

Service Quality Dimensions of MSME Entrepreneurs

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ABSTRACT

MSME sector in India plays a dominant role in attaining the balanced and sustainable industrial and economic development, employment generation and development of entrepreneurial skills among the people of the country and increasing the export earnings of the country. The need of the hour for Indian MSMEs is to upgrade their technology, quality and adopt modern management techniques to keep pace with the changes that are taking place in the global market and also the availability of adequate credit at affordable cost, thus, becomes critical for Indian MSMEs. In recent times, Public Sector Banks have not confined themselves to mere extension of finance to small entrepreneurs but have shown genuine concern for their development. Banks are playing a major role in financing MSMEs in India. Nearly 82 per cent of the total SME financing through banks. In addition, among them the major share is of public sector banks i.e. 57 per cent. The relationship between a bank and its customers is not a one-time affair, but a relatively permanent and enduring one, which requires to be nurtured with good quality of service. In such a situation, any bank not having a mind towards bettering the quality of customer service is almost certain to lose its business. Service quality dimensions of the public sector banks which are expected by the entrepreneurs have been measured by giving score on twelve service quality related questions namely: Good, Comfortable, secured, relax, calm, ease, worried, pleasant, satisfied, happy, favourable and pleased. The mean score of twelve different dimensions of customers' satisfaction has been computed among the customers the Public Sector Banks. In order to analyse the significant difference among the customers belonging banks regarding their level of satisfaction, the one way analysis of variance has been administered the resulted mean score on various dimensions has been administered.

1. Introduction

The Indian Banking Industry which was operating in a bureaucratic style prior to 1991 had to undergo large scale transformation with the opening of the economy. With the phenomenal increase in the country's population and the increased demand for banking services; speed, service quality and customer satisfaction are going to be key differentiators for each bank's future success. In today's changing world, retail trading, SME financing, rural credit and overseas operations are the major growth drivers for Indian banking industry (Popli and Rao, 2009).

The scene has changed since the adoption of financial sector restructuring programme in 1991. The sector has been facing unprecedented challenges with the wave of Liberalization, Privatization and Globalization (LPG) of Indian economy. Banks in India are under intense pressure to perform in today's volatile market place, steep competition, globalization, growing customer demand and exposure to higher credit risks are forcing the banks to find new ways of providing better customer service so as to improve profitability. For sustainable development of this sector, mainly depends on the trust and loyalty of the customer to the server bank and quality customer service and better customer relationship. Accordingly, it is imperative for banks to get useful feedback on their actual response time and customer service quality aspects of retail banking, which in turn will help them take positive steps to maintain a competitive edge.

In banking, the quality of customer service holds primary significance, particularly in the context of sustained business

growth. Unlike other industries engaged in the production of tangible goods, banks are unique in the sense that they produce and deliver the service at the delivery points the branches. This has an overwhelming impact on the customers' psyche and makes them supersensitive towards the quality of service.

The relationship between a bank and its customers is not a one-time affair, but a relatively permanent and enduring one, which requires to be nurtured with good quality of service. In such a situation, any bank not having a mind towards bettering the quality of customer service is almost certain to lose its business. (Fatima Veghlo, 2011).

2. Service quality in banks

Customer Satisfaction Quality in service is an elusive concept and as such, there is no generic definition of service quality. Service quality is considered as "a measure of how well service is delivered and matches customers' estimations" (Lewis and Booms, 1983), or "providing the customer with what he wants, when he wants it, and at acceptable cost within the operating constraints of business" (Lewis 1991) or "providing a better service than what the customers expects" (Lewis 1988). As a result, service quality is defined as the conformance of service to the customers' specifications and estimations. The quality of service therefore depends on the ability of the server to meet the estimation of the customers. The customers towards the overall excellence may define on the other hand perceived service quality as the evaluation or uniqueness of the service rendered (Parasuram and Zeithaml, 1985)

3. SERVQUAL - Instrument of Measuring Service Quality

Gronroos (1988) defines the five key determinants of service quality as professionalism and skills (technical, outcome related), reputation and credibility (image related), behaviour and attitudes, accessibility and flexibility and reliability and trustworthiness (all functional, process related). However, the most widely reported framework is the SERVQUAL model of (Parasuraman et al. 1988) consisting of the five dimensions of service quality - tangibles, reliability, responsiveness, assurance and empathy.

