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ANALYSIS OF SERVICE QUALITY ELEMENTS IN CORPORATE BANKING

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Customer orientation in the last couple of years has been experiencing an expansion in many service-based organizations including banks. The needs of financial services users are dynamically changing, making it necessary for banks to be oriented towards developing long-term relationships with their clients in order to become and remain profitable. The main objective of this research is aimed at studying attitudes of corporate clients – small and medium enterprises – on different elements of the service quality delivered by a banking institution. The results of the conducted study emphasize three key elements of a service offer in corporate banking, including, respecting and understanding a bank's clients, professionalism and image. Such findings additionally confirm the necessity for modern banking institutions to embrace the concept of tight cooperation with clients, only possible if they are truly committed to the marketing orientation in their everyday business.

Keywords: service quality, bank image, small and medium enterprises, corporate clients

JEL Classification: M31

INTRODUCTION

Over the past two decades, Small and Medium Enterprises (SMEs) have generated a lot of attention on behalf of banking institutions. This should not be much of a surprise considering that SMEs are one of the most significant drivers of the modern economy. An extensive study conducted by Ayyagari, Beck & Demirgüç-Kunt (2007) found that in 76 developed and developing countries, SMEs contributed over 50% to employment in manufacturing, while the relevant data for 35 countries in the same study imply that, on average, SMEs generated about 42% of the national GDP. Additionally, according to the European Commission (2010) as of 2008, there were almost 21 million registered enterprises within the European Union (EU), of which only 43,000 were large scale enterprises (LSEs). In other words, there were 20.7 million SMEs accounting for 99.8% of all EU enterprises and employed over 67% of the EU workforce. Furthermore, Shen, Shen, Xu & Bai (2009) reported that 99.6% of all Chinese enterprises were SMEs accounting for almost 60% of the nation's GDP, while generating 3 out of 4 jobs in urban areas.

Evidently, SMEs represent the major impetus in developed market economies as well as in developing countries. This is confirmed by a study conducted in 2007 by the Statistical Office of the Republic of

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Serbia (2008). Namely, if the number of employees is used as the main criterion for determining the size of enterprises, some 96.2% of Serbian companies fall into the category of micro and small enterprises (up to 50 employees), 3.1% are classified as medium enterprises (from 50 to 249 employees), while the remaining 0.7% belong to large enterprises (more than 250 employees).

Such an evident presence of SMEs in the world's economy has not gone unnoticed by financial institutions. Certainly, many banks have recognized SMEs as a potential source of significant profits (Connolly, 2000). This is even more pronounced considering the results of the OECD (2009) study suggesting that, when in need of additional funds to support further growth, SMEs most frequently turn to bank lending – thus rendering banking institutions as one of the most significant sources of external capital for SMEs. Furthermore, Torre, Pería & Schmukler (2010) confirm that numerous banking institutions are approaching SME segment as a significant one and do have plans to further increase their presence in this segment through providing adequate banking services tailored to the specific SME needs. Such observations go along with those made by Silver & Vegholm (2009), who suggest that SMEs need to be treated as clients of great significance, implying that banks should make a substantial effort to identify SMEs' needs and adapt to them accordingly in order to further utilize the business potential that this segment offers.

LITERATURE REVIEW

Customer loyalty

Customer loyalty represents one of the most frequently researched areas in marketing nowadays. As a concept, it is used to describe the willingness of customers to continue to show interest in a given company over a longer period of time, while simultaneously recommending the company and its products/services to others. In the early phase of research, most of the attention was dedicated to examining loyalty with respect to branded industrial consumer goods (Cunningham, 1956), while the focus on investigating loyalty in the service sector context is a rather recent phenomenon, truly commencing as early as in the 1990s. Some academics believe that loyalty in service is still a relatively under-researched field and that it has not received the attention it deserves (Lewis & Soureli, 2006). Nevertheless, it has become apparent fairly quickly that loyalty is of great importance to service-oriented companies and hence it should be viewed as an asset of utmost value for all service providers (Andreassen & Lindestad, 1998).

