

Application of Gronroos' Service Quality Model in Co-Operative Banks : An Exploratory

Dr. Seema Girdhar

Associate Professor, GNIM, India.

Abstract - Bank plays an important role in Indian Financial system. The business of banking can grow with attracting and retaining customers. Financial business works more on retaining old customers rather than convincing new customers. In India, there is cut throat competition in Banking business as there are many public, private and foreign banks.

Banks in India functions under the Umbrella of Reserve Bank of India which is the regulatory body. Banking segment broadly consists of Commercial Banks, Private Banks & Cooperative banks. Cooperative banks in India serve an important role in Indian Economy especially in rural areas of our country. In urban areas focus of Cooperative banks is mainly to serve the purpose of small industries and self-employed people. Cooperative Banks are regulated by Reserve Bank of India under Banking Regulation Act, 1949 and registered under urban cooperative Society Act, 1949. They are organized and managed on the principal of co-operation. Mutual trust and confidence are the pillars of Cooperative banks to work in local areas. The main objective of co-operative bank is to provide rural credit. The representation of Co-operative Credit Societies Act, 1904, gave the real push to the movement of Cooperative Banks in India. Co-operative Bank in India has a history of more than 100 years.

The present study is conducted focusing on general information available on cooperative banks in India. In the present study Exploratory research design has been castoff in the study. Data collection encompass of secondary data for the study. This research will help to achieve insights on the contribution of cooperative bank in Indian banking system and how to strengthen its position in this competitive financial system by applying the study of Gronroos' Service Quality model for improving the performance of Cooperative Banks and meeting the expectations of customers.

Key Words : Cooperative bank, Quality, Attracting, Satisfaction, Customer.

I. INTRODUCTION

A customer is the basic constituent in banking business. The business of banking can grow with attracting and retaining customers. It is a continuous process of transactions crowning into a long term banker-customer relationship. Financial business succeed more on keeping old customers happy rather than attaining new customers. In order to preserve customer's organizations need to work harder on managing individual customer. It has been found that retaining existing customers happy and satisfied in turn brings in new customers and becomes easier to market the products. Today in India there is tough competition in Banking business as there are many public, private and foreign banks. Structure of banking system is categorized into Schedule and Non-Schedule Banks which are further categorized into different types of banks..

STRUCUTRE OF INDIAN BANKING SYSTEM IS AS FOLLOW

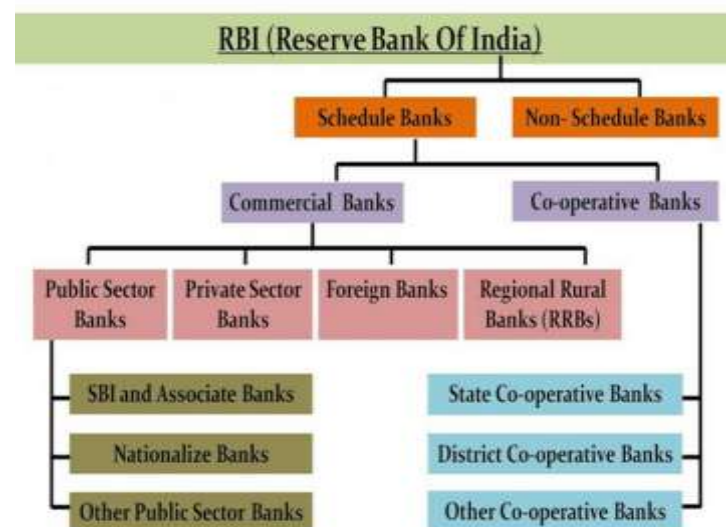


Chart 1 bankexamstoday.com

CO-OPERATIVE BANKS

Banking sector in India performs under the Umbrella of Reserve Bank of India – the regulatory Central Bank. This sector broadly consists of Commercial Banks, Private Banks & Cooperative banks. Cooperative banks in India serve an important role in Indian Economy especially in rural areas of our country. In urban area they mainly serve the tenacity of small industries and self-employed people. Cooperative Banks are registered under urban cooperative Society Act, 1949 and regulated by Reserve Bank of India under Banking Regulation Act, 1949. The first Cooperative Credit Society was started in India in 1904 at Thiroor in Tiruvallur District in Tamil Nadu. A Co-operative Act in 1904 was passed and after this Co-operative bank was set up. They are structured and managed on the principal of co-operation. Mutual trust and confidence are the pillars of Cooperative Banks. The main drive of co-operative bank is to provide rural credit. The cooperative banks in India play an important role also in rural co-operative financing. The presentation of Co-operative Credit Societies Act, 1904, gave the real drive to the movement.

