A Study on Service Quality of AU Small Finance Bank

Dr. Tejal Shah[1], Parthgiri Rameshgiri Gosai[2]

[1]*Associate Professor Parul Institute of Management and Research, Parul University*
[2]*Parul Institute of Management and Research, Parul University*

Abstract: **The service quality of financial institutions plays a critical role in customer satisfaction and retention. This study focuses on assessing the service quality of AU Small Finance Bank, a prominent small finance bank in India, known for catering to the underserved and unbanked segments of the population. The objective of this research is to evaluate customer perceptions of service quality, identify key areas of improvement, and provide recommendations for enhancing customer satisfaction.**

A comprehensive survey was conducted among customers from various demographics, including urban, semi-urban, and rural regions. The study employed the SERVQUAL model, which assesses service quality based on five dimensions: tangibles, reliability, responsiveness, assurance, and empathy. Data was collected through structured questionnaires and in-depth interviews with bank customers and staff. The findings reveal that customers appreciate the bank's personalized services and localized operations. However, certain areas, such as the efficiency of digital banking services and customer support responsiveness, require improvement. The study also highlights that financial literacy and awareness programs can significantly enhance customer satisfaction, especially in rural areas.

By addressing these challenges and leveraging advanced technology, AU Small Finance Bank can strengthen customer trust and loyalty. This research provides valuable insights for bank management to formulate customer-centric strategies and enhance overall service quality, thereby improving customer retention and market competitiveness.

Keywords: - **Service Quality, Customer Satisfaction, AU Small Finance Bank, Financial Service, Digital Banking, Customer Experience, Financial Inclusion.**

1. INTRODUCTION

Service quality is critical factor in the banking sector, as it directly influences customer satisfaction, trust, and loyalty. With increasing competition and technological advancements, banks are constantly striving to improve their service delivery to meet customer expectations. Small Finance Banks (SFBs) play a significant role in enhancing financial inclusion by providing banking services to underserved and unbanked population. Among these, AU Small services, including savings accounts, loans, digital banking, and wealth management solutions.

Service quality in banking is measured through various dimensions such as reliability, responsiveness, assurance, empathy, and tangibles. These factors determine the overall banking experience for customers and influence their long-term relationship with bank. Given the rapid growth of digital banking and customer expectations for seamless services, understanding the service quality of AU Small Finance Bank becomes crucial. This study aims to assess customer perception of service quality and its impact on satisfaction and loyalty.

• Background

The concept of service quality in banking has gained significant attention over the past few decades. With financial services becoming more customer-centric, banks must ensure that their offerings are efficient, transparent, and easily accessible. Service quality encompasses multiple aspects, including customer support, ease of transactions, security, and the overall banking experience.

AU Small Finance Bank, which transitioned from AU Financiers to a full-fledged bank in 2017, has expanded its presence across India. As an SFB, its primary objective is to cater to micro, small, and medium enterprises (MSMEs), rural customers, and lower-income segments. The bank has adopted digital transformation strategies to improve service efficiency, offering mobile banking, internet banking, and paperless transaction.

Despite these advancements, challenges such as customer complaints, operation inefficiencies, and service delays still exist. Assessing the service quality of AU Small Finance Bank will provide insights into customer satisfaction levels and areas that require improvement. Understanding these aspects is essential for ensuring a seamless banking experience, which is crucial for customer retention and trust.

- Problem Statement

The core problem this study seeks to address is the lack of comprehensive insights into the service quality dimensions that affect customer satisfaction at AU Small Finance Bank. As the bank continues to expand its footprint in the Indian financial market, understanding customer experiences and perceptions regarding service quality is critical for its long-term success. Without a clear understanding of the factors influencing customer satisfaction, AU Small Finance Bank risks losing its competitive edge and alienating its customer base, particularly in an era where customer loyalty is fragile and easily swayed by alternative banking options.

- Objectives

The primary objective of this study is to evaluate and enhance the service quality of AU Small Finance Bank by examining customer perceptions and experiences. The specific objectives are outlined below:

1. Assess Current Service Quality Levels: To evaluate the existing service quality provided by AU Small Finance Bank, using customer feedback and experiences as a basis for assessment. This will involve measuring performance across the key dimensions of service quality, including reliability, responsiveness, assurance, empathy, and tangibles, as defined by the SERVQUAL model.