Measuring customer loyalty, however, is not an easy task (Bauman, Burton & Eliot, 2005). The complexity in measuring customer loyalty rises from the fact that the concept of loyalty is comprised of behavioral and attitudinal dimensions (Rauyruen & Miller, 2007). Behavioral loyalty is present if the customer repeats purchases regularly over a period of time. As such, behavioral loyalty is often seen as a mixture of the customer's intention to repeat purchases of services/products – including frequency and amount (Lewis & Soureli, 2006). On the other hand, attitudinal loyalty is viewed as consisting of customers' nature, preferences, trust or emotional relatedness to services/products and word-of-mouth (Zeithaml, Berry & Parasuraman, 1996, Andreassen & Lindestad, 1998). Yet, it is worth noting that the proposition that attitude and behavior comprise the two most significant components of loyalty has been criticized in marketing literature as well (Bloemer, Ruyter & Peeters, 1998).

Service quality

The quality of delivered services certainly represents one of the major "triggers" of loyalty among customers and, as such, - has generated a considerable amount of interest among academics and practitioners. As a term, quality is used commonly in everyday life and we all do have an excellent notion of what represents a good or poor quality. In spite of such a widespread use, interestingly enough, researchers have not come up with a single definition of quality yet, mainly because quality as a concept is related to a great number of interpretations (Garvin, 1984). Indeed, what may be perceived as a superb quality by one individual may also be observed as an average, or even below average, quality by another person. Namely, elements including person's habits, attitudes, experiences, set of values or social class or cultural background are just some of the factors determining the way in which quality may be perceived by an individual. This clearly suggests that measuring quality is a composite and challenging task. The complexity of measuring quality is further deepened by some characteristics of services – including intangibility and the fact that customers are often involved in the service process, hence directly influencing the quality of the service itself.

True complexity behind measuring quality in service setting is probably illustrated best by Seth, Deshmukh & Vrat (2005), who, in their study, presented 19 different models used to measure the quality of service. The technical and functional model (Grönroos, 1984), the gap model (Parasuruman, Zeithaml & Berry, 1985), the performance-only model (Cronin & Taylor, 1992) and the hierarchical model (Brady & Cronin, 2001) certainly represent the most prominent models frequently used in modern-day studies. One of the most frequently used models for measuring service quality is the SERVQUAL model (Parasuraman, Zeithaml & Berry, 1988), which we used for designing the survey instrument for this study.

CRM in contemporary banking

The fierce competition in the domain of financial services has forced many banks to accept an approach based on the Customer Relationship Management (CRM) concept. Today, banks are oriented towards tight cooperation with their clients, because their survival and further progress often implies delivering a superior value – which should exceed customers' expectations over a longer period of time. In addition, a superior value cannot easily be copied by the competition, which also explains why it represents a corner stone in creating a sustainable competitive advantage. In rather dynamic market conditions, it is not enough for banks to be focused only on creating good quality products and services; also, it is of essential importance to build strong relationships with clients. Basically, the CRM concept puts clients into the spotlight of the overall bank's activity. However, in order to do so, it is important to convert transactions into interpersonal relations, yielding the CRM concept as an essential and unavoidable component of modern bank marketing. On the other hand, the implementation of the "one-to-one marketing" concept is a strategy enabling the development of long-term relationships between a bank and its every individual client. This represents a special challenge particularly for large and financially strong banks, which also have an enormous number of clients.