Co-operative Bank in India has a antiquity of more than 100 years. Co-operative Banks arrived in India in the inauguration of the 20th century as an official determination to form a new type of institute based on the

principles of co-operative organization and management, appropriate for glitches peculiar to Indian conditions. The first legislation on Co-operation was passed in 1904. In 1914 the Maclagen Committee envisaged a three tier structure for Co-operative banking viz, Primary Agricultural Credit Societies (PACs) at the grass root level, Central Co-operative Banks at the District level and State Co-operative Banks at State level or Apex level. The first Co-operative Bank in India was made nearly 100 years back in Baroda. These banks were regarded as substitutes for money lenders, to provide timely and adequate short term and long term institutional credit at rational rates of interest, cooperative banks are mainly formed to provide monetary support to small businessmen and farmers at the low rate of interest. The co-operative credit institutions in the country can be broadly classified into urban credit Co-operative and rural credit Co-operatives. Beginning of March 2019, there were 1544 urban co-operative banks, and 96,248 rural co-operative banks in the country. The second accounted for 64.7 per cent of the total assets of the co-operative sector. The Co-operative Banks are an important component of the Indian Financial System, judging by the role assigned to them, the prospects they are supposed to fulfill and the number of offices they are suppose to operate.

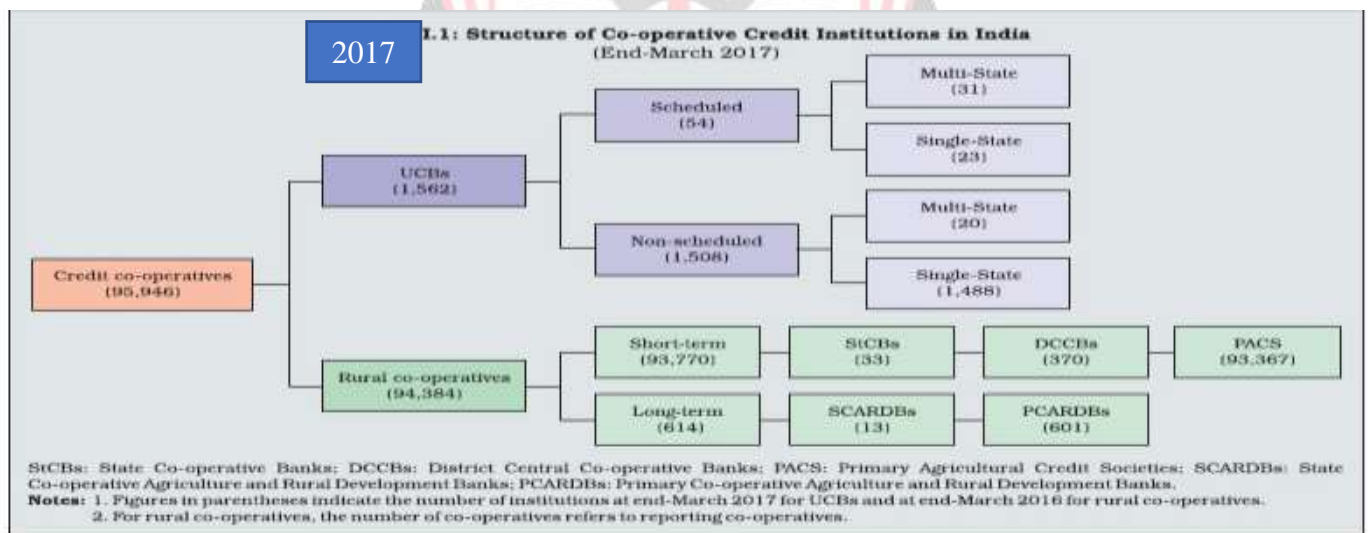


Chart 2 : Reserve Bank of India, Developments in Co-operative Banking, Date : Dec 21, 2017