2. Identify Key Factors Influencing Customer Satisfaction: To identify and analyse the key factors that significantly influence customer satisfaction and perceptions of service quality. Understanding these factors will help the bank prioritize areas for improvement and enhance customer experiences.

3. Analyze Customer Feedback and Experiences: To gather and analyse qualitative and quantitative data from customers regarding their experiences with various banking services offered by AU Small Finance Bank. This analysis will include assessing customer expectations, preferences, and any pain points encountered during their interactions with the bank.

4. Evaluate the Impact of Digital Services: To examine the role of digital banking services in shaping customer perceptions of service quality. Given the increasing reliance on digital platforms for banking transactions, it is essential to assess how these services meet customer needs and expectations.

5. Benchmark Against Industry Standards: To compare the service quality of AU Small Finance Bank with industry standards and best practices in the banking sector. This benchmarking will provide insights into how the bank's service quality measures up to competitors and highlight areas where enhancements can be made.

- Hypothesis:

H0: There is no significant difference between the customer expectation and overall service quality of AU small finance bank.

H1: There is significant difference between the customer expectation and overall service quality of AU small finance bank.

2. LITERATURE REVIEW

Joseph M. and McClure, C. (1999). Service quality in the banking sector: the impact of technology on service delivery. In this cash results indicated that consumers have perceptual problems with some aspects of electronic banking.

Dzemal Kulasm (2005) Review of the Servqual concept. Until a better but equally simple model emerges, servqual will predominate as a service quality measure.

Jayaraman Munusamy, Shankar Chelliah and Hor Wai Mun (2010) Service Quality Delivery and Its Impact on Customer Satisfaction in the Banking Sector in Malaysia. This research focused on the measurement of customer satisfaction through delivery of service quality in the banking sector in Malaysia. Quantitative research was used to study the relationship between service quality dimensions and customer satisfaction.

Viswan M.G. (2017) A study on the Awareness & Perception about small finance bank with special reference to ESAF small finance bank. This paper tries to study the conversion of micro finance institution in to SFBs with special reference to ESAF small finance bank & its awareness level in rural areas.

Manoj Kumar and Arup brahma Mohapatra (2023) Assessing the service quality of banks by a modified SERVQUAL MODEL. The relationship between various constructs, such as tangibility, reliability, responsiveness, accuracy, security, case of doing business.

3. RESEARCH METHODOLOGY

3.1 Study Design: - The Study adopts a descriptive research design to evaluate the service quality of AU Small Finance Bank. It leverages both quantitative and qualitative approaches, including customer surveys and interviews. The SERVQUAL model is utilized to assess customer satisfaction across key service dimensions.

3.2 Data collection method: -

1. Primary Data: 105 respondents, including AU Small Finance Bank, employees, and banking professionals, participated in surveys and interviews.

2. Secondary data: AU Bank's reports, RBI guidelines, customer reviews, and industry research papers were analysed.

3.3 Sampling techniques:

1. Samling units: Individual customers, employees and banking professionals associated with AU Small Finance Bank. It focuses on account holders, lone applicants, and frontline staff who directly experience or deliver banking service.

2. Sample size: 105 respondents

3. Sampling method: Non probability sampling method, specifically convenience and purposive sampling.
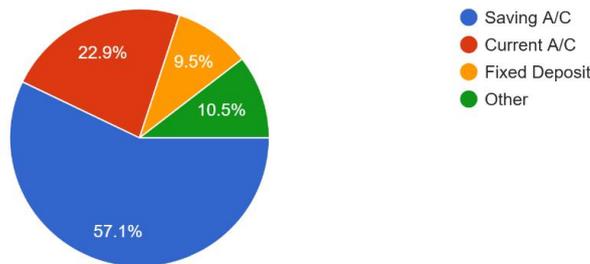
3.4 Data analysis:

- What type of account do you have in the small finance bank?

Account Type	Percentage	Responses
Saving A/C	57.1%	60
Current A/C	22.9%	24
Fixed Deposit	9.5%	10
Other	10.5%	11

7) What type of account do you have in the Small finance bank?
105 responses

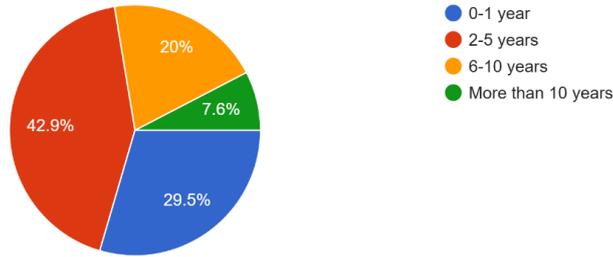Interpretation: The majority (57.1%) of respondents have a Savings Account, followed by 22.9% with a Current Account. Fixed Deposits make up 9.5%, and 10.5% fall into other account types. This indicates a preference for savings among customers.