The implementation of CRM is significant, considering that studies show that users of banks' services are becoming more dynamic and less loyal. Thanks to the Internet, clients have a greater opportunity than ever before to switch their business from one bank to another (Gupta & Shukla, 2002). The relationship between a bank and its clients is not only a simple sum of processed transactions in the past (Parasuraman, Zeithaml & Berry, 1988). The strong connectedness between the two sides within the financial services sector is, above all, based on mutual long-term benefits. In that context, banks plan on generating maximum profits through increasing levels of satisfaction and loyalty among clients. On the other hand, by having a long-term cooperation with a given bank, clients expect to be approved more favorable bank loans, an improved quality of the service, as well as to obtain a higher level of confidence in the bank (Binks & Ennew, 1997). Accepting the marketing orientation is a banks' answer to the impact of various factors from the business environment. It is essential that banks get to know their clients in order to assess risk when approving loans or doing some other transaction. As suggested by Buttle (2004), executing a marketing concept accordingly can assure that banks not only attract new clients, but also retain the existing ones. Truly marketing oriented banks have current and future needs of their clients in the focus of their everyday business. Creating active relationships and close ties with clients is a prerequisite for generating clients' loyalty and banks' long-term profitability.

The management of many banks give advantage and greater importance to corporate clients in comparison to individual clients. Although, fewer in number, corporate clients have more complex financial needs. Individual clients usually choose a bank based on savings interest rates, the affordability of various credit lines, the available range of payment cards offered by a bank and so on. In this domain, smaller banks have many difficulties to match offers made by large banks. Unlike markets for individual users, within business-to-business (B2B) markets, the advantages of small banks come to surface far more easily. Regardless of the fact that smaller banks may not have a capacity to completely cover the financial needs of large enterprises, they can successfully meet the needs of micro and small enterprises. Respecting and understanding the client represents a powerful tool for generating long-term cooperation between small banks and micro/small enterprises. Finding an adequate business niche is a foundation for improving the competitive position of a small bank. However, in order to do so, a small bank needs to fulfill important conditions – the orientation towards clients and access to the modern information and communications technology (ICT).

A number of factors have a critical effect on the relationship between banks and corporate clients. These factors include the level of competition in the banking sector, the size of the enterprise, a need for getting a credit or use another bank's service, the transaction costs and financial condition of an enterprise. Generally, large enterprises have a more pronounced need for developing a relationship with a greater number of banks when compared to micro and small enterprises. Also, an enterprise's size sometimes influences its negotiating position. Large enterprises are less dependent on a relationship they create with a given bank, taking into consideration that they have more opportunities to cooperate with other financial institutions as well. On the contrary, as Zineldin (1996) stresses, small enterprises have a greater motive to establish a good, lasting relationship with one bank which they will remain loyal to.

The expansion of ICT allowed the development of electronic banking (e-banking). Transactions are no longer based solely on personal ties and contacts, but also on electronic relationships supported by ICT. This led to performing transactions faster and with fewer mistakes. The following data points to a notable increase in the use of e-banking services. It is estimated that in 2000 some 34.4 million people used the Internet for performing banking transactions. By 2004, the number of e-banking users grew to 122.3 million. The residents of Finland are a typical example of how e-banking can create the added value. According to the OECD data, in April 2005, approximately 2.6 million Finnish residents (representing one half of the entire country's population) used e-banking services (Maenpaa, Kale & Mesiranta, 2008). Only 3% of Finnish residents go to a bank branch to make payments or complete some other transaction. Nevertheless, even though the use of CRM cannot be imagined without relying on modern ICT, managers should not undermine the significance of personal liaisons because they represent the foundation of a long-term relationship. Above all, banks must show that they understand and respect their clients, care about them and are sincerely oriented towards solving their problems and financial needs.

SMEs as corporate clients in the banking sector

The constant rendering of an excellent service quality to customers is extremely significant in all highly competitive sectors, including the banking sector. In their study, Wang, Lo & Hui, (2003) found that Chinese banks which delivered a superb service quality to their corporate clients had earned a reputation of excellence that ultimately led to higher retention levels among corporate clients. Another spill-over effect was that satisfied corporate clients were less eager to engage in split-banking, i.e. doing business with one or more competitor banks at the time. Studies on loyalty in the banking industry have quite frequently been conducted in marketing literature (Lewis & Soureli, 2006; Berg, 2008). In fact, many studies on loyalty and factors leading to loyalty in the services sector actually evolved around surveying banks' retail clients (Hallowell, 1996). However, only a few studies have been conducted in relation to understanding loyalty patterns among banks' corporate clients (Lam, Burton & Lo, 2009), even though they generate a considerable share of revenues to banking institutions (Tyler & Stanley, 1999).

