

Service Quality of BRAC Bank in Bangladesh: A Case Study

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Abstract

This paper attempts to identify the service quality of BRAC Bank of Bangladesh. It identifies the service quality factors important to the Bank. A survey has been conducted on the clients of BRAC Bank with a structured questionnaire. The respondents' were selected from the 14 branches of BRAC Bank located at Dhaka city. More than 200 retail customers were interviewed with a structured questionnaire. The sample clients were selected randomly at the branches. Factor analysis was conducted to identify the service quality factors of the bank. Results show that the most important perceived service quality factors are satisfaction of the clients' best interest by the bank and the tangible physical facilities of the bank.

Keywords: Service Quality, BRAC Bank, Clients Best Interest to the Bank, Tangible Physical Facilities.

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1. Background

Service quality of the bank is becoming prominent day by day. Present and potential service receivers are becoming more and more conscious towards the services provided by the bank. Thus the quality in service is very important especially for the growth and development of service sector business (Powell, 1995). It works as an antecedent of customer satisfaction (Ruyter and Bloemer, 1995, 1997; Islam & Saha, 2000). Previously, quality was identified by the tangible products because of less dominance of service sector in the economy. Due to the increasing importance of service sector in business, the measurement of service quality became more important. The ISO standards service quality is defined as the totality of features and characteristics of a product, process or service. Crosby (1979), a renowned researcher in service quality, defined quality as the 'conformance to requirements'. The guru of quality movement Juran (1988) defined quality as 'fitness for use' while, Deming viewed quality as a process promising to result in products or services. As bank sells and provides service to its customers, this study aims at identifying the service quality factors of a commercial bank of Bangladesh, BRAC bank, which is growing very fast in this sector.

BRAC Bank Limited is a sister concern of BRAC (Bangladesh Rural Advancement Committee) – a nation wide private organization in Bangladesh. BRAC has emerged as an independent and self-financed organization in sustainable human development of Bangladesh. It is one of the largest development organizations in Bangladesh employing 97,192 people, with 61% women. These people are working with the two fold objectives of poverty alleviation and empowerment of the rural poor especially rural women. BRAC Bank, with institutional shareholdings by BRAC, International Finance Corporation (IFC) and Shore cap International, has been the fastest growing Bank in 2004 and 2005. The Bank operates under a "double bottom line" agenda where profit and social responsibility go hand in hand as it strives towards a poverty-free, enlightened Bangladesh. BRAC Bank focuses on pursuing unexplored market niches in the Small and Medium Enterprise Business, which hitherto has remained largely untapped within the country (Source: www.bracbank.com). In the last five years of operation, the bank has disbursed over BDT 1500 crore in loans to nearly 50,000 small and medium entrepreneurs in the country. The management of the bank believes that this sector can contribute the most to the rapid generation of employment in Bangladesh. Since the inception in 2001, the Bank opened 22 branches, 350 SME unit offices and 19 ATM sites across the country, and the customer base has expanded to 200,000 deposit and 45,000 advance accounts through 2006. Currently, BRAC Bank's total deposit is Tk. 2,645.59 (in crore), total loans is Tk. 2,450.58 (in crore), and the aggregate business is Tk 5,096.17 (In crore) in Bangladesh.

In light of the discussion made above, this study is designed to explore the service quality of BRAC Bank to its different types of retail customers. The purpose of this study is to identify the perceived and expected service quality factors and to provide suggestions if there is a deviation between the expectations of the customers from the real service.

2. Methodology

This section includes identification of data source, sample design, sample selection, questionnaire design, data collection, and analysis of data. The details are explained below.

2.1 Data Source

To test the hypothesis that the quality of services provided by the BRAC Bank of Bangladesh are hardly up to the expected level of the retail customers, data were collected from the BRAC Bank customers of different branches located at Dhaka city.

2.2 Sample Design

This study is mainly based on questionnaire survey of BRAC bank clients located in Dhaka City. A segmentation of the respondents was made based on the nature of services provided by the banks, e.g., deposit, lending and other financial services. About 4,00,000 retail customers getting services from different branches of the BRAC bank operating in Dhaka City. Sample clients were selected for survey by using formula suggested by Yamane (1967). In calculating sample size, the following assumptions were made.

