A STUDY ON SERVICE QUALITY OF COMMERCIAL BANKS IN OMAN

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Introduction

A banking sector acts as the backbone of modern business. Development of any country mainly depends upon the banking system. It is a" financial establishment that uses money deposited by customers for investment, pays it out when required, makes loans at interest, and exchanges currency. The banking industry in Oman is facing certain challenges i.e. challenges of service quality, satisfaction of its customers, retention of customers, loyalty of customers. Service Quality is an important factor in achieving satisfaction of the customers and in creating customer loyalty in the banking industry.

Oman Banking Industry

Financial institutions and banks in particular are considered to be the key factor for growth and success of projects in both industrial and developing countries. Commercial banks play a major role in financial inclusion for economic development of Oman. The major objective for Omani commercial banks is to concentrate on trade services and cash management. In fact, Oman has always had a nation-wide development policy that was careful to achieve a wider geographic distribution of investment to ensure that all the different regions in Oman could share the benefits and any gap in the standard of living could be narrowed. Regional development is the main focus Oman vision 2020 which aims at the economic diversification of Oman. The economy is managed through a series of plans emphasizing agriculture and industrial development. However, Oman remains heavily dependent on its oil revenues. Oil revenues also drive economic activity in the non-oil sectors. On banking sector, substantial improvements have taken place in banking activities in general. Total credit granted by Omani commercial banks operating in Sultanate of Oman to the different economic sectors and individuals increased by 9% in 2016 comparing with 2015.The central bank of Oman (CBO) provides considerable information on the economy and the financial sector. The CBO monetary policy aims to maintain price stability, keep confidence in the local currency at high level and ensure adequate credit flows to the private and public sectors. The CBO encourages local banks to open branches in the country, the commercial banks working in Oman have branch networks in all Omani regions. Oman is the smallest banking industry among the GCC countries but there is an increasing competition among the banks within Oman itself.

Role of Commercial Banks in Oman Economy

Commercial banks play an important and active role in the economic development of Oman. If the banking system in Oman is effective, efficient and disciplined it brings about a rapid growth in the various sectors of the economy. Commercial bank being the financial institution performs diverse types of functions. It satisfies the financial needs of the sectors such as agriculture, industry, trade, communication, fisheries, education etc. It means they play a significant role in a process of economic and social needs. The functions performed by banks are changing according to the change with time and they are becoming customer centric. When banks accept deposits its liabilities increase, and when bank makes advances its assets increases. Banking transactions are socially and legally approved. Bank is responsible in maintaining the deposits of its account holders. Some of the contribution of banks to the economic development of the country is summarized below:

1. Encouraging Investments through capital accumulation and formation.
2. Inclusive and shared development of all regions in Oman
3. Supporting Trade and Industry in the country
4. Overall development of the agricultural sector
5. Execution of monetary policy
6. Help in entrepreneurial developments.
7. Promotion of international trade.

Service Quality of Banks in Oman

Increased competition, increasing banking habits and increase in standard of living are forcing the banks to review their customer service practices. Many business firms including banks are channeling their efforts to retain existing customers rather than to acquire new ones since the cost of acquiring new customers is higher than retaining the existing customers. There is enough proof that testifies the strategic advantages of quality in contributing to the market share and return on investment. Financial experts opine that taking the full advantage of customer satisfaction through enhanced service quality is the ultimate business weapon.

Customer is the single most factor for development of trade, industry and service sectors particularly in banking services. In the customer-driven environment, service quality has major significance to the success of any business organizations including the banking sector.

Measuring of service quality in manufacturing industries is comparatively less complex than measuring service quality in the banking sector. Since banking sector is a uniquely heterogeneous. Each bank is having its own banking services. Standardization of services is difficult in addition the services are totally intangible in nature which makes it difficult to measure and compare.

In the recent decades there has been rapid growth of e-banking services. Internet banking, mobile banking, Automated Teller machines, Electronic fund transfer at Point of Sale (EFTPOS) has changed the way service delivery practices in the industry.