The five dimensions of service quality which are indicated in the SERVQUAL approach as follows:

Reliability (ability to perform the promised service dependably and accurately); Assurance (knowledge and courtesy of employees and their ability to inspire trust and confidence); Tangibles (physical facilities, equipment, and appearance of personnel); Empathy (caring, individualized attention the firm provides its customers) and Responsiveness (willingness to help customers and provide prompt service)

4. Statement of the problem

Firstly, the biggest problem faced by the MSME sector is the unavailability of adequate financing facilities. It is not very easy task for the Micro, Small, and Medium (MSMEs) entrepreneurs to raise or to get the required capital at the time of need. Secondly, the private moneylenders also support these entrepreneurs, but they charge high interest. Different sources help the entrepreneurs to raise the finance but they face more problems in getting the loans. In these circumstances, they expect services from financial institutions such as banks and Tamil Nadu Industrial Investment Corporation (TIIC). At present, the loans advanced by the TIIC are not sufficient to run the enterprise. Therefore, the entrepreneurs expect higher loans from the public sector banks.

In considering those, this study attempts to analyse the performance of Public Sector Banks (PSBs) in providing quality of service to MSME sector from the viewpoint of the entrepreneurs. They are the real performance evaluators of the banks to judge the service quality of the PSBs.

Because of the importance and complexity, the bank-SME relationship warrants investigation and the thesis pay attention in analysing relationships on many dimensions.

5. Objectives of the study

- (i) To find answers to the questions raised, the study is undertaken with the following objectives
- (ii) To study the socio-economic profile of the entrepreneurs of MSME sector.
- (iii) To identify the reasons for preferring the public sector banks by the entrepreneurs of MSME Sector.
- (iv) To study the service quality dimensions of public sector banks in terms of entrepreneurs' perspective.

6. Significance of the study

Firstly, the findings of the study may pave the way in increasing financial assistance by extending services to the MSME entrepreneurs by the Public Sector Banks (PSBs) and the study may throw light on the improvements needed for the entrepreneurs in terms of quality of service.

Secondly, the prospective entrepreneurs may also be benefited since they know the right source of finance. Further, the study may enable the PSBs would take steps to increase the credit flow to Micro, Small and medium enterprise (MSMEs).

Finally, the study could provide useful insights to assess the changes in efficiency of banks have been in the right direction. The study will be useful for banking industry, policy makers, governments, individuals involved in the sector

7. Methodology

For the study, both primary and secondary data have been used. Primary data were collected from 254 Micro, Small, and Medium (MSME) entrepreneurs by using interview schedule and the secondary data required for the study have been collected from various publications.

Data collections were done during the period of November 2010 to April 2012. Descriptive method of research has been used for analysing the service quality of Public Sector Banks (PSBs). This study is based on the multi-stage sampling. For the research work, PSBs of Coimbatore District were taken.

The study area of Coimbatore Districts includes Annur, Coimbatore North, Coimbatore South, Kinathukadavu, Mettupalayam, Pollachi, Paladam, Tirupur, Valparai and Udumalaitaulks. These administrative taulks are clustered into ten blocks by the District Industrial Centre (DIC) namely Anamali, Kinathukadavu, Madukarai, Periyanaickum Palayam, Paladam, Sullur, Pollachi north and south, Udumalai and Coimbatore corporations.

The small-scale industries running by the entrepreneurs in these blocks have been selected by convenient sampling technique.

8. Data Collection

The data required for the study have been selected through interview schedule as the study is based on Primary data. The interview schedule was developed after consulting the officials' of Public Sector Banks and a pilot study was administered and the outcome was taken into account for the next level of data collection. The questionnaire consists of questions relating to socio-economic profile, financial particulars, and preference of public sector banks, awareness, service quality, and satisfaction of entrepreneurs. The secondary data required for the study have been collected from various publications and reports.

One-way Analysis of Variance (ANOVA)

The one way ANOVA has been administered to examine the significant difference among three or more groups when the data are in interval scale. The one-way ANOVA has been applied to exhibit the significant difference among the MSMEs

entrepreneurs regarding the aspects of factors influencing knowledge of business, reasons for promoting the units, awareness, preference and relationship with PSBs.