A number of studies were focused on the factors influencing corporate clients' selection of the bank. Factors related to a range of offered services, service prices, personalized interaction, the affordability of lending and lending rates appeared to be the most significant ones for enterprises when choosing the bank to do business with (Nielsen, Terry & Trayler, 1998). The research also suggested that both technical and functional service qualities have a positive effect on the loyalty of SMEs, while stressing that investing in building strong relationships with SMEs will result in improved SMEs' loyalty of to their banks (Madill, Feeney, Riding & Haines Jr, 2002). On the other hand, Lam & Burton (2009) were among the first ones to quantify the impact that various variables have on the loyalty of SMEs. Their study found that, in order to maximize loyalty levels among SMEs, banks should devote their efforts to providing an excellent service quality, investing time in nurturing relationships and, especially, developing pricing strategies for loans offered to SMEs.

Finally, in their study, Silver & Vegholm (2009) addressed the issue related to banks' readiness to adapt to their SME customers. This research found that banks make modest efforts to adapt to their SME clients, mainly due to the banks' centralized organizational structure, lack of communication with SMEs and the insufficient understanding of SMEs' needs. A bank's failure to adapt to the needs of SMEs is, in a sense, furthered when it comes to SMEs' internationalization efforts. Although it has been documented that SMEs are rather dependent on banking/financial institutions when going into foreign markets (Spence, 2003), a recent study by Lindstrad & Lindbergh (2010) reveals that banks are poorly utilizing their role as a prospective provider of information and services to SMEs going abroad.

RESEARCH METHODOLOGY

In order to investigate the level of the client satisfaction across different elements of services delivered by banks, an empirical study was conducted through the use of a survey method. The survey method is one of the most frequently employed methods in the marketing field studies. The questionnaire used to gather primary data included 21 statements that mirror various elements of service quality in banking. The respondents expressed their views on a ten-point Likert scale (1 – I completely disagree with the statement; 10 – I completely agree with the statement). The statements were determined based on the review of relevant services marketing literature (Parasuraman, Zeithaml, & Berry, 1988; Jamal & Anastasiadou, 2009). In that manner, we created a foundation for analyzing courtesy, professionalism and competence of employed staff based on the perceptions of clients. In addition, the bank's image as well as the level of empathy shown by the staff towards the client's problems were also analyzed.

The survey involved 133 enterprises whose managers rated the overall service quality of the bank they are doing business with. Those were mainly small and medium enterprises employing up to 250 employees. The majority of corporate clients of the banks that do business in Serbia actually belong to the category of small and medium enterprises. Also, these enterprises are significant in developing the nation's economy. In such a context, the research was directed towards examining attitudes of managers from small and medium enterprises regarding the quality of banking services. Enterprises included in the sample had randomly been chosen from the list of corporate clients that bank had done business with in the previous five years. In addition, all clients were grouped into three segments (large, medium and small clients) on the basis of the annual volume of transactions. The first segment (large clients) included the total of 30 enterprises, the second (medium clients) 48 enterprises, while the third segment (small clients) comprised 55 enterprises. Prior to administering the survey, the questionnaire was pretested on a smaller sample of 15 respondents in order to eliminate possible ambiguities related to the questionnaire. Beside this, in order to create a clear and easy-to-follow questionnaire, researchers had also conducted one group discussion with bank officers.