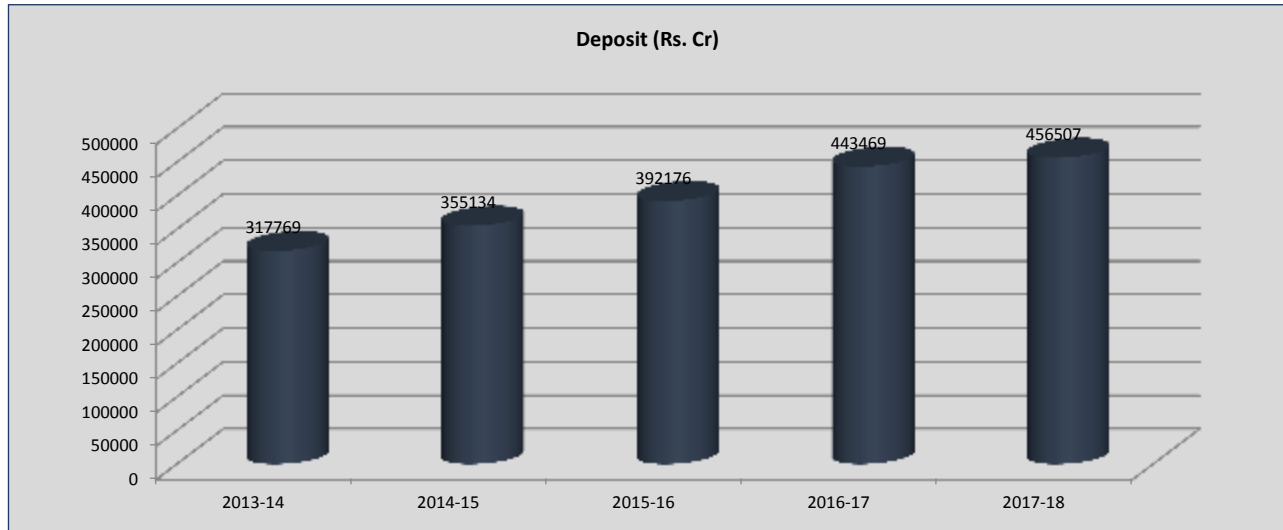
REPORT CARD

Table 1

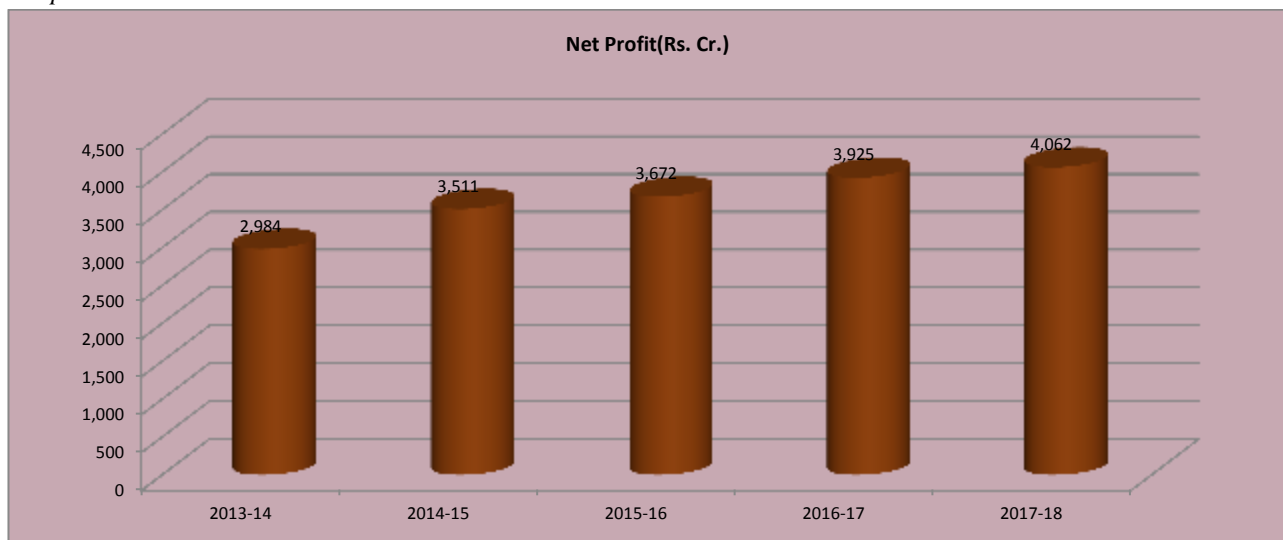
YEAR	Net Profit(Rs. Cr.)	NIM%	Gross NPA%	Deposit (Rs. Cr)	Loan Advances(Rs. Cr)	& Investments (Rs. Cr)
2017-18	4,062	2.92	7.1	4,56,507	2,80,501	1,49,759
2016-17	3,925	2.79	7.16	4,43,469	2,61,202	1,42,091
2015-16	3,672	2.97	6.11	3,92,176	2,44,936	1,20,911
2014-15	3,511	2.97	6.15	3,55,134	2,24,302	1,23,071
2013-14	2,984	3.08	5.7	3,17,769	2,00,352	1,15,301