Service Quality Measurement

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Service quality is the sum total of the customers' experience and satisfaction attained during the process of a transaction. It has both subjective and objective aspects. The bank itself with its staff and various documents are objective while the responsiveness, reliability and empathy of the staff are subjective in nature.

"Service quality is a focused evaluation that reflects the customer's perception of specific dimensions of service: reliability, responsiveness, assurance, Empathy, tangibles. Satisfaction, on other hand, is more inclusive: it is influenced by perceptions of service quality, product quality, and price as well as situational factors and personal factors.

Service quality affects customer satisfaction by providing performance (real benefits). For example, if consumers believe they have entered the McDonald's restaurant, they will get food, service, high quality everywhere the same, no matter the location of the restaurant, put forward by MillendMLele (1995: 126).

"The creation of customer satisfaction can provide several benefits, including the relationship between companies and consumers are harmonious, providing a good basis for the purchase and re-creation of customer loyalty, and form a recommendation by word of mouth that can benefit the company" (FandiTjiptono, 1997: 24)

The service quality is the evidence of the way banks are performing. A complete measurement of service quality of leading banks in oman bringing out the differences between perceptions and expectations of customers of these banks.

Research Methodology
Service quality factors have several underlying variables. A measurement of service quality should include all the variables and factors that go into making the service. Hence a model of measurement is a key factor to this study. The study was conducted and analyzed based on the renowned SERVQUAL model propounded by (ParasuramZeithmal et al) this study is both descriptive and analytical in nature.

Objectives
1. To identify degree of importance relevant to various dimensions of service quality viz. reliability, responsiveness, empathy, tangibles and assurance by the customers.
2. To compare the service quality of the leading banks on the basis of their customers' perceptions and expectations.
3. To find the gap between customers perceptions and expectations of quality of the services of the banks.
4. To make suggestions for improvement of quality of services in leading banks of Oman.

Sampling Method
The sampling method used is proportionate stratified random sampling. The total sample size is 225. All the 225 respondents belong to the Al Dhakliyah region in Oman. Which comprises of 122 respondents of Bank Muscat customers, 52 respondents of Bank Dhofar customers, 26 respondents of National Bank of Oman (NBO) customers and 25 respondents from HSBC Oman customers.

Data Analysis
The data were analyzed by finding the means scores of the various SERVQUAL dimensions both for expectations and perceptions. Such means scores are compared with each bank to find the gaps between expectations and perceptions. The service quality gaps of various banks are compared. Further these gaps are cross tabulated with the profile of the customers.

Scope of the Study
The Study includes the customer service quality of leading banks in Oman. The respondents belong to various professions, various towns in Al dhakliyah region of both genders with varied social and economic background.

Analysis & Interpretations
Respondents Profile
The customers of the bank residing Al Dhakliyah region were respondents to this survey. The study has captured customers of the four leading commercial banks in Oman. The profiles of the customers are described below:

Gender of Respondents
The following table shows the composition of respondents who have participated in the study.

Table 1

	Frequency	Percent	Cumulative Percent
Male	103	45.8	45.8
Female	122	54.2	100.0
Total	225	100.0	

Source: Field data

As the table shows out of the total 225 respondents, 45.8 % were male and 54.2% were female.

Bank Name & Respondents
The following table shows the bank in which the customers are maintaining their account.

Table 2

	Frequency	Percent	Cumulative Percent
Bank Muscat	122	54.2	54.2
HSBC	52	23.1	77.3
NBO	26	11.6	88.9

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Bank Dhofar	25	11.1	100.0
Total	225	100.0	

Source: Field Data

The above table shows that out of 225 respondents, 54.2% belong to Bank Muscat, 23.1% belong to HSBC Bank Oman, 11.6% belong to National Bank of Oman and 11.1% belong to Bank Dhofar.

Type of Account
The following table shows the type of primary account maintained by the customers who responded to this study.

Table 3

Type of account		Frequency	Percent	Cumulative Percent
Valid	saving	170	75.6	75.6
	current	20	8.9	84.4
	Loan	35	15.6	100.0
	Total	225	100.0	

Source: Field Data

As per the above table, out of 225 respondents 75.6% are maintaining savings account, 8.9 % are maintaining current account, and 15.6 % are maintaining Loan accounts.