9. Scope of the study

Micro, Small and Medium Enterprises have been unable to achieve the competitiveness that would allow them to drive the manufacturing sector and overall economic growth, employment and poverty reduction. This is because of lack of awareness of assessing adequate financing and business development services. Bankers are less inclined to provide services to MSME sector.

Because of the high transaction costs and perceived risks of lending in the face of insufficient credit information, inadequate credit appraisal, and risk management, poor repayment records, and low market credibility of MSMEs.

The emphasis of this study is on the development of quality of services and providing necessary finance without much impediments and delays to MSME entrepreneurs, which in turn, would contribute in overall development.

10. Limitations of the study

The research was conducted in Coimbatore District. A more diverse sample across different District might show that there is a difference in MSME entrepreneurs' attitude towards PSBs service.

The study covers only the MSME sector of Coimbatore district. Hence, the findings of the study may not be completely applicable to large-scale industries in the district.

11. Results and Discussions

MSME Entrepreneurs Profile

The entrepreneurs profile is one of the important criteria in determining the credit worthiness of entrepreneurs. Generally, a bank prefers to grant loan on the basis unit's worthiness and profile of entrepreneurs.

The details regarding the entrepreneurs profile is presented in the Table 4.1.

TABLE 1
Entrepreneurs PROFILE

S.No	PROMOTOR'S PROFILE		ENTREPRENEURS	
			(n)	%
(i)	Gender	Male	236	92.9
		Female	18	7.1
(ii)	Age	Less than 35	44	17.3
		35-45	116	45.7
		45-55	62	24.4
		55-65	20	7.9
		Over 65	12	4.7
(iii)	Place of residence	Urban	70	27.6
		Semi-urban	104	40.9
		Rural	80	31.5
(iv)	Education	No formal Education	20	7.9
		Secondary education	114	44.9
		Graduation	92	36.2
		Technical Education	28	11.0
(v)	Marital status	Married	232	89.0
		Unmarried	22	8.7
(vi)	Family type	Extended	52	20.5
		Nuclear	202	79.5
(vii)	Status in the family	Head	180	70.9
		Member	74	29.1

(i) Gender of the Entrepreneurs

It can be seen from the Table-1, of the 254 entrepreneurs, 236 (92.9%) are male and 18 (7.1%) are female which shows the predominance of male in entrepreneurial activity.

It is apparent that male entrepreneurs have a high proportion as 236 (92.9%).

(ii) Age of the Entrepreneurs

The age wise classification of entrepreneurs are given in Table-1

According to the data, the majority of entrepreneurs 116 (45%) belong to the age group of 35 to 45 years, followed by 62 (24.4%) belong to the age group of 45 to 55 years, 44 (17.3%) are in the age group of below 35 years, 20 (7.9%) are in 55 to 65 years, and the rest 12 (4.7%) belong to age group of over than 65 years.

It can be said that the most of the entrepreneurs 116 (45%) are in the age group of 35 to 45 years which demonstrates the middle age entrepreneurs.

(iii) Place of Residence of the Entrepreneurs

According to Table-1, 104 (40.9%) entrepreneurs reside in Semi- Urban areas, followed by 80 (31.5%) entrepreneurs live

rural areas and the remaining 70 (27.6%) entrepreneurs of reside in urban areas.

To conclude, the entrepreneurs place of residence spread across the three categories: Semi- Urban, rural, and urban areas.

(iv) Education of the Entrepreneurs

Of the 254 entrepreneurs, high number of them 114 (44.9%) have only completed secondary education, followed by 92 (36.2%) graduates, 28 (11%) have technical education, and the rest have 20 (7.9%) no formal education.

It is striking that, only 92 (36.2%) have graduation and high number 114 (44.9%) goes with secondary education. More importantly, 20 (7.95%) no formal education which handicaps the advancement in entrepreneurial ship to great extent.

(v) Marital Status of the Entrepreneurs

It is evident from the data that of 254 entrepreneurs 232 (91.33%) entrepreneurs are married and 22 (8.67%) are unmarried.

It is clear that a majority of the entrepreneurs 232 (91.33%) are married.

(vi) Type of Family

According to the data of 254 entrepreneurs 202 (79.5%) are in nuclear system of family and the rest which has a very low share as 52 (20.5 %) are in extended family system.

