

MEASURING THE SERVICE QUALITY EXPECTATIONS AND PERCEPTION OF THE CUSTOMERS DEALING WITH THE STOCK TRADING BROKERAGE FIRM OF RAJASTHAN

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Abstract - The paper seeks to measure the service quality expectations and perception of the customers dealing with the stock trading brokerage firm of Rajasthan. In the pilot study, the researcher has identified 10 factors. Those factors are based on the quality service of the stock trading brokerage firm. After identifying the factors, the researcher intended to find the impact of those 10 identified factors, which were considered to be the potential factors of FINSERQUAL Model. The underlying variables under these identified factors have been discussed in appendix 1. Further to validate the identified factors in the model, correlation and regression analysis was conducted. The correlation and regression results showed that all the 10 identified factors have statistically significant impact on customer's satisfaction which therefore validated the FINSERQUAL model identified in the study. Now since the researcher has established and validated the FINSERQUAL Model, the researcher intends to test the other hypothesis of the study. The hypothesis is to measure the difference between the expectations and perception of the customers dealing with the stock trading brokerage firm of Rajasthan.

Keywords - Perception, Expectations, FINSERQUAL

I. INTRODUCTION

The stock broking industry is a service-oriented industry where brokers act as agents for investors when a security is bought or sold and are compensated with a commission. Investors would not hesitate to switch to alternative brokerage houses if they do not obtain satisfaction. Providing quality service and hence customer satisfaction should thus be recognized as a key strategy and a crucial element of long-run success and profitability for stock broking businesses.

Little has been done towards understanding the expectations investors hold from their stockbrokers. Since expectations serve as benchmark to gauge the service level of brokers, the delivery of services that exceed customer expectations is one strategy that can give firms a competitive advantage (Rudie and Wansley, 1985; Thompson, DeSouze and Gale, 1985). Therefore, it would seem beneficial for stockbrokerage firms, in a dynamic economic environment like India, to have a measurement scale to examine service quality of stockbrokers.

In addition, stockbrokers have much to gain in understanding investors' expectations of them, as this would help the stockbrokers to serve their customers better and foster long-lasting relationship with their customers. Very few studies have examined the service expectations investors hold from their stockbrokers. This study therefore aims to provide a multi-expectations framework to stock broking services providers. This information would be useful for those who would like to control and improve the performance of their service.

Service quality is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining it

and measuring it with no overall consensus emerging on either (Wisniewski, 2001). There are a number of different "definitions" as to what is meant by service quality. One that is commonly used defines service quality as the extent to which a service meets customers' needs or expectations (Lewis and Mitchell, 1990; Dotchin and Oakland, 1994a; Asubonteng et al., 1996; Wisniewski and Donnelly, 1996). Service quality can thus be defined as the difference between customer expectations of service and perceived service. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Parasuraman et al., 1985; Lewis and Mitchell, 1990). Always there exists an important question: why should service quality be measured? Measurement allows for comparison before and after changes, for the location of quality related problems and for the establishment of clear standards for service delivery.

II. REVIEW OF LITERATURE

Service quality is defined as how well the service meets or exceeds the customers' expectations on a consistent basis (Crosby, 1979; Parasuraman, Zeithaml and Berry, 1985). Parasuraman, Zeithaml and Berry, 1985). The difficulty, however, is that service quality, unlike product quality, is more abstract and elusive, because of features unique to services: intangibility, inseparability, heterogeneity (Parasuraman, Zeithaml and Berry, 1985) and perishability (Kasper and Lemmink, 1989) and is therefore difficult to measure. To remedy this difficulty, Parasuraman, Zeithaml and Berry (1985) established the "gap model". Parasuraman, Zeithaml and Berry (1985) conducted focus groups and interviewed executives. In doing so, they identified

five "gaps" that can cause quality problems in organizations. The first gap is the consumer expectations-management perceptions gap. This gap resulted from discrepancies between the perceptions of executives and the perceptions of consumers on things like privacy and security issues. Basically, the executives did not understand the customers' expectations. Service firms also experienced problems in providing services as quickly as the customers wanted. This created the second gap, which is called the management perception-service quality specification gap. The third gap is the service quality specifications-service delivery gap.

Executives realize that this gap includes the vital role of the contact personnel. This is a difficult aspect of providing services, because of the inconsistency in the behavior of personnel. The fourth gap is the service delivery-external communications gap. This gap forms, based on the capability of the firm to deliver what is promised and to completely inform consumers of all the things the service firm is doing that benefit customers. Firms should not promise the customer more than the service firm is capable of delivering. These problems in quality created gap five. The fifth gap is the difference between the expectations customers have and the perceptions of service actually received and is pertinent to providing high levels of service quality. That is, gap five is the expected service-perceived service gap. Parasuraman, Zeithaml and Berry (1988) attempted to measure this fifth gap by developing the SERVQUAL instrument. They performed exploratory research to examine quality in four service settings (retail banking, credit cards, securities brokerage, and product repair and maintenance) in order to understand an area that is under researched and difficult to define. These researchers found 10 dimensions (reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding/knowing the customer and tangibles) that customers use across varying service industries to form expectations and perceptions of services received.