Duration of Maintenance of Account
The following table shows the duration of years in which the accounts are being maintained by the customers who responded to this study.

Table 4

Duration of account		Frequency	Percent	Cumulative Percent
Valid	Below one year	7	3.1	3.1
	1 to 5 years	94	41.7	44.8
	6 to 10 years	62	27.6	72.4
	above 10 years	62	27.6	100
	Total	225	100.0	

Source: Field Data

As the table shows, out of 225 respondents, 3.1% are maintaining accounts for less than one year, 41.7% for one to five years, 27.6% for six to ten years and 27.6% are maintaining their accounts for more than 10 years.

Customer Service Quality Compared Respondents Profile
Customer Service Quality Rating Distributed across Gender

Table 5

Gender vs Service Quality							
Gender		Reliability	Assurance	Tangibility	Empathy	Responsiveness	Service Quality
Female	Mean	3.9573	3.8214	3.9417	3.4796	3.8034	**3.8007**
	N	103	103	103	103	103	
	Std. Deviation	.59846	.64711	.58179	.80017	1.30781	
Male	Mean	3.7566	3.9115	3.7254	3.5033	3.4918	**3.6777**
	N	122	122	122	122	122	
	Std. Deviation	.66267	.46358	.59649	.59930	.73640	
Total	Mean	3.8484	3.8702	3.8244	3.4924	3.6344	**3.7340**
	N	225	225	225	225	225	
	Std. Deviation	.64058	.55569	.59833	.69692	1.04688	

The satisfaction level of customers with respect to service quality was rated higher by male customers as compared with female customers. This is also reflected in the standard deviation the Number of male respondents were more in number and the data dispersion was greater than the data dispersion of the female respondents.

Customer Service Quality Rating distributed across different Banks

Table 6

Bank Name	Average Reliability	Average Assurance	Average Tangibility	Average Empathy	Average Responsiveness	Service Quality
Bank Muscat	3.9418	3.8918	3.9611	3.6082	3.7213	3.8248

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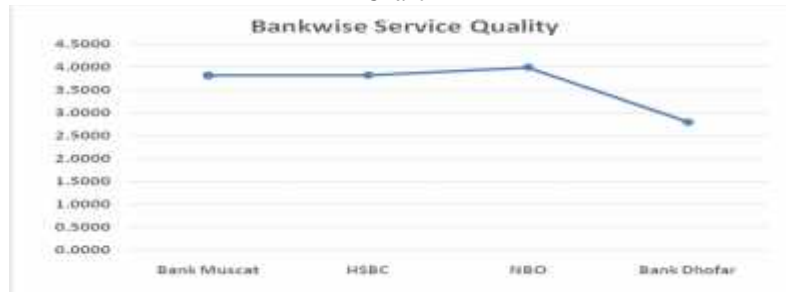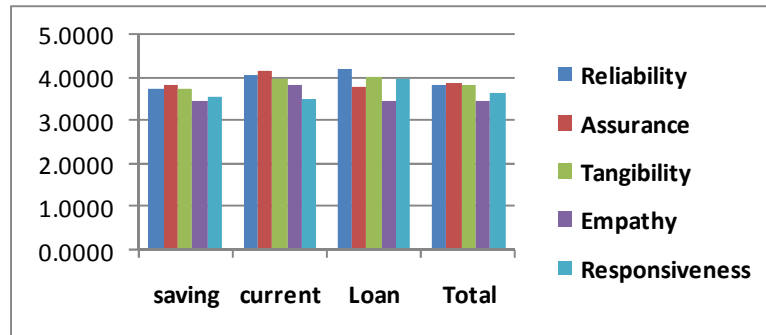| HSBC | 4.0538 | 3.9808 | 3.8125 | 3.4000 | 3.9135 | 3.8321 |
| NBO | 4.2000 | 4.0000 | 4.0000 | 3.8000 | 4.0000 | 4.0000 |
| Bank Dhofar | 2.6000 | 3.4000 | 3.0000 | 2.8000 | 2.2500 | 2.8100 |

