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Article

Service Quality of Internal Service Providers in Rural Banks

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Abstract: The banking industry today is concerned with providing customer satisfaction while doing so in a profitable manner. The products, services, people, and environment elements are critical. It makes the point that quality applies not just to products and services provided to people and processes that require them and the environments in which they are provided. The method used in this study is a quantitative research method in order to determine the service quality rendered by internal service providers as experienced by internal customers of rural banks. Based on the result of the study, the service quality of the internal service providers got an overall mean of 4.0 with an adjectival rating of very satisfactory, however, they need to improve their responsiveness towards their customers to better serve them, meeting or exceeding their needs and wants in order to achieve customers' satisfactions.

Keywords: Customer satisfaction, service quality, internal customer, and internal service provider.

1. Introduction

The microfinance sector in the Philippines is comprised of thrift banks, cooperative banks, rural banks, and the likes that are slowly catching up with big banks. However, rural banks play a pivotal role in breaking the barrier to access to finance by those on the fringes of society.

Rural Banks are the cornerstone of countryside development in the Philippines. All are privately owned and funded but closely monitored by the Central Bank of the Philippines or Bangko Sentral ng Pilipinas (BSP) and the Philippine Deposit and Insurance Corporation (PDIC). They are platforms for banking services and loans for farmers and Filipinos living in small towns in the provinces (Philippine Star 2009).

Effectiveness and efficiency became the buzzword for the success of banking operations and proper functioning, particularly in respect of providing service to the customer (Ahmed, 2010). Customers assess service quality by comparing their expectations to their perceptions of how the service is performed.

Service providers are operating in a regularly evolving competitive environment. Though the basic components of quality of service may be invariable towards the changing environment brought about by competition in doing business and technology that makes it is imperative to constantly appraise the ability of its service providers. Moreover, internal service providers of rural banks must put in place mechanisms as the benchmark against complacency towards their clientele so that they continually improve their services and make necessary adjustments where it needs improvement.

This study attempts to determine the service quality of internal service providers of rural banks in Tandag City, Surigao del Sur. The research focuses on the ten determinants of service quality, namely; reliability, responsiveness, competence, understanding of customers, access, communication, courtesy, credibility, security, and tangibility. The study enables to improve the service quality in the banking industry. It will also help identify what determinants of service that need to be addressed and make intervention plans to improve better service to its clientele.

2. Literature Review

The ten determinants of service quality are researched by Len Berry, Parsu Parasuraman, and Valerie Zeithaml in the early 1980s providing a strong foundation for understanding the attributes of service quality. Through interviews with business executives and customer focus groups, Berry and his colleagues identified ten determinants of service quality Reliability: Consistency of performance, and dependability. Responsiveness: Willingness and readiness to perform services. Competence: Possession of skills and knowledge to perform. Understanding: Knowing the customer's needs and requirements. Access: Approachability and ease of access to management. Communication: Providing the customer with effective information. Courtesy: Friendliness of personnel and ownership. Credibility: Trust and personal characteristics of personnel. Security: Safety, financial security, and confidentiality. Tangibles: Physical evidence of service (Tenner and DeToro, 1994).

Service quality is the best tool for marketing managers to find and analyze information about customer needs, wants, and perceptions about services. This information will help managers to identify problems and make strategic plans in order to improve efficiency, profitability, and overall performance by high quality (Ghotbabadi et al, 2012) A company that satisfies most of its customers' needs most of the time is called a quality company, but we need to distinguish between conformance quality and performance quality (Kotler and Keller 2009).

Service quality is an assessment of how well a delivered service conforms to the client's expectations (Ramya et al, 2019) Service quality is generally viewed as the output of the service delivery system, especially in the case of pure service systems. Moreover, service quality is linked to consumer satisfaction (Bhargava, 2022).

Marshall and Johnston (2010) pointed out that service quality represents a formalization of the measurement of customer expectations of a service compared to perceptions of actual service performance. The playing field for service quality is the service encounter, which is the period during which a customer interacts in any way with a service provider.

The components that can uplift the quality of service in the rural banks were stressed by Warshall and Johnston. Assessing the performance of the service provider can determine the service quality of the rural banks and help to find solutions to service quality problems are the subject of this research.

3. Design and Methods

The study makes use of the Descriptive approach of research which primarily focuses on the collection of data through recording analysis and interpretation. The descriptive method of research is a fact-finding study with adequate and accurate interpretation of findings. Since the present study is concerned with the determination of the service quality of rural banks in Tandag City Surigao del Sur, the descriptive method is the most appropriate.

4. Results and Discussion

Table 1

Assessment of Internal Customer on the Performance Level of the Service Received from Internal Service Provider.

Determinants of Service Quality	Weighted Mean	Adjectival Rating
Reliability	3.68	Fair
Responsiveness	3.73	Fair
Competence	3.77	Fair
Understanding	4.23	Good
Access	4.18	Good
Communication	4.09	Good
Courtesy	4.09	Good
Credibility	3.95	Fair

Security	3.91	Fair
Tangible	4.32	Good
Overall Weighted Mean	4.00	Good

Table 1 shows the assessment of internal customers on the performance level of the service received from internal service providers in terms of reliability, responsiveness, competence, understanding, access, communication, courtesy, credibility, security, and tangible.

The determinants of service quality in terms of Tangible got the highest weighted mean of 4.32 with an adjectival rating of good. It implies that the tangibility of service by the internal service providers was experienced by the customers most of the time. On the other hand, the determinants of service quality in terms of Reliability got a weighted mean of 3.68 with an adjectival rating of Fair. It implies that the reliability of service by the internal service providers was slightly experienced by the customers. Thus the findings of the study emphasized that service quality is a measure of how well the service level delivered matches customer expectations. Delivering quality service means conforming to customer expectations on a consistent basis. (Lewis and Booms 1983). We can say that seller has delivered quality whenever its product or service meets or exceeds the customers' expectations. Hence the study underlines the importance of internal service quality (personnel quality) to deliver better service quality to their customers and makes them satisfied. On the basis of customers' satisfaction, bankers can create positive behavioral intentions among their customers (S. Manimaran, 2013).

5. CONCLUSIONS

Based on the result of the study, the service quality of internal service providers was good enough. However, the rural bank administrators should have intervention plans on how to improve their service quality in order to meet or exceed the needs and wants of the customers for excellent service.

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