactly to do and because of voluminous transactions and job repetitions they are becoming too busy to respond to multi-tasking. It is suggested that key officers should be watchful and keen observer also to each employees on how their performances are executed to different situations. As this could guide their constituents given their years of banking exposures and experiences to stabilize situations when things seems like heading wrong, 7) all the three banks are facing staff related problems. The proper discussions and purposive seminars and trainings

on quality customer service should be served and hand in hand applied daily by employees with a heart and by heart, 8) Bank 3 employees need to render a service that customers feel they are given individual attention, support and guidance about the services to be performed. It could gain through attending a one at a time customer contact without intercedes other services functions during the delivery process, 9) it is at the management discretions of the three commercial banks if they will find it beneficial to parallel their banking hours (9:00am to 4:00pm) similar to that of BDO (10:00am to 7:00pm for mall branches and 8:00am to 5:30pm for local branches), 10) the management of the three commercial banks may adopt the proposed action plan of this study and 11) this study may serves as relational framework for similar researches with variables that could be linked to quality service rendered by bank's employee.

#### REFERENCES

- Abdullah, D.N.M.A, and Rozario, F. (2009). Influence of Service and Product Quality Towards Customer Satisfaction: A Case Study at the Staff Cafeteria in the Hotel Industry, *World Academy of Science, Engineering and Technology*, Vol 53, pp 185-190.
- Babakus, E. and Mangold, W.G. (1992). Adapting the SERVQUAL Scale to Hospital Services: An Empirical Investigation, *Health Services Research*, Vol 26 No. 2, pp 767-86.
- Culiberg, B., and Rojšek, I. (2010). Identifying Service Quality Dimensions as Antecedents to Customer Satisfaction in Retail Banking". *Economic and Business Review*, Vol 12 No. 3, pp 151-166.
- Svensson, G. (2004). A Customized Construct of Sequential Service Quality in Service Encounter Chains: Time, Context and Performance Threshold. *Managing Service Quality*, Vol 14 (6), pp 468-475
- Titko, J., and Lace, N. (2010). Customer Satisfaction and Loyalty in Latvian Retail



Banking, Economics and Management, Vol  
15, pp 1031-1038.

Zeithaml, V., Parasuraman, A., and Berry, L.L.  
(1988). "SERVQUAL: A Multiple-item  
Scale for Measuring Consumer Perceptions  
of Service Quality", Journal of Retailing,  
Vol 64, pp 12-40.