- i. Population size is > 400,000 clients
- ii. Level of precision is 5%
- iii. Degree of variability (p) is assumed as 50%

It is noted here that, a proportion of 50% shows a greater level of variability. It indicates the maximum variability in the population, which is used in determining a more conservative sample size, that is, the sample size may be larger than if the true variability of the population attribute were used. It was also thought that the bank clients selected for this study are heterogeneous in terms of their accounts/ transactions with the bank.

2.3 Sample Selection

The sample bank clients were selected from the branches located in Dhaka City. A segmentation of the respondents was made based on the nature of services provided by the banks such as, deposit, lending and other financial services in order to classify the clients. The sample clients include the clients of corporate and other branches of the bank. About 350 retail customers of BRAC bank were approached for the interview, however only 219 customers were showed up with the response rate of 62.57%.

These sample clients were selected using the formula mentioned above. In selecting sample, it was assumed that the bank clients of Dhaka City are more sensitive in getting service compared to other cities of Bangladesh, as they have better education. This was also proved by the research (Ruyter and Bloemer, 1997). The clients were selected randomly at the branch of BRAC Bank while interviewing.

2.4 Questionnaire Design and Data Collection

The questionnaire used by Parasuraman and Zeithaml (1985; 1991; 1994) is used to assess the service quality of BRAC bank, where 7 points scale was used ranging from 1 (strongly disagree) to 7 (strongly agree). The questionnaires were translated in to Bengali for the better understanding of the respondents and the interviewers. Data were collected with the help of MBA students of East West University.

2.5 Reliability

Reliability reflects the consistency of a set of scale items in measuring a particular concept. In this study, reliability measurement is important to check the internal consistency of all variables concerning service quality. Cronbach's Alpha (α) is computed using SPSS reliability program for the service quality variables. Cronbach's Alpha (α) value for 45 items (22 expected, 22 perceived service quality items, and 1 Overall service quality) in the questionnaire is calculated as 0.964. Nunnally (1978) has suggested that Cronbach's Alpha coefficient of approximately 0.70 is sufficient for reliability. The test result satisfies this requirement.

2.6 Data Analysis

After collecting data, incomplete and biased data were sorted out from the data set. This study primarily used inferential statistics in the analysis. To test the hypotheses that the quality of services provided by the BRAC bank located in Dhaka city are hardly at the desired level of the customers, Factor Analysis was performed. Principal Components Analysis (PCA) method of extracting the factors from the data set was used in the analysis as it seeks a linear combination of variables such that the maximum variance is extracted from the variables¹. In order to explore the relationship of the service quality factors with the overall quality of the bank, multiple regression analysis was performed. The overall quality is defined as the total quality of the bank, which includes service quality, comparative position of the bank in market, growth rate, liquidity position etc.

3. Results and Discussions

This section includes the results of factor analysis; multiple regression and ANOVA of both expected and perceived service quality variables/factors of BRAC Bank of Bangladesh.

3.1 The Result of Factor Analysis –Expected Service Quality

Factor analysis show that the communalities of the expected service quality variables are considerably high that indicates that the variables used in the factor analysis are highly interrelated (Table 3.1).

Table 3.1 Communalities of the Expected Service Quality Variables

Sl. #	Statement	Extraction
e1	Banks will have up to date equipment (hardware and software)	.520
e2	Bank's physical facilities will be visually appealing	.736
e3	Bank's employees will be well dressed and neat in appearance	.780
e4	The appearance of the physical facilities of Banks will be in keeping with the kind of services provided	.698
e5	When Banks promise to do something by a certain time, they will do so	.626
e6	When clients have problem, Banks will show a sincere interest in solving it	.726
e7	Bank is dependable	.869
e8	Banks will provide their service at the time they promise to do so	.855
e9	Banks will insist on error-free records	.863
e10	Banks will tell clients exactly when services will be performed	.864
e11	Employees will give prompt service to clients	.309
e12	Employees will always be willing to help clients	.791
e13	Employees will never be too busy to respond to client's requests	.874
e14	The behavior of employees will instill confidence in clients	.810
e15	Clients will feel safe in their transactions with Bank's employees	.790
e16	Employees will be consistently courteous with clients	.835
e17	Employees will have the knowledge to do their job well	.764
e18	Banks will give clients individual attentions	.730
e19	Banks will have operating hours convenient to all their clients	.771
e20	Banks will have employees who give clients personal attention	.903
e21	Banks will have the client's best interests at heart	.893
e22	The employees of Banks will understand specific needs of their clients	.602