The most widely accepted measurement scale for service quality is the SERVQUAL instrument developed by Parasuraman, Zeithaml and Berry (PZB) (1988). They define service quality as the "difference between what a service company should offer and what it actually offers" or the discrepancy between expectations and perceptions of the service performance.

To measure customer satisfaction with different aspects of service quality, Parasuraman, Zeithaml and Berry (1988) developed a survey research instrument called SERVQUAL. It is based on the premise that customers can evaluate a firm's service quality by comparing their perceptions of its service with their expectations. Since its inception, the SERVQUAL has been seen as a generic measurement tool by both academics and practitioners, which can be applied

across a broad spectrum of service industries. The SERVQUAL instrument is based on five service quality dimensions that include reliability, responsiveness, assurance, empathy and tangibles (Zeithaml and Bitner, 2000) and they provide the basic "skeleton" underlying service quality, which is represented as a multidimensional construct.

Despite its widespread use in many service industries, SERVQUAL has been subject to several criticisms on conceptual and methodological grounds (Babakus and Mangold, 1989; Brown, Churchill and Peter, 1993; Carman, 1990; Cronin and Taylor, 1992; Spreng and Singh, 1993; Teas, 1993 a, b). One of these criticisms is the inappropriateness of SERVQUAL as a generic measure for all service settings. Replication studies done by other investigators failed to support the five-dimensional factor structure as was obtained by PZB (1988) and PBZ (1991) in their development of SERVQUAL. For example, McDougall and Levesque's study (1994) revealed only three underlying dimensions of service quality: tangibles, contractual performance (outcome) and customer-employee relationships (process). Other studies have indicated the possibility of two (Babakus and Boller, 1992 – in a public utility sector) to nine (Carman, 1990 – in a dental school patient) distinct dimensions underlying the service quality construct. Because some determinants of perceived service quality are generic while others are industry- or situation-specific, Babakus and Mangold (1989) argue that the instability of the dimensionality of SERVQUAL is probably due to the type of service sector under investigation. PBZ (1993) agree though that the five dimensional structure of service quality remains in doubt and should be further researched.

III. OBJECTIVES OF THE STUDY

1. To know whether the Stock Trading Brokers are at, above or below the perceptions of their respective customers & to measure the service quality gap between perception & expectations of the customers.
2. To identify the critical factors causing Dissatisfaction in the Customers dealing with Stock Trading Brokers.

IV. LIMITATIONS OF THE STUDY

1. The Primary Data collection has been done through the selected customers dealing with Stock Trading Brokers of Rajasthan only.
2. The study is done on sample selected from the state of Rajasthan only.

V. FINDINGS OF THE STUDY

The researcher intends to test the hypothesis of the study. The hypothesis is as follows:

H₀: There is no statistical significant difference between the expectations and perception of the customers dealing with the stock trading brokerage firm of Rajasthan.

H_A: There is statistical significant difference between the expectations and perception of the customers dealing with the stock trading brokerage firm Rajasthan.

The researcher has used the 10 themes of FINSERQUAL Model that were identified and validated earlier.

• **Paired T-test**

| Paired Samples Test | | | | | | | | | |
|---------------------|---|--------------------|----------------|-----------------|---|-------|-------|----|-----------------|
| | | Paired Differences | | | | | t | df | Sig. (2-tailed) |
| | | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | | Lower | Upper | | | |
| Pair 1 | Satisfaction in security services to clients | .160 | .345 | .122 | -.128 | .448 | 1.312 | 7 | .231 |
| Pair 2 | Satisfaction in account maintenance policies | .881 | .691 | .261 | .243 | 1.520 | 3.376 | 6 | .015 |
| Pair 3 | Quality services of the firm | -.024 | .083 | .031 | -.100 | .053 | -.753 | 6 | .480 |
| Pair 4 | Employees behavior and their response to clients | .535 | .635 | .284 | -.253 | 1.323 | 1.885 | 4 | .133 |
| Pair 5 | Office ambience and infrastructure | 1.300 | .514 | .257 | .482 | 2.118 | 5.056 | 3 | .015 |
| Pair 6 | Risk management system | -.003 | .081 | .033 | -.088 | .082 | -.089 | 5 | .933 |
| Pair 7 | Redressal mechanisms | .030 | .012 | .007 | .002 | .059 | 4.564 | 2 | .045 |
| Pair 8 | Satisfaction in reporting information to clients | .040 | .012 | .005 | .028 | .051 | 8.745 | 6 | .000 |
| Pair 9 | Customer's convenience and their interests | .472 | .628 | .314 | -.528 | 1.471 | 1.502 | 3 | .230 |
| Pair 10 | Satisfaction with optimistic projections to clients | .992 | .870 | .435 | -.392 | 2.377 | 2.281 | 3 | .107 |