Note: Data are provisional; 2. Components may not add up to the whole due to rounding off ; 3. Ratings are based on the inspection conducted during the financial years 2016-17 to 2018-19; 4. Percentage variation could be slightly different because absolute numbers have been rounded off to rupees billion. Source RBI

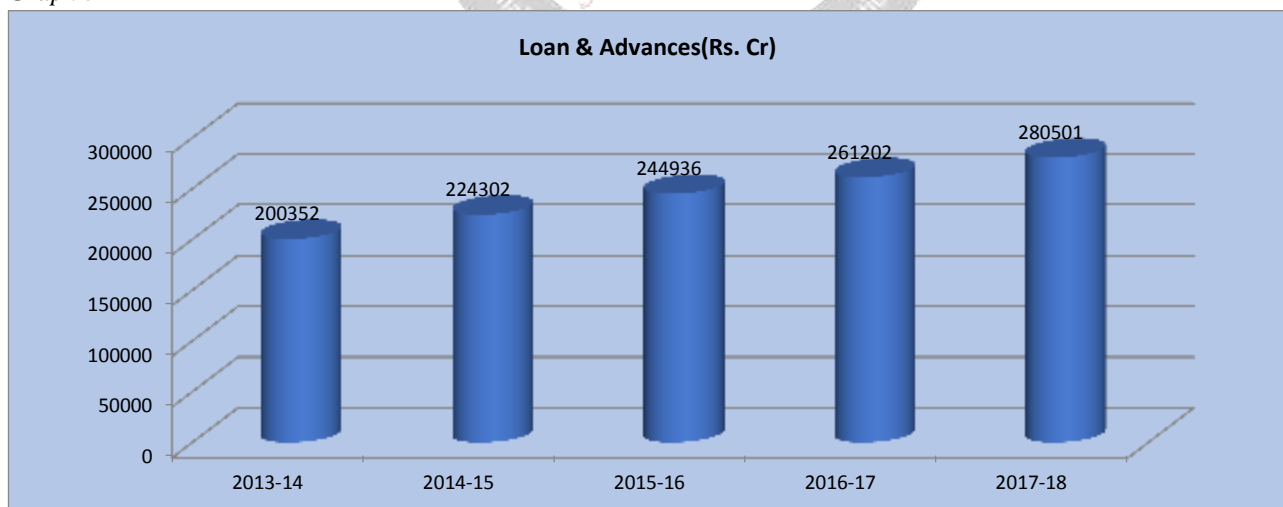
Graph 1



Graph 2



Graph 3



Looking to above figures it is clear from 2013-14 to 2017-18 the net profits, deposit loan, advances and investments of cooperative banks are continuously increasing year by year.

As the share of cooperative banks is increasing in Indian Financial system it is very important that they need to work on service quality which is one of the key strategy in this competitive environment to prove oneself and hold on continuous growth. Cooperative banks work on two main pillars i.e., mutual trust and confidence. Excellent customer service can work effectively for cooperative banks to further increase their business.

RATING-WISE DISTRIBUTION OF UCBS

(As on March 31,2018)

Table 2

Ratings	No. of UCBS	%Share in total	Deposits (Rs. Billion)	% Share in total	Advances (Rs. Billion)	% share in total
A	328	21.15	1,415.36	31.00	892.57	31.82
B	878	56.61	2,520.40	55.21	1,561.83	55.68
C	278	17.92	517.97	11.35	303.38	10.82
D	67	4.32	111.34	2.44	47.24	1.68
Total	1,551	100.00	4,565.07	100.00	2,805.01	100.00

Note: Data are provisional; 2. Components may not add up to the whole due to rounding off ; 3. Ratings are based on the inspection conducted during the financial years 2016-17 to 2018-19; 4. Percentage variation could be slightly different because absolute numbers have been rounded off to rupees billion. Source RBI

II. RESEARCH METHODOLOGY

Research is an art of investigating new facts in any branch which comprises of defining and redefining any problem. It helps in finding the hidden truth through analysis and interpretation's. Research is a contribution to the existing store of knowledge and is a way to systematically solving the research problem. It is the science of studying how a research is done. The researcher has explained the methods and steps adopted for achieving the purpose of the study and to attain a meaningful inference.