3.1.1 Expected Service Quality Factors of the BRAC Bank Retail Customers

Factor analysis identified 5 important expected service quality factors of BRAC bank. The factors are dependability of the bank, personal attention and the satisfaction of the best interest of customers, smartness of the employees and the physical facilities of the bank, quick response to clients request, and consistently courteous with the clients (Table 3.2). These five factors contain 75% of variance of the data set, which indicates that factors are very important expected service quality factors of the BRAC Bank customers.

Table 3.2 Expected Service Quality Factors of BRAC Bank

Factor	Initial Eigenvalues		
	Total	% of Variance	Cumulative %
Dependability of the bank	8.401	38.187	38.187
Personal attention and the satisfaction of best interest of the customers	3.245	14.752	52.939
Smartness of the employees and the physical facilities of the bank	2.171	9.867	62.805
Quick response to clients request	1.715	7.796	70.601
Consistently courteous with the clients	1.077	4.893	75.494

The first and most important expected service quality factor of the BRAC bank retail customers is dependability of the bank contains highest eigenvalue of 8.40 with the variance of 38% of the data set (Table 3.3). This factor was constituted with 5 service quality variables such as banks dependable (.89), bank provides their service at the time they promise to do so (.88), bank insists on error-free records (.87), bank tells clients exactly when services will performed (.86) and when clients have problem, Banks will show a sincere interest in solving it (.78). This indicates that the variables that constituted this factor have higher level of correlation among them.

Table 3.3 Dependability of the Bank to the Retail Customers of BRAC Bank

Variable Name	Factor Loading
Bank is dependable	.892
Bank will provide their service at the time they promise to do so	.883
Bank will insist on error-free records	.873
Bank will tell clients exactly when services will be performed	.869
When clients have problem, Banks will show a sincere interest in solving it	.784

The 2nd important expected service quality factor is the personal attention and the satisfaction of the customers' interest with the eigenvalue of 3.24 and the variance of 15% (Table 3.4). Five expected variables formed this factor. The variables are the bank has employees who give clients personal attention, bank will have the client's best interests at heart, banks operating hours convenient to all their clients, the employees of banks understands specific needs of their clients, and bank gives clients individual attentions. Each variable constituted this factor contains very high factor loadings value that indicates that the variables are strongly correlated with the factors.

Table 3.4 Personal Attention and Satisfaction of the Best Interest of the Customers

Variable Name	Factor Loading
Bank will have employees who give clients personal attention	.933
Bank will have the client's best interests at heart	.931
Bank will have operating hours convenient to all their clients	.848
The employees of Banks will understand specific needs of their clients	.733
Bank will give clients individual attentions	.654

The third importance expected service quality of the BRAC Bank retail customers is smartness of the employees and the physical facilities of the bank, which contains eigenvalue of 2.17 and the variance of 10% (Table 3.5). This factor was constituted with 5 important expected service quality variables such as bank's employees are well dressed and neat in appearance, bank's physical facilities are visually appealing, the appearance of the physical facilities of banks are in keeping with the kind of services provided, banks has up to date equipment (hardware and software), and when banks promise to do something by a certain time, they do so. The factor loadings of the variables constituted the factor are also considerably high indicating higher attention with the factors.

Table 3.5 Smartness of the Employees and the Physical Facilities of the Bank

Variable Name	Factor Loading
Bank's employees will be well dressed and neat in appearance	.835
Bank's physical facilities will be visually appealing	.820
The appearance of the physical facilities of banks will be in keeping with the kind of services provided	.748
Banks will have up to date equipment (hardware and software)	.717
When Banks promise to do something by a certain time, they will do so	.667

Another expected service quality factor of the BRAC Bank customers is quick response to the request of the clients. This factor was formed with four expected service quality variables. The variables are employees will never be too busy to respond to client's requests, the behavior of employees will instill confidence in clients, employees will always be willing to help clients, and employees will give prompt service to clients (Table 3.6). The factor loadings of the variables are also at the acceptable level to explain the factors.