As per the statistics, 6 themes out of 10 are coming out to be insignificant at 5% level (>.05). Since more than half of the themes are coming out to be insignificant therefore we accept the main null hypothesis and concluded that there is no statistical significant difference in the expectations and perception of the customers regarding the service quality of the stock trading brokerage firm. The first theme considered is Satisfaction in security services to clients. Since the significance value of this theme is more than .05, therefore the researcher has accepted the null hypothesis and concluded that there is no statistical significant difference between the expectations and the perception of the customers about the security services of stock trading brokerage firm. Similarly the other 5 themes that are insignificant are Quality services of the firm, Employees behavior and their response to clients, Risk management system, Customer's convenience and their interests and Satisfaction with optimistic projections to clients. It can be concluded that there was no statistical difference between the expectation and the perception of the customers regarding quality

of services, risk management services, customer's convenience services, employees' behavior and satisfaction with optimistic projections to clients in the stock trading brokerage firm. In contrast to this, a study based on the service quality of the stockbrokers conducted by Ahamed (2011)in Bangladesh highlighted that there was significant difference between services they expect and the services they receive. Thus, the present findings are in contrast with the findings of the study conducted by Ahamed (2011).

ANALYSIS

Since the entire alternate sub hypothesis has been accepted earlier while formulation of FINSERQUAL model for stock trading brokers , thus it can be stated that service quality of stock trading firm has significant impact on the customer satisfaction. As per the findings of demographic analysis, it was found that most of the customers were post graduate and professionals concluding that trading involves lot of brainstorming and analytical knowledge. Also the propensity to invest was between 10-20% of the

incomes of the customers. It is also concluded that the customers are generally risk averse, therefore they invest only a small portion of their incomes. The income level of the maximum customers was between 12-16 lakhs. Thus it can be stated that most of the traders involved with the brokerage firm have an average package of income of 12-16 lakhs per annum.

The inferential analysis concluded that the services of the trading firms have a significant impact on the customer's satisfaction. It is found that the **financial and accounting practices** of the brokerage firm have significant impact on the customer's satisfaction. Also, because the customer's hardly visit the brokerage firm, the R value of the factor named **Infrastructure and ambience of the firm** is low. Security is another important issue with the customers. The **satisfaction in security services to the clients** is concern of the firm as well as the customer. Security about sharing personal information, error free records, transactions and other such aspects have significant impact on the customer satisfaction and retention.

Customer satisfaction and convenience based services plays a significant role in enhancing the satisfaction of the customers as per the findings of the present study. Generally, high brokerage fee increases the chances of negative impact on the customer satisfaction since increased brokerage fee reduces the profits for the customers. Skillful staff was found to be one of the variables that handles the customers with grace and enhances their satisfaction level. **Quality service of the firm** plays an important role in satisfying the customer needs where prompt services provided from firm's end increases the satisfaction level of the customers. The willingness of the firm to help their customers was found to be satisfying the customers and their trust in the firm.

Another important factor that affects the level of customer satisfaction as per the findings of the study is **risk management services**. It was found that the firms with the appropriate risk mitigating strategies in place were able to satisfy their customers. This could be because with appropriate risk mitigating system in place, the firm are able to bring high returns to the investments of the customers. **Redressal mechanism** has significant impact on the customer satisfaction. Since most of the trading is taking place online these days, the redressal mechanism has taken a shift from more of offline to online. This has brought convenience to the customers therefore, increasing the level of their satisfaction.

Another factor is satisfaction in **reporting information to clients**, the factor has significant impact on the customer satisfaction because the responsibility of firm to provide all the important information to their customers helps the customers to take relevant actions so that they are not cheated and incur losses. It is very important for the brokerage firm to **satisfy their customer needs** in order to

retain them and encourage them to open a trading account in their firm.

It can be concluded that the quality service of stock trade brokerage firm has significant impact on customer satisfaction. The quality service of the firm is affected by security policies, account maintenance policy, timing of services, employee behaviors, office ambience, management system, redressal mechanism and optimistic projection to clients as found in the present research. A stock trade brokerage firm lacking in any of these areas demotivate the customers to trust the firm and maintain their connections with them. Therefore it is important for the stock trading brokerage firm to consider each of the factors and pay considerate attention to them. At the end, the researcher has validated the FINSERQUAL Model and found the underlying factors to be statistically significant. Thus the identified model can be used by future researchers to study the impact of service quality of stock trading brokerage firm on customer's satisfaction. Post validating the model, the researcher conducted a hypothesis testing to find the difference between the expectations and perception of the customers dealing with the brokerage firm in Rajasthan. It was found that since 6 out of the 10 themes were insignificant, therefore the null hypothesis was accepted. It is concluded that there is no such significant difference between the expectations and perception of the customers dealing with the brokerage firm in Rajasthan. Therefore, it can be stated that the quality of the services provided by brokerage firms are aligned with the expectations of the customers.

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