Chart 1
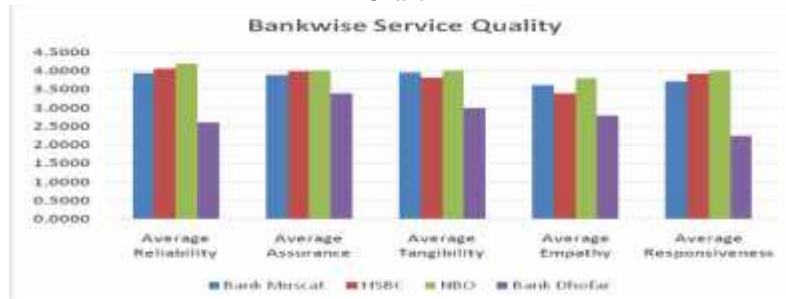
Chart 2

The satisfaction level of customers in respect to service quality was highest (4.00) for National Bank of Oman, Followed by HSBC Oman (3.83), Bank Muscat was rated third (3.82) and Bank Dhofar with mean of service Quality 2.81 was rated as last among the leading banks.

Customers Service Quality Rating based on Type Account Maintained by Respondents

Table 7

Type of Account vs Service Quality						
Type of account		**Reliability**	**Assurance**	**Tangibility**	**Empathy**	**Responsiveness**	**Service Quality**
saving	Mean	3.7482	3.8553	3.7574	3.4612	3.5765	**3.6797**
	N	170	170	170	170	170	
	Std. Deviation	.69224	.56149	.64898	.68700	1.16280	
current	Mean	4.0750	4.1600	4.0000	3.8200	3.5250	**3.9160**
	N	20	20	20	20	20	
	Std. Deviation	.37923	.66046	.53803	.81279	.66836	
Loan	Mean	4.2057	3.7771	4.0500	3.4571	3.9786	**3.8937**
	N	35	35	35	35	35	
	Std. Deviation	.17140	.40518	.10146	.64456	.32297	
Total	Mean	3.8484	3.8702	3.8244	3.4924	3.6344	**3.7340**
	N	225	225	225	225	225	
	Std. eviation	.64058	.55569	.59833	.69692	1.04688	

Chart. 3

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The customer service quality rating was very high in case of Current Account, followed by Loan Account and it was very low in case of Savings Account. However when we observe the SERVQUAL gaps, there is no much gaps between the type of accounts.

Customer Service Quality Rating distributed across Duration of Accounts held by respondents

Table 8

Number of years of maintenance of account		Reliability	Assurance	Tangibility	Empathy	Responsiveness	Service Quality
Below one year	Mean	4.9429	4.8000	4.1786	4.2571	4.5000	**4.5357**
	N	7	7	7	7	7	
	Std. Deviation	.15119	.36515	.70289	.41173	.64550	
1 to 5 years	Mean	3.5617	3.7681	3.6622	3.3638	3.4069	**3.5526**
	N	94	94	94	94	94	
	Std. Deviation	.74619	.56895	.65757	.72079	1.43590	
6 to 10 years	Mean	3.9000	3.8613	3.9758	3.5258	3.6210	**3.7768**
	N	62	62	62	62	62	
	Std. Deviation	.44758	.49468	.52929	.63166	.64297	
above 10 years	Mean	4.1081	3.9290	3.8790	3.5677	3.8952	**3.8758**
	N	62	62	62	62	62	
	Std. Deviation	.34643	.51355	.49535	.69016	.43783	
Total	Mean	3.8484	3.8702	3.8244	3.4924	3.6344	**3.7340**
	N	225	225	225	225	225	
	Std. Deviation	.64058	.55569	.59833	.69692	1.04688	

As the table shows the customer service quality is rated very high by those holding account for less than one year, followed by those holding account for more than 10 years. The customers holding account for 1- 5 years and 6-10 years have moderate level service quality perception.

Customer Perception of Service Quality
Analysis of perception of customer service Quality
To assess the customer service quality, customer perception on five dimensions were collected. The following table and chart presents the overall perception of the four banks in Oman and the analysis of customer perception based on each dimension.