Table 3.6 Quick Response to Clients Request

Variable Name	Factor Loading
Employees will never be too busy to respond to client's requests	.874
The behavior of employees will instill confidence in clients	.799
Employees will always be willing to help clients	.792
Employees will give prompt service to clients	.529

The last expected service quality factor of BRAC Bank clients is consistently courteous to the clients. This factor is the least important factor for the clients compared to other factors. This factor is constituted with three variables such as, employees will be consistently courteous with clients, clients will feel safe in their transactions with Bank's employees, and employees will have the knowledge to do their job well (Table 3.7). The factor loadings of the variables are also high and it indicates that the variables have very high correlation among them.

Table 3.7 Consistently Courteous to the Clients

Variable Name	Factor Loading
Employees will be consistently courteous with clients	.805
Clients will feel safe in their transactions with Bank's employees	.741
Employees will have the knowledge to do their job well	.701

3.1.2 Relationship between Expected Service Quality Factors and the Overall Service Quality of BRAC Bank

The relationship between the expected service quality factors and the overall service quality was assessed by the multiple regression analysis. The results of the analysis show that correlation is 0.31 and the expected service quality factors identified by the analysis can only explain 9.4% of the overall variable (Table 3.8). The reasons for low explanatory power can be attributed by the other factors such as comparative position of the bank in the market, liquidity position of the bank, financial and economic solvency of the bank etc.

Table 3.8 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.307 ^a	.094	.066	1.096

- a. Predictors: (Constant), REGR factor score 5 for analysis 1, REGR factor score 4 for analysis 1, REGR factor score 3 for analysis 1, REGR factor score 2 for analysis 1, REGR factor score 1 for analysis 1

ANOVA shows that the factors identified by the Factor Analysis are together significantly related to the overall perceived service quality of the bank (Table 3.9). This means that if there is a joint change of the factors there will be a change in the overall service quality of BRAC Bank.

Table 3.9 ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	20.212	5	4.042	3.368	.006 ^a
Residual	194.449	162	1.200		
Total	214.661	167			

- a. Predictors: (Constant), REGR factor score 5 for analysis 1, REGR factor score 4 for analysis 1, REGR factor score 3 for analysis 1, REGR factor score 2 for analysis 1, REGR factor score 1 for analysis 1
- b. Dependant Variable: overall

Independent relationship of the expected service quality factors with the overall service quality shows that only two factors like dependability of the bank (0.162) and smartness of the employees and the physical facilities (0.248) have significant relationship with the overall service quality. Other factors are not significantly related to the overall service quality of BRAC Bank (Table 3.10).

Table 3.10 Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.843	.085		57.279	.000
	Dependability of the bank	.162	.084	.144	1.921	.056*
	Bank gives personal attention and addresses the best interest of the customers	-.032	.084	-.029	-.382	.703
	Smartness of the employees and the physical facilities of the bank	.248	.084	.221	2.960	.004*
	Quick response to clients request	.122	.084	.108	1.446	.150
	Consistently courteous with the clients	-.122	.084	-.108	-1.446	.150

a. Dependant Variable: overall

* Significant

3.2 The Result of Factor Analysis – For Perceived Service Quality

Factor Analysis results show that the communalities of the variables are very high which indicates that the variables used in this analysis has very high interrelationship among them (Table 3.11). It also explains that the variables are highly appropriate to measure the service quality of the BRAC Bank of Bangladesh.