- For how long are using small finance banking service?

Duration of Use	Percentage	Responses
0-1 year	29.5%	31
2-5 years	42.9%	45
6-10 years	20%	21
More than 10 years	7.6%	8

8) For how long you are using small finance banking service?
105 responses

- 0-1 year
- 2-5 years
- 6-10 years
- More than 10 years

Interpretation: The majority (42.9%) of respondents have used small finance banking services for 2-5 years. This is followed by 29.5% who are relatively new users (0-1 year). Around 20% have been users for 6-10 years, while only 7.6% have over a decade of experience. This indicates a growing adoption of such services in recent years.

- Which of the following services you are using?

Service	Usage (%)	Responses
Online Banking Services	52.9%	55
ATM/Debit Card Services	42.3%	44
Deposits	36.5%	38
Group Loan	22.1%	23
Credit Card Services	20.2%	21
Lockers Room	7.7%	8

9) Which of the following services you are using?
104 responses
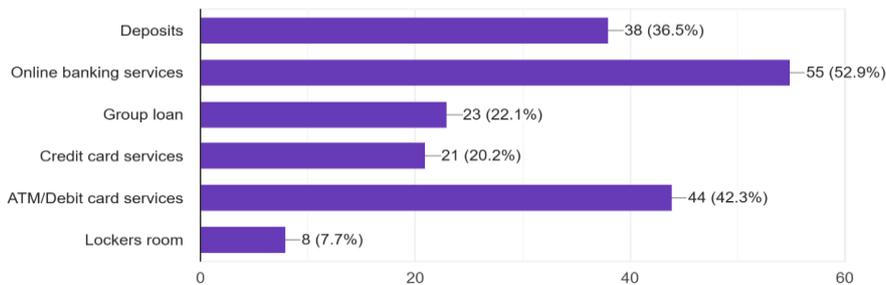
Interpretation: Online banking (52.9%) is the most popular service, followed by ATM/debit card services (42.3%) and deposits (36.5%). Locker room services are the least used (7.7%), highlighting a strong preference for digital and card-based banking services.

- What is the source of information and awareness of such service?

Source of Awareness	Percentage	Responses
Friends/Relatives/Neighbors	36.9%	38
Advertisements (TV/Radio)	34%	35
Bank Representatives	15.5%	16
Posters/Banners/Hoardings	13.6%	14

10) What is the source of information and awareness of such service?
103 responses
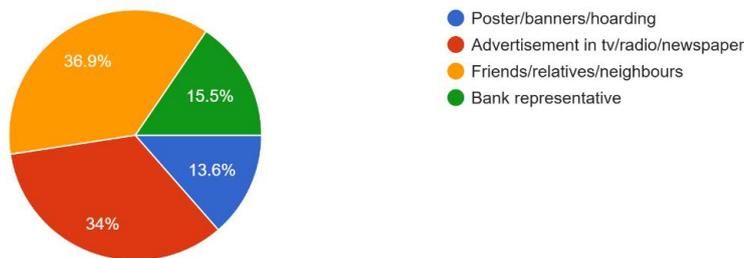
Interpretation: The primary source of awareness is through friends, relatives, and neighbors (36.9%), closely followed by advertisements (34%). Bank representatives contribute 15.5%, while posters and banners are the least utilized source at 13.6%. This highlights the importance of word-of-mouth and media in creating awareness.

- Which communication channels do you prefer for contacting customer service?

Preferred Communication Channel	Percentage	Responses
Phone	55.8%	58
Email	26%	27
Live Chat	10.6%	11
In-person Visit	7.7%	8

11) Which communication channels do you prefer for contacting customer service?
104 responses
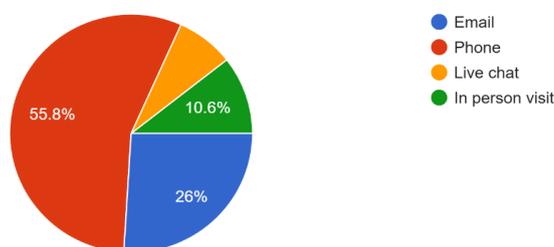
Interpretation: Phone (55.8%) is the most preferred communication channel for customer service, followed by email (26%). Live chat accounts for 10.6%, while in-person visits are the least preferred at 7.7%. This highlights the prominence of phone-based interaction.