Table 9

Bank Name		Reliability	Assurance	Tangibility	Empathy	Responsiveness	Service Quality
Bank Muscat	Mean	3.9418	3.8918	3.9611	3.6082	3.7213	**3.8248**
	N	122	122	122	122	122	
HSBC	Mean	4.0538	3.9808	3.8125	3.4000	3.9135	**3.8321**
	N	52	52	52	52	52	
NBO	Mean	4.2000	4.0000	4.0000	3.8000	4.0000	**4.0000**
	N	26	26	26	26	26	
Bank Dhofar	Mean	2.6000	3.4000	3.0000	2.8000	2.2500	**2.8100**
	N	25	25	25	25	25	
Total	Mean	3.8484	3.8702	3.8244	3.4924	3.6344	**3.7340**
	N	225	225	225	225	225	
	Std. Deviation	.64058	.55569	.59833	.69692	1.04688	

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The customer perception of the services on five dimensions which are, Reliability, Empathy, Responsiveness, Tangibility and Assurance have an average from 2.8 to 4.0.
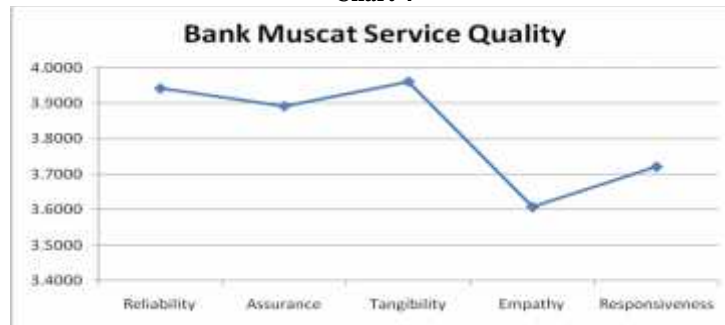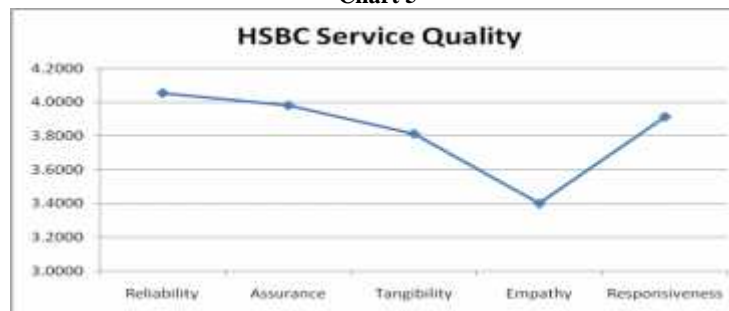
Bank Muscat

The following table and chart shows the mean scores of perception of customer service quality over Bank Muscat. The mean score for five dimensions range from 3.60 to 3.96. The Highest mean score was recorded for the dimension of 'Tangibility', while the lowest mean score was recorded for the dimension of 'Empathy'.

Table 10

Bank Name		Reliability	Assurance	Tangibility	Empathy	Responsiveness	Service Quality
Bank Muscat	Mean	3.9418	3.8918	3.9611	3.6082	3.7213	**3.8248**
	N	122	122	122	122	122	
	Std. Deviation	.59022	.61880	.59788	.74895	1.23365	

Chart 4

HSBC

The following table and chart shows the mean scores of perception of customer service quality Over HSBC Bank Oman. The mean score for five dimensions range from 3.4 to 4.05. The highest mean score was recorded for the dimension of 'Reliability' while the lowest mean score was recorded for the dimension of 'Empathy'.

Table 11

Bank Name		Reliability	Assurance	Tangibility	Empathy	Responsiveness	Service Quality
HSBC	Mean	4.0538	3.9808	3.8125	3.4000	3.9135	**3.8321**
	N	52	52	52	52	52	
	Std. Deviation	.29135	.56327	.57496	.69169	.31266	

Chart 5

National Bank of Oman

The following table and chart shows the mean scores of perception of customer service quality over National Bank of Oman. The mean score for five dimensions range from 3.8 to 4.02. The highest mean score was recorded for the dimension of 'Reliability' while the lowest mean score was recorded for the dimension of 'Empathy'.