Sampling Plan

Present study is conducted focusing on general information available on cooperative banks in India.

Method of Research

There are majorly two types of research one is Exploratory and another is descriptive research. In the present study Exploratory research design have been used where in qualitative research is being considered..

Types of Data

Data are the base providing information which helps in research for the study. Mainly there are two types of data Primary and secondary. In the present study data collection comprises of secondary data. The secondary data is collected from related journals, publications and from web-sites and few popular search engines.

SIGNIFICANCE OF THE STUDY

This research will help to achieve insights on the contribution of cooperative bank in Indian banking system and how to strengthen its position in this competitive financial system. The Gronroos's service quality model can help in improving the performance of the bank and increasing customer satisfaction by coming up to the expectations of customer. As Gronroos's service quality works on two parameter i.e., what services to be provided and how it is to be provided. Both the parameters what and how can help in improving the image of service provider in the eyes of customers. This study will help to understand the concept of improving service quality of Cooperative banks.

OBJECTIVES OF THE STUDY

- To study the standing of Cooperative banks in India.
- To suggest suitable measures for improving the efficiency and effectiveness of the cooperative banks considering RATER Model.
- To align Gronroos' Service Quality model for improving the performance of Co-operative Banks

III. LITERATURE REVIEW

Sr. No.	Title	Author/ Authors	Year of Publication	Conclusion
1	A Study on Cooperative Sector Banks in India: Problems & Prospects	Indira R., Paramashiaviah	April 2019	The researchers in the paper concluded that the in case cooperative banks fail it would mean failure of hope for rural population in India. The researcher states that the provisions suggested will not only ensure the Autonomous and Democratic functioning of co-operatives banks but will also have to ensure the accountability of management to its members and other stakeholders. Banks shall provide prevention for violation of the provisions of the law.
2	A Study on Urban Co-operative banks in India - Issues and Prospects	A. Venkatesulu	April 2018	The operational efficiency is disappointing and characterized by low profitability, ever growing non-performing assets (NPA) and relatively low capital base. The researcher added that the urban cooperative banks have not been able to service the increasing credit requirements of clients or the new demand for loans in the field of personal finance. Researcher here concluded by saying in the interest of healthy competition in the market, urban cooperative banks should be encouraged to grow

3	To Study the Pattern of Lending Practices in Urban Cooperative Banks in Delhi	Supreet Gabaa, Dr. Bharat Bhushan Goenka b, Dr. Bharat Bhushan Goenka	October 2017	In this paper researchers concluded that, banks can plan to present new schemes which could help in attracting new customers and satisfy the current customers. The banks should form a blueprint for expansion of branches. Cooperative banks should work on improving the customer services to a better extent.
4	A Study on Co-operative Banks with special reference to Himachal Pradesh Co-operative Bank.	Nivedita	March. 2019	The researcher here concluded that Himachal Pradesh State Cooperative Bank is in a sound position which is growing at a fast speed but the researcher added that there are so many challenges in the market for which bank must prepare in order to withstand and success.
5	Role of Cooperative bank in Agricultural credit: a study based On Chhattisgarh	Anil Kumar Sonil and Dr. Harjinder Pal Singh Saluja	October 2012	Paper is concluded by stating that in a developing state like Chhattisgarh with huge deficits in terms of quality and quantity, the State has to shoulder the primary responsibility of providing cooperative credit. Considering the low living standards of common man, incomplete and imperfect markets, and other socio political considerations it is the primary duty of the government to ensure that its citizens have easy access to cooperative credit.
6	The Performance of Cooperative Banking in India.	Dr.Purushottam Vishnu Deshmukh	May 2013	According to researchers Indian cooperative sector is presently suffering from many problems. The Indian cooperative banking is one such sector where the performance of Indian cooperative banking sector is measured on the basis of income, expenditure, NPA, borrowers etc. The Co-operative Banks are suffering from many problems like, Low resource base, high dependence on refinancing agencies, lack of diversification, huge accumulated loss, existence of NPAs., low recovery of loan, political interfere etc.
7	Growth and Financial Performance of Urban Cooperative Banks in India	Dr. B.S. Chandrashekar	Feb 2015	Urban cooperative bank plays an important role for the govern-ments for inclusive growth and has come to occupy a formidable place in the Indian financial system. Despite six decades of independence about 480000 villages are yet to be provided with banking service.

