



# Evaluating credit union members' perception of service quality through service innovation

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## Abstract

The financial market has undergone numerous changes in recent years, becoming more competitive and characterized by offers of increasingly similar products and services by competitors. An alternative for companies to stand out in this market is the introduction of innovations and quality in services. This study proposes to evaluate the perceived quality of financial services by the members of a credit union. The study was conducted at a service unit of a credit union in Paraná State, Brazil. A survey with a sample of 167 members was applied, together with a questionnaire based on the SERVQUAL scale. The expectations and perceptions of the members were compared regarding the quality of services provided. An analysis of the responses enabled an evaluation of the gap between what members expect and what they perceive in terms of service quality. The main contribution of this article lies in the application of the SERVQUAL scale and the concepts of service quality in a cooperative organization in a sector that has been the focus of few academic studies. The results can be used to promote improvement processes in the services of the sector. © 2016 Departamento de Administração, Faculdade de Economia, Administração e Contabilidade da Universidade de São Paulo – FEA/USP. Published by Elsevier Editora Ltda. This is an open access article under the CC BY license (<http://creativecommons.org/licenses/by/4.0/>).

**Keywords:** Credit unions; Service quality; Innovation

## Introduction

The globalized market means that modernizations increasingly have to deal with more opportunities and challenges. These can be due to demanding customers, fierce competition, diversified of supply or tumultuous economic scenarios. In this context, cooperatives emerge as a type of organization that, as a matter of principle, needs to strive for social development and at the same time remain economically competitive with organizations with market orientation (Meurer, Marcon, & Alberton, 2007).

The International Cooperative Alliance, at its conference in Manchester in September 1995, adopted a Statement on Cooperative Identity. This statement includes a list of the key values of the movement and a revised set of principles intended to guide cooperative organizations in the 21st century.

According to the Organization of Cooperatives in Brazil (OCB), the two major credit union systems are the Sicredi and the Sicoob (OCB, 2014). Together they have almost five million members, accounting for the fourth largest service network in the country. However, its main challenge is competitiveness, as credit unions compete with very strong public and private banks with greater market penetration. Moreover, financial products and services end up becoming commodities, and it is necessary to seek other differentials for an organization to strengthen its position in this highly competitive market.

Therefore, the drive for innovation and constantly increasing quality has become a fundamental condition for credit unions to grow and remain competitive. Seeking more practical and

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swifter forms of service has become an important competitive differential.

This scenario requires cooperatives to adopt a different stance that is mainly focused on the customer and service quality. Based on this, the present study seeks to evaluate the reflection of perceived service quality by members of a credit union through an innovation implemented in the service process. The aim of this innovation was a faster service and greater convenience for the members, enabling them to choose more segmented means of financial services in accordance with their needs.

For this purpose, this case study was divided into stages of research. First, a theoretical analysis was conducted on the topics of credit cooperativism, service innovation and service quality. This was followed by an analysis of the SERVQUAL scale created by Parasuraman, Berry, and Zeithaml (1985), and the Gaps model, as developed by Zeithaml, Parasuraman, and Berry (1990).

The main contribution of this study to the literature lies in the application of the concepts of innovation, service quality, the SERVQUAL scale and the concept of gaps in credit unions. This sector has been the focus of few academic studies.

Concerning the methodology, the study was conducted using a survey. To assess the internal consistency of the dimensions Cronbach's alpha was used. A bivariate analysis of disconfirmation was also used to identify and measure gaps between the items on the scales of perception and expectations. The studies related to the theory in question are presented in Parts One and Two of the article. In the third part, the research method is described, while the results are analyzed and discussed in the fourth section. In the final part, the conclusions are given regarding the results.

## Literature review

### *Credit unionism*

The first credit unions were organized in Europe in the second half of the 19th century, mainly in Germany and Italy. However, the major impact in the development of the cooperative movement and the emergence of cooperatives around the world stemmed from the Rochdale Equitable Pioneers Society Limited, founded in the north of England in 1844 by 28 workers from different professions. Their goal was to create a self-sufficient colony and support other entities with this purpose (Mendes, 2010).

According to the SESCOOP (2013), the cooperative principles were created by cooperative leaders and thinkers based on cooperation, in keeping with the first formal cooperative, the Rochdale Society of Equitable Pioneers. Nevertheless, as the movement evolved, the cooperative principles were revised.

In Brazil, the movement began with the creation of the first consumer cooperative registered in Brazil, in Ouro Preto, Minas Gerais State in 1889. The entity was named the Economic Cooperative Society of Public Sector Workers of Ouro Preto (*Sociedade Cooperativa Econômica dos Funcionários Públicos de Ouro Preto*). It then spread to other states. In 1902, the first

credit union in Brazil was created in the state of Rio Grande do Sul. This was the initiative of a Swiss priest, Theodor Amstadt. Beginning in 1906, rural cooperatives were created and developed, as envisioned by farmers (OCB, 2014).

In 1971, Law 5.764 was promulgated. This law regulates Brazilian cooperativism until today. It also regulated the Organization of Cooperatives in Brazil (OCB), the main representative of Brazilian cooperatives (OCB, 2014). Later, Complementary Law 130 was passed, which regulated the National Credit Union System, in accordance with Article 192 of the Federal Constitution of 1988. This provided legal stability to the model of credit cooperativism that had been adopted in the country (Saraiva & Crubelatte, 2012).

Credit unions are agencies that basically provide the same services as banks. However, they have a characteristic that differentiates them from other financial institutions: their customers, in addition to using the products, have a share in the institutional capital of the cooperative, making them "members. This peculiarity is considered the main difference between credit unions and banks (Silva & Bacha, 2007).

According to Barroso and Bialoskorski Neto (2012), in cooperative organizations, operational surpluses from the activities of the cooperative members are known as "profits" and are made available at the end of each financial year to the general assembly to decide what should be done with them. Commercial banks, in turn, are financial institutions whose main objective is financing economic activity in the short and long term. Banks are for-profit companies, and can be controlled by a government agency (federal or state government) or be in the private sector (Silva & Bacha, 2007).

A fundamental aspect that cooperatives should be concerned with is the satisfaction of their "customers", as customer loyalty is fundamental for the good performance of the organization. In a cooperative, a member is also a customer (Mendes, 2010).

Raimundo (2010) remarks that, due to the fierce competition between organizations, there has been a considerable growth in the offer of products and services. This has made customers increasingly demanding of the organizations and their professionals, singular characteristics when it comes to meeting the different wishes and needs of their target public. Thus, companies need to innovate constantly, adding value to their products and services, adapting and creating new strategies, creating new products and identifying new opportunities.

The cooperative doctrine has more advantages than problems, and its principles can indeed lead to greater competitiveness. The author understands that the relationship of commitment between the cooperative and its members cannot be based only on the strength of the statute and must be built on the trust that the cooperative will meet the needs of members. Only then can there be effective loyalty (Mendes, 2010).

This understanding is also emphasized by Maciel and Castro (2010), who claim that focused innovations such as market strategy must have a close relationship to the customer, and there should always be an effort to identify the customer's needs. The ability to innovate is one of the key factors for success in an organization. This also applies directly to the success of credit unions.

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