Table 12

Bank Name		Reliability	Assurance	Tangibility	Empathy	Responsiveness	Service Quality
NBO	Mean	4.2000	4.0000	4.0000	3.8000	4.0000	**4.0000**
	N	26	26	26	26	26	

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Chart 6

Bank Dhofar

The following table and chart shows the mean scores of perception of customer service quality over Bank Dhofar. The mean score for five dimensions range from 2.25 to 3.40. The Highest mean score was recorded for the dimension of 'Assurance', while the lowest mean score was recorded for the dimension of 'Responsiveness'.

Table 13

Bank Name		Reliability	Assurance	Tangibility	Empathy	Responsiveness	Service Quality
Bank Dhofar	Mean	2.6000	3.4000	3.0000	2.8000	2.2500	**2.8100**
	N	25	25	25	25	25	

Chart 7
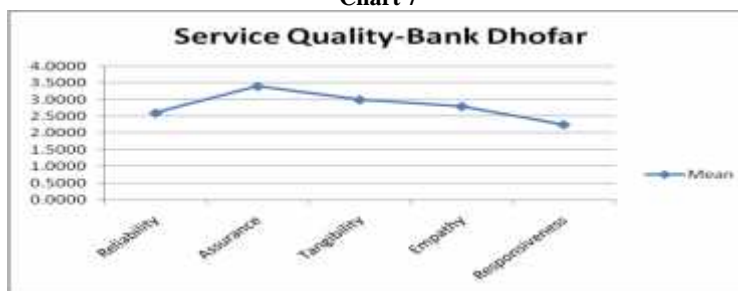
Analysis of Service Quality Gaps

This study aimed at bringing out the service quality gaps observed by customers regarding the services provided the various banks in Oman. These gaps were identified and various dimensions of service quality as given SERVQUAL tool propounded byA. **Parasuraman**, Valarie A. Zenithal and Len Berry (1985-88). Service quality gap is the difference between customer perception of high level of satisfaction and high level of dissatisfaction for each of the five dimension such as: Reliability, Assurance, Tangibility, Empathy and Responsiveness.

In this study, customer service quality gaps on five dimensions of quality of the banks in Oman present in Al Dhakliyah is analyzed.
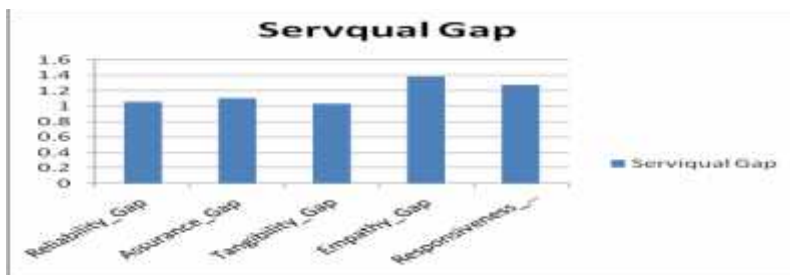
Servqual Gaps
Bank Muscat

The following table and chart shows the mean scores of perception of customer service quality gap observed in Bank Muscat. The mean score for gap in five dimensions range from 1.04 to 1.4. The highest gap was observed for the dimension of 'Empathy', while the lowest mean score was recorded for the dimension of 'Tangibility'.

Table 14

Bank Muscat	Reliability Gap	Assurance Gap	Tangibility Gap	Empathy Gap	Responsiveness Gap
Serviqual Gap	1.0582	1.1082	1.0389	1.3918	1.2787