Therefore, it is inferred that majority 202 (79.5%) of the families are nuclear.

(vii) Status in the Family

Majority 180 (70.9%) entrepreneurs status in the family as head and the rest 74 (29.1%) have role as a family member.

In summary, the majority of the entrepreneurs 180 (70.9%) status in the family acts as head.

12. Preference of Public Sector Banks

In terms of preference, all banks are surging ahead to project themselves as the most preferred bank by entrepreneurs those who are becoming more demanding in their needs and are increasingly on higher standard of service. To them, service means satisfaction, delight, excellent service delivery and c relationship etc. The survival and growth of a bank not only depends on its ability to provide qualitative service to its customers but in building a long term mutually beneficial and trust worthy relationship. through providing traditional and innovative value added quality services.

TABLE 2
PREFERRING PUBLIC SECTOR BANKS AS SOURCE OF FUND FOR OPERATION

S. No	REASONS	Highly Agreed	Agreed	Disagree	Total Scores
1	Low rate of interest	166 (65.36)	88 (34.64)	-	674
2	Simple procedure	126 (49.61)	104 (40.94)	24 (9.45)	610
3	Quick disbursal of loan	114 (44.88)	96 (37.80)	44 (17.32)	578
4	Timely finance	58 (22.83)	172 (67.72)	24 (9.45)	542
5	Proximity	38 (14.96)	198 (77.95)	18 (7.09)	528
6	Loan convertibility	88 (34.63)	138 (54.33)	88 (34.64)	628
7	Flexibility in repayment schedule	22 (8.66)	150 (59.06)	82 (32.28)	448
8	Possibility of loan waiver	96 (37.80)	84 (33.07)	74 (29.13)	530
9	Wide variety of loan schemes	92 (36.22)	124 (48.82)	38 (14.96)	562
10	Less insistence of security	72 (28.35)	130 (51.18)	52 (20.47)	528
11	Wide network	66 (25.99)	174 (68.50)	14 (5.51)	560
12	Good customer Relationship	62 (24.41)	182 (71.65)	10 (3.94)	560
13	Psychological Satisfaction	40 (15.75)	198 (77.95)	16 (6.30)	532
14	Friends- Relatives working	24 (9.45)	166 (65.35)	64 (25.20)	468
15	Additional loan facility	36 (14.18)	158 (62.20)	60 (23.62)	488
16	Need based loan	32 (12.60)	158 (62.20)	64 (25.20)	476
17	No other source	24	158	72	460

		(9.45)	(62.20)	(28.35)	
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Variables for preferring the PSBs by the MSME entrepreneurs have been measured by giving scores on preference related questions. Seventeen variables in relation to entrepreneur's reasons for preferring the PSBs have been included in the interview schedule. The reasons for the preferring of PSBs by the entrepreneurs are presented in Table - 2.

Out of 254 entrepreneurs, 166 (65.36%) entrepreneurs highly agreed the rate of interest is the main reason for preference of PSBs and the rest agreed the rate of interest is the reasons for preference of public sector banks. Simple procedure 126 (49.61%) have been rated as strongly agreed, 104 (40.94%) entrepreneurs have been agree and the rest 24 (9.45%) entrepreneurs have been rated as strongly disagreed and finally 158 (62.20) entrepreneurs have been agreed "no other source" as the main reason for preferring public sector banks.

The analysis shows that the difference among the means of the ratings given by the entrepreneurs is statistically significant at 5% level.

In conclusion, the primary reason (variable) for preferring the PSBs is 'low rate of interest' which is explained by the total score as 674 by the MSME entrepreneurs. Secondly, 'loan convertibility' as the score 628 and thirdly, 'simple procedure' as 610.

13. Service Quality Dimensions between Entrepreneurs and PSBs

All banks are surging ahead to project themselves as the most preferred bank by customers as customers are becoming more sophisticated in their needs and are increasingly

demanding higher standard of service. To them, service means Customer satisfaction, customers' delight, excellent service delivery and customer relationship etc. In recent years, a number of private players and foreign banks have entered the Indian market and made it more competitive. The survival and growth of a bank not only depends on its ability to provide qualitative service to its customers but in building a long term mutually beneficial and trust worthy relationship with its customers. In current scenario, the three major segments of the banking sector i.e. private, public and multinational/foreign banks are vying with each other to attract large clientele, through providing traditional and innovative value added quality services. (Shankari Parivallal, 2009).