4. RESULTS AND DISCUSSION

1. Demographics:
   o The survey captured a predominantly young demographic, with 69.2% aged 18-25.
   o Gender distribution was fairly balanced, with males (54.3%) slightly outnumbering females.
2. Economic Background:
   o Majority (69%) earn less than ☐25,000 monthly, indicating a lower-income participant base.
3. Educational Qualifications:
   o A strong representation from graduates (47.6%) and postgraduates (27.6%).
4. Occupation:
   o Students formed the largest group (55.2%), followed by individuals in private jobs and self-employment.
5. Banking Preferences:
   o Savings accounts were most common (57.1%), and online banking was the most preferred service (52.9%).
6. Awareness Sources:

o Word-of-mouth (friends, relatives, neighbors) and advertisements were primary sources of awareness.

7. Customer Interaction:
   o Phone was the most preferred communication channel for customer service (55.8%).
   o Respondents rated the ease of accessing information positively, with 52.4% marking it as "Good."

8. Satisfaction Levels:
   o Positive feedback on transparency, security measures, and customer service, though some areas indicate room for improvement.
   o Notifications and feedback handling by the bank were perceived as generally reliable.

9. Service Issues:
   o Errors or glitches were experienced "Sometimes" by most users, suggesting occasional, not frequent, technical problems.

10. Adoption Trends:
    o A growing number of respondents (42.9%) have used small finance banking services for 2-5 years, showing increasing adoption.

5. CONCLUSION

Service quality plays an important role in maintaining the customers of an organization. A good service not only satisfy the customers but also make them loyal towards the services. With the increase in the service, the expectation of a customer rises. There always exists a gap between the service perceived and expected by a customer because needs are rising day by day. The study is based on perception and expectation of customers regarding the service quality in the banks. on the basis of dimensions of service quality given by Parasuraman et. al., 1988, it is found from the study that on the basis of perception, customers were more satisfied with the tangibility indicators as compared to other dimensions of the service quality followed by reliability, assurance, responsiveness and empathy. On the basis of expected service quality, the Responsiveness indicators have the highest mean score followed by empathy, tangibility, assurance, responsiveness and reliability. And on the basis of gap that is difference between the perceived and expected service quality, the highest gap was found in the responsiveness dimension followed by the empathy, assurance, reliability and tangibility. So,

expectations are more as compared to perceived services. Therefore, banks should try to eliminate the gaps by giving more attention towards the customer needs and preferences and should indulge themselves in satisfying more and more customers.

6. REFERENCES

[1] A.R. Sudhamani, D. K. (July 2013). Literature review on customer perception on service quality in banking sector. Indian journal of applied Research.

[2] Achmad Supriyanto, B. B. (July 2021). Effects of service quality and customer satisfaction on loyalty of bank customers. Cogent Business & Management.

[3] Afrin Anika, m. i. (2023, December 30). The impact of customer service quality on customer satisfaction: A study on Bangladeshi banks. Retrieved from Research gate.

[4] Amudha Ramachandran, v. C. (January 2012). A review of customer satisfaction towards service quality of banking sector. Research article.

[5] Diego Monferrer-Tirado, M. E.-G.-R.-T. (April 2016). Service quality in bank during an economic crisis. International Journal of Bank Marketing.

[6] Dr. v. kanimozhi, a. N. (June 2023). Assessment of customers service expectations and perceptions with special reference to Esaf small finance bank. Journal of emerging technologies and innovative research.

[7] Jasneet Kamboj, D. D. (September 2022). SERVICE QUALITY IN BANKS: AN ANALYSIS. International journal of creative research thoughts.

[8] Jaya Sangeetha, S. m. (2011). Service quality models in banking: a review. International journal of Islamic and middle eastern finance and management.

[9] Johra Kayser Fatima, m. a. (June 2013). Service quality and satisfaction in the banking sector. Research paper.

[10] Joseph M., M. C. (July 1999). Service quality in the banking sector: the impact of technology on service delivery. International journal of bank marketing.

[11] kulasm, D. (November 2005). Review of the Seroquel concept. Research gate.