Table 3.11 Communalities of the Service Quality Variables of BRAC Bank

Sl. #	Statement	Extraction
p1	Banks has up to date equipment (hardware and software)	.746
p2	Bank's physical facilities are visually appealing	.840
p3	Bank's employees are well dressed and neat in appearance	.805
p4	The appearance of the physical facilities of Banks is in keeping with the	.854

	kind of services provided	
p5	When Bank promises to do something by a certain time, it does so	.892
p6	When clients have problem, Bank shows a sincere interest in solving it	.835
p7	Bank is dependable	.852
p8	Bank provides its service at the time it promises to do so	.852
p9	Bank insists on error-free records	.808
p10	Bank tells clients exactly when services will be performed	.803
p11	Employees give prompt service to clients	.842
p12	Employees are always willing to help clients	.827
p13	Employees never too busy to respond to client's requests	.801
p14	The behavior of employees instills confidence in clients	.788
p15	Clients feel safe in their transactions with Bank's employees	.834
p16	Employees are consistently courteous with clients	.824
p17	Employees have the knowledge to do their job well	.854
p18	Bank gives policyholders individual attentions	.865
p19	Bank has operating hours convenient to all their clients	.845
p20	Bank has employees who give clients personal attention	.869
p21	Bank has the client's best interests at heart	.870
p22	The employees of Bank understand specific needs of their clients	.814

3.2.1 Perceived Service Quality Factors of BRAC Bank

Factor analysis identified two important service quality factors of BRAC bank. The factors are satisfaction of the perceived clients' best interest to the bank and the physical facilities of the bank (Table 3.12). The customers of BRAC Bank perceive that the bank should fulfill the interest of the customers to the bank by providing different service facilities. These two factors contain 83% of variance of the data, which indicates that these two factors are very important and represent the whole data set. Clients' best interest to the bank is perceived by the BRAC Bank customers as the most important factor of service quality with the eigenvalue of 17.31 and variance of 78%. Attractive physical facilities are the second important factor of service quality of BRAC Bank.

Table 3.12 Perceived Service Quality Factors of BRAC Bank

Factor	Initial Eigenvalues		
	Total	% of Variance	Cumulative %
Satisfaction of Client's Best Interest	17.229	78.316	78.316
Physical Facilities of the Bank	1.092	4.963	83.278

The first and most important perceived service quality factor of BRAC Bank is clients' best interest to the bank. This factor comprises 14 service quality variables. The variables constituted this factor are: Bank has the client's best interests at heart (.87), Bank has operating hours convenient to all their clients (.84), Bank has employees who give clients personal attention (.83), Bank gives policyholders individual attentions (.83), The employees of Bank understand specific needs of their clients (.80), Employees have the knowledge to do their job well (.77), Employees never too busy to respond to client's requests (.74), Employees are consistently courteous with clients (.72), Employees are always willing to help clients (.71), The behavior of employees instills confidence in clients (.70), Clients feel safe in their transactions with Bank's employees (.70), Bank tells clients exactly when services will be performed (.70), Bank insists on error-free records (.66), and Employees give prompt service to clients (.65) (Table 3.13). The factors loadings of the variables constituted the factor are also very high that indicate that the variables are highly correlated to each other.

Table 3.13 Satisfaction of the Clients' Best Interest by the Bank

Variable Name	Factor Loadings
Bank has the client's best interests at heart	.875
Bank has operating hours convenient to all their clients	.840
Bank has employees who give clients personal attention	.839
Bank gives policyholders individual attentions	.836
The employees of Bank understand specific needs of their clients	.800
Employees have the knowledge to do their job well	.774

Employees never too busy to respond to client's requests	.746
Employees are consistently courteous with clients	.725
Employees are always willing to help clients	.710
The behavior of employees instills confidence in clients	.707
Clients feel safe in their transactions with Bank's employees	.704
Bank tells clients exactly when services will be performed	.704
Bank insists on error-free records	.661
Employees give prompt service to clients	.653

The second service quality factor of BRAC Bank customers is physical facilities of the bank. The customers perceive that the bank should have appealing physical facilities in the bank. This factor is constituted with 8 important service quality variables (Table 3.14). The variables are: Bank's physical facilities are visually appealing (.84), Bank's employees are well dressed and neat in appearance (.83), When Bank promises to do something by a certain time, it does so (.83), The appearance of the physical facilities of Banks is in keeping with the kind of services provided (.79), Banks has up to date equipment (hardware and software) (.76), When clients have problem, Bank shows a sincere interest in solving it (.72), Bank is dependable (.71), and Bank provides its service at the time it promises to do so (.70).