World, today is distinct with its hyper competitive environment ‘Survival of the fittest’ is the ‘mantra’ of this era and banking being a service industry, is definitely no exemption to this. Handling customers is one of the main concern faced by the banks. The demand and expectation of customers are growing at a much faster rate than the banks can prepare themselves to deal with it. If the services or the product offered are not as per customer’s expectations, there is always a danger that he might shift his business somewhere else. In banking business, as the products can be copied very fast, it is the customer service levels that helps in creating difference. Quality of service is the one of the competitive strategy to win the customers. Once the quality of the bank is satisfying the customers, banks can foot forward for building relationship with customers. Quality plays a very vital role in building loyalty of customers for relationship building.

In India, with the inception of financial deregulations banks are running increasingly under competitive pressures. In this era, in order to succeed in the market, it will be imperative for banks to focus on developing long term relationships with their customers.

For improving the efficiency of Co-operative banks quality can emerges as a key competitive element. There is a budding need for bankers to understand quality management as it helps them to create otherness advantage by having better service levels than competitors. In order to outwit competition on quality, marketers should aim at acquiring on knowledge what customers perceive quality and the way service quality is prejudiced.

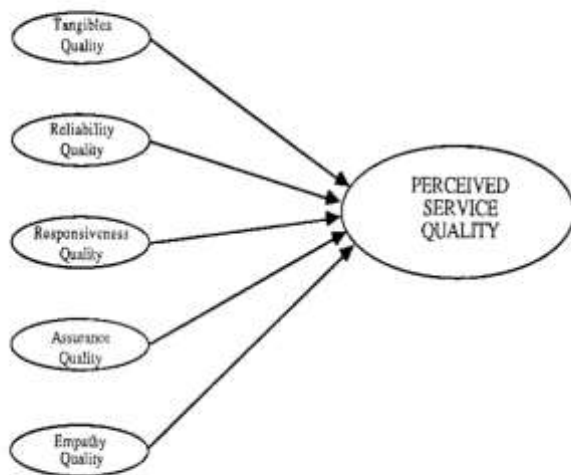
The word quality means different things to different people according to this context. David Garvin has identifies certain perspectives on quality.

1. The unmatched view of quality is identical to innate excellence: a mark of uncompromising standards and high achievement.
2. The product-based approach sees quality as a defined and measurable variable.
3. User-based definitions start with the proclamation that quality lies in the eyes of beholder.
4. Value based defines quality in terms of value and price

RATER MODEL

The five determinants of service quality evaluated from the customer perspective are RATER (Reliability, Assurance, Tangibles, Empathy & Responsiveness).

FIGURE 1
THE PARSURAMAN, ZEITHAML, AND BERRY (1988) THEORY OF THE DETERMINANTS OF PERCEIVED QUALITY



The 5 dimensions represent the differences between consumers' expectations and perceptions of a firm's performance along each quality dimension. Perceived service quality is a function of the magnitude and direction of the 5 perceptual dimensions.

Reliability : Refers to service reliability, which is different from product reliability and includes the service provider to be able to execute the services accurately and dependably. This means that the bank fulfills its promises with regard to the delivery of the service, the price and solving the customer's problems.

Assurance: Refers to the ability to deliver services at a professional level. This includes the employee's knowledge and courtesy which encourages confidence in them. Having trust and confidence in the employee leads to the customer having more trust in the bank. (Wilson et al., 2008).

Tangibility: Refers to the physical appearance of the facility which includes materials, equipment and personnel of the bank. This can help in enhancing the image of the bank. More positive image is the way the customer perceives the services.

Empathy: Refers to the ability to understand the customer needs and to give personal attention to it. This includes the aptitude to show the customer that the service provider cares for him/her because they know how valuable s/he is to the business. This can help in building a relationship with the customer, understanding their needs and providing him/her with tailored services.

Responsiveness: Refers to the willingness to provide well-timed service by the provider. This includes paying attention to the customer, and dealing with the customer's complaints and problems in a timely manner. Responsiveness is being flexible with the customer and trying to accommodate the customer's demands and executing the service without delay.