Service quality dimensions of the public sector banks which are expected by the entrepreneurs have been measured by giving score on twelve service quality related questions namely: Good, Comfortable, secured, relax, calm, ease, worried, pleasant, satisfied, happy, favourable and pleased.

The mean score of twelve different dimensions of customers' satisfaction has been computed among the customers the Public Sector Banks. In order to analyse the significant difference among the customers belonging banks regarding their level of satisfaction, the one way analysis of variance has been administered the resulted mean score on various dimensions has been administered. The test for mean score analysis (ANOVA) test procedure is used to compares mean scores of more than two Groups.

Null Hypothesis

There is no significant difference in the mean scores on the relationship with service providers among the entrepreneurs.

TABLE - 3
ANOVA- RELATIONSHIP BETWEEN ENTREPRENEURS AND DIMENSION OF SERVICE QUALITY

SOURCE	DF	SS	MS	F
Between groups	11	278.676	25.334	19.064**
Within groups	2938	3904.301	1.329	

** Significant at 1% level

Hypothesis

There is a significant relationship between MSME entrepreneurs' satisfaction dimensions and SERVQUAL of PSBs.

The ANOVA result shows that the calculated F- ratio value is 19.064, which is higher than the table value 2.32 at 1% level of significance. Since the calculated value is higher than the table value, it is inferred that there is a significant difference in

the mean scores on SERVQUAL dimensions among the MSME entrepreneurs. Hence the Null Hypothesis is rejected.

It is concluded that there is a significant difference in the mean score among group of entrepreneurs.

The mean score among group of entrepreneurs is presented Table - 3.

TABLE - 3
RANKING OF DIMENSION OF SERVICE QUALITY WITH PSBs

SATISFACTION DIMENSIONS	WEIGHTED AVERAGE SCORE	RANK
1) Good	4.169	1
2) Comfortable	3.968	2
3) Secured	3.835	3
4) Relaxed	3.811	4

5) Calm	3.717	5
6) Ease	3.630	6
7) Worried	3.492	7
8) Pleasant	3.441	8
9) Satisfied	3.772	9
10) Happy	3.724	10
11) Favourable	3.622	11
12) Pleased	2.827	12

Source: Primary data.

The Table - 3 shows the twelve kinds of satisfaction dimension between the MSME entrepreneurs and PSBs.

The mean score ranges between 1.590 and 4.169 and the relationship 'Good' has secured higher mean score, followed by 'Comfort' has secured second, 'Secured' in third and finally 'Pleased' has secured the least mean score..

In conclusion, SERVQUAL dimensions of PSBs to MSME entrepreneurs' are 'good'.

14. Suggestions

1. More Specialized branches to be opened for MSME Entrepreneurs.
2. The bankers should influence and inculcate the knowledge of business for the entrepreneurs by conducting more number of EDPs.
3. Loan Application forms/procedures be simplified.
4. The banks should ensure for the quick disbursement of loans and reduce the time gap after processing the loan application forms.
5. Public Sector Banks highly focuses on the repayment of loan than that of servicing the budding entrepreneurs.

15. Conclusion

With the phenomenal explosion in the country's population and the increased demand for banking services; speed, service quality and customer satisfaction are going to be key

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differentiators for each bank's future success. Customer satisfaction in the bank and MSME relationship has been a subject of interest in academia and practice for a long time.

Nowadays, the MSME entrepreneurs face enormous challenges in terms of interrupted power supply, man power shortage, lack of technical guidance etc. These handicap the entrepreneurs to a great extent. The ray of hope on the horizon for the entrepreneurs is the banks only for the immediate solution.

Thus it is imperative for banks to get useful feedback on service quality aspects of loans to MSMEs, which in turn will help them to take positive steps to maintain a competitive edge. MSMEs have been given an important place in the economy of both developing and developed countries.

The role Public Sector Banks is very important in promoting or developing the MSMEs in the Villages and Sub-urban areas. PSBs need to introduce more dynamic and innovative MSME schemes and need to focus on mass customization and build better relationship with the MSMEs. The satisfied MSME entrepreneurs supported by banks are more likely to concentrate their business with that bank and tend to be more committed to that bank, which in turn results in better relationships.