Chart 8

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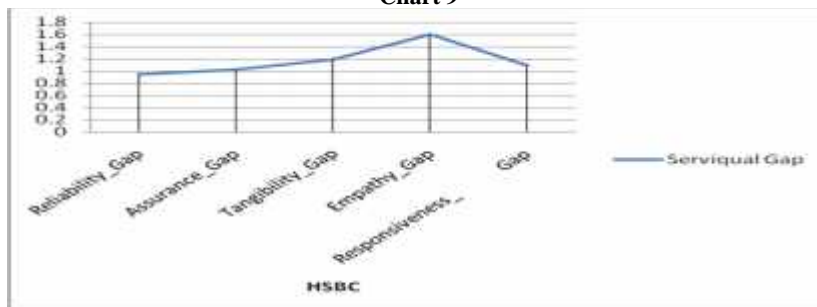**A Diversified Strategic Approach**

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HSBC

The following table and chart shows the mean scores of perception of customer service quality gaps observed over HSBC Bank Oman. The mean score of gaps for five dimensions range from 0.95 to 1.6 the highest gap was observed for the dimension of 'Empathy' while the lowest gap was observed for the dimension of 'Reliability'.

Table 14

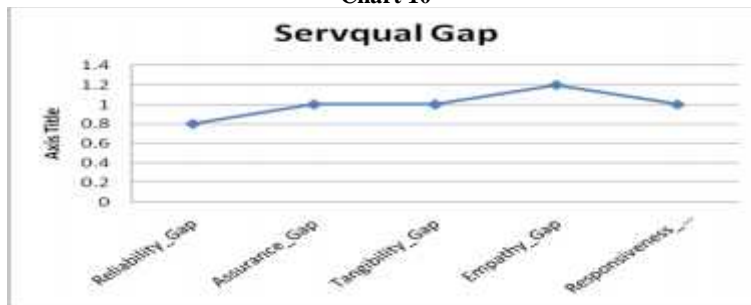| HSBC	Reliability Gap	Assurance Gap	Tangibility Gap	Empathy Gap	Responsiveness Gap
Serviqual Gap	0.9462	1.0192	1.1875	1.6	1.0865

Chart 9

National Bank of Oman

The following table and chart shows the mean scores of perception of customer service quality gaps observed over National Bank of Oman. The mean score of gaps for five dimensions range from 0.98 to 1.2. The highest gap was recorded for the dimension of 'Empathy' while the lowest gap was recorded for the dimension of 'Reliability'.

Table 15

| NBO	Reliability Gap	Assurance Gap	Tangibility Gap	Empathy Gap	Responsiveness Gap
Serviqual Gap	0.8	1	1	1.2	1

Chart 10

Bank Dhofar

The following table and chart shows the mean scores of perception of customer service quality gaps observed over Bank Dhofar. The gap observed for five dimensions range from 1.6 to 0.75 The Highest gap was recorded for the dimension of 'Responsiveness', while the lowest gap was recorded for the dimension of 'Assurance'.

Table 16

Bank Dhofar	Reliability Gap	Assurance Gap	Tangibility Gap	Empathy Gap	Responsiveness Gap

Serviqual Gap	2.4	1.6	2	2.2	2.75	

Chart 11
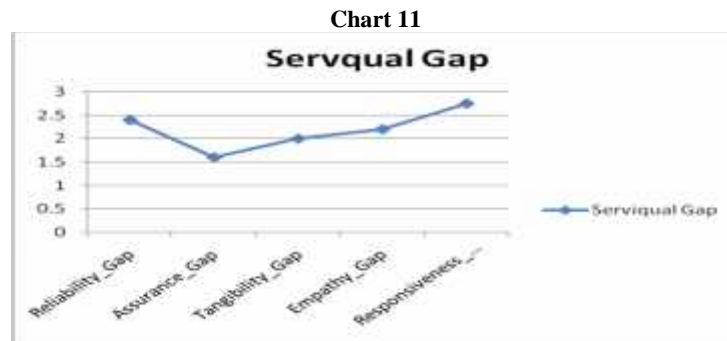
Findings, Suggestions and Conclusion

Findings on Service Quality Rating compared with Respondents Profile

- The satisfaction level of customer with respect to service quality was rated higher by male customers as compared with female customers.
- The mean satisfaction score related to current account holders is the highest while the lowest mean score was for savings account holders.
- The customer satisfaction with respect to duration of account held was the highest for the customers who held accounts below one year but the level of satisfaction was the lowest for customers holding account between one and five years.