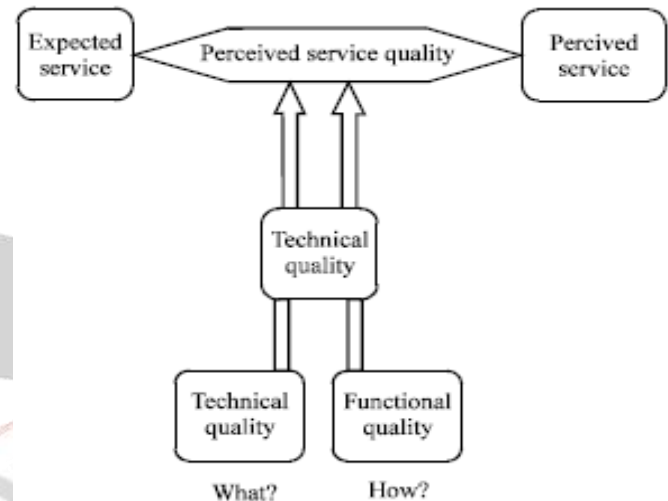
Perceived service quality is the result of 5 dimensions of service quality i.e. RATER which involves how Reliable the services are provided by cooperative banks, how much Assurance a customer is getting while availing services, how strong is the Tangible element of the cooperative

banks, as stronger the tangible element stronger is the customer confidence while availing services. Empathy elements help in understanding the customer requirements more closely by the bank. While availing services customer may come across many queries and doubts so the bank employees need to be prompt in responding to customers.

Gronroos's (1990) suggests that the perceived quality of a service is the outcome of an evaluation process in which customers match their perception of service delivery outcome against what they expected.

GRONROOS' SERVICE QUALITY MODEL

FIGURE 2



Gronroos' service quality model (Gronroos, 1984)

Above Gronroos' model works at two levels that is Technical Quality and Functional quality. Both these dimensions help in building the image of organization in the eyes of customers. Functional quality works on how services are provided and Technical quality works on what is provided. Both the parameters together can help in minimizing the gap between expected services and perceived services i.e., what is expected by the customer and what is performed by the provider. The model proposes that there is a direct relation between service quality perception with the technical and functional quality dimensions. Finally, the model suggests that service quality leads to customer satisfaction.

IV. CONCLUSION

Banking Industry is one of the main contributors to the Indian economy. The researcher here concludes that as cooperative banks have a strong hold on the Indian financial system it can further improve its functioning by following marketing activities. As cooperative banks work on mutual trust and confidence in the local areas they can further improve their business by offering better products in the best possible manner. Looking to the above tables and graphs it is clear that the business of cooperative banks has increased continuously from 2013-14 to 2017-18 in terms of net profits, deposits, loans & advances and investments of cooperative banks. Cooperative banks today are not far

behind in the financial market, these banks provide services such as savings and current accounts, safe deposit lockers, loan or mortgages to private and business customers. Facilities like Internet banking or phone banking adds to its importance. However they are far better than private banks in terms of facilities provided, their interest rates are definitely competitive. However, unlike private banks, the documentation process is not that lengthy and stringent in getting loan approval. The criteria for getting a loan from a UCB are less stringent than for a loan from any commercial bank. As the competition in financial sector is increasing day by day due to entrance of many private and foreign banks in the market at the same time performance and working of public sector banks is also improving. In order to survive in this financial environment for longer period it is important to focus on marketing as it is very clear in order to survive and sell in this competitive environment "survival of fittest" is the mantra which works. Cooperative banks must follow the teachings of Gronroos' Service Quality which can help in improving the working on two parameters that is technical quality and functional quality. i.e., what is provided and how it is provided. If customers of Cooperative banks get good options in a best possible way, can help in winning the confidence of customers and increasing the business of cooperative banks.