The data analysis was done in the *Statistical Package for the Social Sciences (SPSS).* In terms of statistical analysis, we implemented the explorative factor analysis and the variance analysis. The factor analysis was used to group a large number of statements into a smaller number of factors. The reliability of the obtained results and the internal consistency of the statements were measured through the values of the alpha coefficient. The suitability of the data for performing the factor analysis was tested by applying the Kaiser-Meyer-Olkin (KMO) test and Bartlett's test of sphericity. The testing of evenness among the average values of the statements for the three client groups was done through one-way ANOVA. The use of the mentioned procedure represents a logical solution for comparing averages in a situation when there are more than two groups of respondents.

RESEARCH RESULTS

Prior to doing the factor analysis, the values of the KMO test (KMO = 0.877) and Bartlett's test ($p = 0.000$) had shown that the necessary conditions were met for its usage. The values of the KMO index range between 0 and 1, where the implementation of the factor analysis is inappropriate if the KMO is lower than 0.5. Bartlett's test is based on chi-square statistics. The obtained results in our case reveal that we can reject the null hypothesis (the non-existence of a significant correlation between the variables). As a method

Table 1 The results of the explorative factor analysis

Statements	Factor 1	Factor 2	Factor 3
Factor 1: Respecting and understanding clients			
Paying personal attention to clients	0,831		
Courtesy of employed staff	0,817		
Respect for clients	0,798		
Understanding financial needs of clients	0,784		
Focus on what is the best for clients	0,748		
Readiness to help clients	0,741		
Clients' confidence in the bank's employees	0,692		
Orientation towards clients	0,648		
Clients' sense of safety	0,619		
Providing information to clients	0,590		
Factor 2: Professionalism			
Accuracy of the delivered service		0,707	
Promptness in providing a service		0,694	
Employee appearance		0,669	
Efforts made when solving clients' problems		0,654	
Respecting previously agreed deadlines		0,648	
Fulfilling previously made promises to clients		0,558	
Factor 3: Image			
Image with respect to the competition			0,828
Interior			0,820
Modern equipment			0,803
Bank's image			0,663
Branch's image			0,618
Eigenvalue	6,673	3,997	3,337
% of described variance	31,776	19,033	15,892
Alpha	0,94	0,82	0,84

of the factor analysis, in this research we used the principal component analysis. In order to get a clearer interpretation of the factors, we utilized the varimax rotation.

The results of the factor analysis show that the statements grouped around the three formed factors. The first factor "Respecting and understanding clients" describes 31.776% of the variance. This factor entails the attributes of the bank's quality of services related to providing personal attention to clients, the courtesy of bank officers, the understanding of clients' financial needs, their readiness to assist clients and so on. The second factor, "Professionalism" describes 19.033% of the variance. This factor includes the elements of a service such as the precision and promptness of the delivered service, fulfilling promises and respecting the previously agreed deadlines by bank officers. "Image" as the third factor contains elements such as the bank's image, a branch's image, modern equipment and image in comparison to the image of competitors. This factor accounts for 15.892% of the variance. All three factors describe 66.701% of the total variance.

All the three factors have a high level of reliability. As it can be seen in Table 1, the values of the alpha coefficient are higher than 0.7, which is the necessary lower threshold of reliability as suggested by Nunnally (1978). Given that high values of the alpha coefficient were obtained – for all the three factors, the values were higher than 0.8 – it can be implied that the statements which grouped around each individual factor are internally consistent.

Finally, by employing the ANOVA test, quite interesting results were obtained with respect to comparing means among corporate clients belonging to different segments (Table 2). Namely, based on the annual volume of transactions that each enterprise conducts through a given bank, three segments were formed: large, medium and small clients. Based on each statement, we wanted to examine if there are statistically significant differences in client perceptions. However, the obtained results stress evenness in attitudes among corporate clients regarding different quality elements of the bank's service offer. Only in the case of the two statements, namely "Efforts made when solving clients' problems" and "Respecting previously agreed deadlines", did differences emerge in the mean values of the three observed groups of respondents. In the case of the remaining statements, evenness in mean values is notable in the observed groups.