Findings from Customer Perception of Various Dimensions

National Bank of Oman is rated highest by the customers in all the service quality dimensions. HSBC Oman bank has been rated second in all dimensions except that of Empathy where scores third among the four banks is. Bank Muscat stands third in overall mean score of service quality dimensions except in Tangibility dimension in which the bank is rated higher than most other banks. The mean score of all dimensions of service quality was lesser than all other banks.

Reliability

The mean score for the dimension of Reliability has been rated highest for National Bank of Oman, followed by HSBC Bank Oman, and third place was held by Bank Muscat and Bank Dhofar has been rated lower than all other banks. The study revealed that all the banks that were studied was observed as rated comparatively higher than other dimensions of service quality.

The study revealed that the combined service quality gap of all banks for the dimension of Reliability is relatively lower. Hence all banks in this region are found to be performing better than most other service quality aspects.

Tangibility

The mean score for the dimension of Tangibility has been rated highest for National Bank of Oman, closely followed by Bank Muscat and third place was held by HSBC Oman which also has a meagre margin of variation in term of the dimension of Tangibility. Bank Dhofar has been rated lower than all other banks. The study revealed that the difference of mean score of this dimension among the banks are very minimum and all banks are found to be having large scope for improvement in this aspect.

It was observed that mean gap in term of the dimension of Tangibility comparatively better than the dimension of Reliability. So that, all the banks are observed to be rendering their service regarding Tangibility satisfactorily.

Assurance

The mean score for the dimension of Assurance has been rated highest for National Bank of Oman, followed by HSBC Bank Oman, Bank Muscat, and Bank Dhofar respectively. Except for Bank Dhofar all other banks scored well in this dimension of service quality.

The service quality gap identified for the dimension of Assurance is the lowest in comparison to all the other four dimensions of service quality. All banks studied are observed to be showing a commendable performance in this aspect of service quality.

Empathy

The study revealed that all the banks scored comparatively lesser in the dimension of Empathy. And the relative differences among the banks also were negligible. However, National Bank of Oman was rated first term of Empathy and least score was recorded for Bank Dhofar. Bank Muscat held second place and HSBC Bank Oman stands as third.

The study revealed that the mean service quality gap for this dimension is the highest. There is an enormous need for improvement in aspect of service quality.

Responsiveness

The Study revealed that National Bank of Oman is placed very high in this dimension of Responsiveness followed by HSBC Bank Oman, Bank Muscat and Bank Dhofar respectively.

It was identified that the mean service quality gap is high. It is almost as similar as to the dimension of empathy in having a large scope of improvement for all the banks studied.

Suggestions

1. It is suggested that all banks may consider encouraging and promoting banking habits among women in the region as less number of women hold and transact banking accounts with respect to all banks. It is also suggested that all banks can design banking products customized exclusively for women.
2. There is an excellent performance in term of the dimension of Tangibility from all banks studied but in term of the dimension of Empathy all banks need to make huge improvement in this aspect as all banks have a large service quality gap in this core quality area.
3. It is also suggested that all banks may focus their attention to the human resource management aspects such as selection of bank staff, training and development etc.
4. There is strong need for intra industry benchmarking and development for the dimension of Responsiveness as the range of mean score is scattered among the banks studied.
5. Technical aspects of banking are observed as good while the non –technical aspects of banking such as empathy, Responsiveness etc. need considerable attention from the banks.

Conclusion

Banking sector in Oman has a compelling demand for improvement to succeed the intensive competition in the present scenario. Service Quality is an important edge that banks can have over others in the industry to hold customers with increasing loyalty with them. Hence this study was initiated with an aim to evaluate the service quality of the banks in the region. A well accepted service quality evaluation model servqual propounded by ParasuramanZeithmal et al was used. Four leading banks in the region were selected for the study. Primary data, the perceptions of customers were collected and analyzed for the study. The study revealed the area of strengths of the banks as well as areas for improvement. Suggestions for covering the gaps of service quality dimensions have been proposed. The present status of service quality experienced in the region has been captured which will form a platform for further improvement of services in the banking industry.

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