Table 3.14 Appealing Physical Facilities of the Bank

Variable Name	Factor Loadings
Bank's physical facilities are visually appealing	.845
Bank's employees are well dressed and neat in appearance	.837
When Bank promises to do something by a certain time, it does so	.830
The appearance of the physical facilities of Banks is in keeping with the kind of services provided	.798
Banks has up to date equipment (hardware and software)	.764
When clients have problem, Bank shows a sincere interest in solving it	.727
Bank is dependable	.714
Bank provides its service at the time it promises to do so	.705

3.2.2 Perceived Service Quality Factors and the Overall Service Quality

The perceived service quality factors of BRAC Bank were identified through factor analysis. These factors are subsequently used as independent variables of service quality model of BRAC Bank. The overall service quality was used a dependent variable of the model. Results show that the factors formed the model have 64% explanatory power of the dependent variable (Table 3.15). This indicates that the factors identified by the factor analysis are very important to the overall service quality of the bank.

Table 3.15 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.800 ^a	.641	.635	.633

a. Predictors: (Constant), REGR factor score 2 for analysis 2, REGR factor score 1 for analysis 2.

It is also found in analysis that the factors identified by the factor analysis are together significantly related to the overall service quality of BRAC Bank of Bangladesh (Table 3.16).

Table 3.16 ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	91.558	2	45.779	114.128	.000 ^a
Residual	51.343	128	.401		
Total	142.901	130			

a. Predictors: (Constant), REGR factor score 2 for analysis 2, REGR factor score 1 for analysis 2

b. Dependant Variable: overall

Multiple regression analysis of the perceived service quality factors and the overall service quality of the bank shows that each factor is independently significantly related to the overall service quality of the bank (Table 3.17). This indicates that the perceived service quality factors have significant influence individually and also jointly over the overall service quality of BRAC Bank.

Table 3.17 Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.925	.055		88.984	.000
	Satisfaction of the clients' best interest to the bank	.689	.056	.651	12.292	.000
	Appealing physical facilities of the bank	.487	.055	.465	8.780	.000

a. Dependant Variable: overall

4. Conclusions and Recommendations

Five expected service quality factors such as, dependability, personal attention and addressing the best interest of the customers, smartness of the employees and the physical facilities of the bank, quick response and consistently courteous were identified for the study. The most important expected service quality factor is dependability of the bank. The relationship between the expected service quality factors and the overall service quality analysis show that the correlation between the expected service quality factors and overall service quality is moderate but the explanatory power is very low. The reasons for low explanatory power could be attributed by the factors such as comparative position of the bank in the market, liquidity position of the bank, financial and economic solvency of the bank etc. The factors identified by the factor analysis are together significantly related to the overall perceived service quality of the bank. Independent relationship of the expected service quality factors with the overall service quality shows that only two factors like dependability of the bank and smartness of the employees and the physical facilities of the bank have significant relationships with the overall service quality.

Factor analysis also identified two important perceived service quality factors of BRAC bank. The factors are satisfaction of the clients' best interest and the physical facilities of the bank. The customers of BRAC Bank perceived that the bank should fulfill the interests of the customers to the bank by providing different service facilities. Clients' best interest to the bank is perceived by the BRAC Bank customers as the most important factor of service quality. The first and most important factor of perceived service quality of BRAC Bank customers is the satisfaction of the clients' best interest. The second important perceived service quality factor is physical facilities of the bank. The customers perceive that the bank should have appealing physical facilities in the bank.

It is also found in analysis that the expected factors identified by the factor analysis are together significantly related to the overall service quality of BRAC Bank of Bangladesh. The perceived service quality factors and the overall service quality of the bank shows that each factor is independently significantly related to the overall service quality. This indicates that the perceived service quality factors have significant influence individually and also jointly over the overall service quality of the BRAC Bank.

Hence, it is recommended that the BRAC bank should focus more on the service quality factors like dependability, personal attention to the customers, addressing the best interest of the customers, smartness of the employees, quick response to clients request, and consistently courteous to the customers. It is identified by the study that the customers are satisfied with the service provided by the bank for protecting their best interest and the physical facilities of the bank are also acceptable to them.

However, the bank should add policy to be more dependable to the customers by giving personal attention to the customers, providing quick service at their requests and being courteous all the time.

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