Table 2 The results of the ANOVA test

Statements	F	Sig
Paying personal attention to clients	0,675	0,511
Courtesy of employed staff	0,543	0,582
Respect for clients	0,910	0,405
Understanding financial needs of clients	0,841	0,434
Focus on what is the best for clients	0,159	0,853
Readiness to help clients	0,155	0,857
Clients' confidence in the bank's employees	0,762	0,469
Orientation towards clients	0,733	0,482
Clients' sense of safety	0,243	0,785
Providing information to clients	0,243	0,785
Accuracy of the delivered service	0,928	0,398
Promptness in providing a service	1,596	0,207
Employee appearance	1,049	0,353
Efforts made when solving clients' problems	2,969*	0,045
Respecting previously agreed dead-lines	5,654**	0,004
Fulfilling previously made promises to clients	0,762	0,469
Image with respect to the competition	0,483	0,618
Interior	0,602	0,549
Modern equipment	1,616	0,203
Bank's image	0,016	0,984
Branch's image	0,133	0,875

** p < 0,01; * p < 0,05

CONCLUSION

Contemporary trends in banking business stress the increasing importance of personal interactions between a bank's staff and its clients for the further development of their long-term relationships. If a bank wants to strengthen its long-term relationships, it is crucial that an estimate be made on future cash flows the bank will have through cooperation with a given client. However, in order to gain a better perspective regarding the expected events, it is imperative that a bank be fully committed to the marketing orientation.

A good relationship with clients is an important factor not only for improving a bank's competitiveness, but also for meeting business objectives in dynamic market conditions. Creating stronger client relationships should be a daily goal to accomplish through showing care, respect, understanding and empathy for clients, on the one hand, while stressing promptness and accuracy in completing transactions, on the other. Good communication with the client, competent staff and modern ICT certainly represent the three key elements of a bank's marketing strategy. However, without an adequate support of the financial sector, marketing alone cannot help a bank to be doing business profitably in the long-run. Managers must be aware of the fact that clients in retail banking are mostly driven by savings interest rates or the attractiveness of loans when choosing a bank, while corporate clients choose a bank primarily based on a bank's capacity to meet their financial needs.

The findings of our empirical study reveal the significance of the three elements of a bank's service offerings. These are: respect for clients, the professionalism of a bank's staff and its image. The first two factors reflect intangible effects of a bank's service offers and stress the significance of improving interactions with clients, including respect, understanding clients' problems, empathy as well as the prompt and accurate completion of financial transactions. Image, as the third identified factor, also includes the tangible elements of quality such as modern equipment and the appearance of interior in a bank's branches. The results of the conducted study are also implicative of the fact that the bank whose corporate clients were surveyed was able to establish similar levels of the relationship quality with different clients, regardless of the value and frequency of transactions they complete with the bank. Namely, statistically significant differences in clients' responses appeared only in the case of the two observed attributes.

It is important to mention that this study was mainly directed towards measuring the quality of services in corporate banking. It would be useful for future studies to include an analysis of financial elements, such as, the interest rate, the diversity of the offered payment cards, the availability and affordability of loans and home mortgages. It would also be interesting to investigate if, and to what extent, the mentioned elements are important to the client when selecting a bank in comparison to intangible service components. In addition, it would be quite useful to conduct a comparative analysis of attitudes and perceptions amongst a bank's corporate and retail clients.

Future studies could also explore the impact that the factors of service offering have on client loyalty. In that respect, it is useful to design and test a new model that would include three independent variables (respecting and understanding clients, professionalism and image) and one dependable variable (client loyalty). Through employing the multiple regression analysis, the statistical significance of the mentioned factors on client loyalty could be determined. Furthermore, by implementing a moderated regression, apart from the main effects, the interaction effects could be tested as well. In that way, a more universal analysis could be performed on the key loyalty antecedents in corporate banking.

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