REFERENCES

- [1] A. Venkatesulu (2018), A Study on Urban Co-operative banks in India - Issues and Prospects International Journals of Advanced Research in Computer Science and Software Engineering ISSN: 2277-128X (Volume-8, Issue-4)
- [2] Anil K and Dr. Harjinder Pal S. S(2012), Role of Cooperative bank in Agricultural credit: a study based on Chhattisgarh, Refereed Journal Of Research in Commerce & Management, VOLUME 1, ISSUE NO.10. PP 105-113.
- [3] Berry, L.L., Parasuraman, A. and Zeithaml, V.A. (1994), "Improving service quality in America: lessons learned", Academy of Management Executive, Vol. 8 No. 2, pp. 32-45.
- [4] Berry, L.L., Zeithaml, V.A. and Parasuraman, A. (1985), "Quality counts in services, too", Business Horizons, May-June, pp. 44-52.
- [5] Berry, L.L., Zeithaml, V.A. and Parasuraman, A. (1989), "Five imperatives for improving service quality", Sloan Management Review, pp. 89-91.
- [6] Dr.Purushottam Vishnu Deshmukh (2013), The Performance of Cooperative Banking in India., Indian Journal of Applied Research, PP 160-162.
- [7] Dr. B.S. Chandrashekar, (2015), Growth and Financial Performance of Urban Cooperative Banks in India, Indian Journal of Research, Volume : 4 Issue 2 2015, pp 19-21.
- [8] Indira R.*, Paramashiaviah (2019) A Study on Cooperative Sector Banks in India: Problems & Prospects, Journal of Advances and Scholarly Researches in Allied Education [JASRAE] (Vol:16/ Issue: 5)
- [9] Jyoti Gupta, Suman Jain, (2012), A study on Cooperative Banks in India with special reference to Lending Practices, International Journal of Scientific and Research Publications, Volume 2, Issue 10, October 2012
- [10] M.L. Tannan (2007)"Tannan's Banking Law and Practice in India", Wadhwa and Company Nagpur, 21st Edn., Reprint 2007.
- [11] Nivedita (20'9), Himachal Pradesh Co-operative Bank, International Journal of Research in Social Sciences, Vol. 9 Issue 3, March 2019,
- [12] S.N. Gupta, (2010)"The Banking Law", Vol. II, Universal Law Publishing Co. Pvt. Ltd., 5th Edn., 2010.
- [13] M.L. Jhingan, "Money, Banking, International Trade and Public Finance", Vrinda Publication Pvt. Ltd., 7th Edn., Reprint 2007.
- [14] Ramesha and Nagaraju (2007), "Prudential Standards and the performance of Urban Co-operative Banks in India: An Empirical Investigation", The ICAFI Journal of Financial Risk Management, June, 2007.
- [15] Ramesha K (2003): Co-operative Banking and Financial Sector Reforms in India Agenda for Future Research, International Conference on Mapping Co-operative Studies in the New Millennium, British Columbia Institute for Co-operative Studies.
- [16] S Gaba, Dr. B B. Goenka (2017), A Study on Co-operative Banks with special reference to Himachal Pradesh Co-operative Bank Journal Of Humanities And Social Science (IOSR-JHSS) Volume 22, Issue 12, Ver. 7 (December. 2017) PP 67- 5.
- [17] Vipin Kumar B, Sonika D (2017), A Study on Co-operative Banks with special reference to Himachal Pradesh Co-operative Bank, IOSR Journal Of Humanities And Social Science (IOSR-JHSS), Volume 22, Issue 12, Ver. 7 (December. 2017) PP 67-73.

WEBSITES:

- https://www.rbi.org.in/scripts/fun_urban.aspx
- http://shodhganga.inflibnet.ac.in/bitstream/10603/2031/11/11_chapter%202.pdf

REPORT CARD

	Net profit (₹ cr)	NIM %	Gross NPA%	Number of UCBs	Deposits (₹ cr)	Loans and Advances (₹ cr)	Investments (₹ cr)
2017-18	4,062	2.92	7.10	1,551	4,56,507	2,80,501	1,49,759
2016-17	3,925	2.79	7.16	1,562	4,43,469	2,61,202	1,42,091
2015-16	3,672	2.97	6.11	1,574	3,92,176	2,44,936	1,20,911
2014-15	3,511	2.97	6.15	1,579	3,55,134	2,24,302	1,23,071
2013-14	2,984	3.08	5.70	1,589	3,17,769	2,00,352	1,15,301

RATING-WISE DISTRIBUTION OF UCBs

(As on March 31, 2018)

Ratings	No. of UCBs	% share in total	Deposits (₹ billion)	% share in total	Advances (₹ billion)	% share in total
A	328	21.15	1,415.36	31.00	892.57	31.82
B	878	56.61	2,520.40	55.21	1,561.83	55.68
C	278	17.92	517.97	11.35	303.38	10.82
D	67	4.32	111.34	2.44	47.24	1.68
Total	1,551	100.00	4,565.07	100.00	2,805.01	100.00

Note: 1. Data are provisional; 2. Components may not add up to the whole due to rounding off; 3. Ratings are based on the inspection conducted during the financial years 2016-17 to 2018-19; 4. Percentage variation could be slightly different because absolute numbers have been rounded off to rupees billion.

Source: RBI