



The role of SERVQUAL on Customer Satisfaction in Banking Sector

Lt. M.Kondala Rao,
Department of Commerce, AMAL College Anakapalli, Visakhapatnam

Abstract: The Indian service sector also regarded as the tertiary sector of Indian economy today constitutes a wide spectrum of combined such a banking, education, hotels and restaurants, insurance, wholesale and retail trade, railways, public administration, telecom and other services. *The customer satisfaction level is very high in private banks than the public banks in Anakapalli by considering the above mean values. The public banks or the government banks have to strive for attaining increased customer satisfaction by decreasing the gap exists in all dimensions of service quality. But by taking the overall gap score into account, the highest gap score are realized under reliability and empathy. The banks need to take steps and devise strategies to mitigate the gap occurred in the above dimensions.*

Key words: customer satisfaction, retail trade, privatization

Introduction

Service quality plays a significant role in conventional and service industries. Customer satisfaction in the service industry depends on the quality of service and overall experience. Firms with a satisfied customer base have a competitive edge over others (Arokiasamy & Huam, 2014). Banks are key institutions in the financial system and an economy significantly depends on the efficiency of the banking sector. In the corporate world, service quality plays an important role in creating differentiation and a satisfied customer base. The Indian service sector also regarded as the tertiary sector of Indian economy today constitutes a wide spectrum of combined such a banking, education, hotels and restaurants, insurance, wholesale and retail trade, railways, public administration, telecom and other services. One of the key contributors to our nation's GDP, the service sector has grabbed the global attention owing to the reformation in the form of privatization,

removal of regulation restrictions and many more during the past decade. Thus when the expected level of service to be provided to the customers are greater than the actual level of service provided by any organization, than the service quality offered is considered as low and vice versa. This model of service quality was developed initially to measure customer perception for the banking and financial services but later refined to sector such a hospitality, telecommunications and healthcare. Despite some arguments on this service quality model, the determinants accounted for measuring service quality are found to be reliable and could be used in various situations and been practiced by many researchers. As this model incorporates all five determinants as service quality signals, it is feasible to investigate these questions explicitly.

Customer Satisfaction: This topic contains six constructs namely reliability, assurance, tangibility, empathy, responsiveness and customer satisfaction.



The measurement scale is developed with reference to SERVQUAL model. In this proposed model of service quality measurement, gap analysis is used to find the difference between customer's expected service performance and actual service performance. Reliability indicates whether the service provided accurately as promised to its customers. Assurance signals knowledge and courtesy of employees in bringing trust and confidence. Tangibility shows all physical facilities, equipment, personnel and communication materials primarily visible in an organization. Empathy suggests whether the organization shows care, individualized attention and providing the required service by understanding its customers' needs. Responsiveness indicates whether the organization is willing to help its customers readily. All the items of construct are measured with the Likert 5-point scale. The research employs convenience sampling method for data collection. Primary research Survey was carried out by means of a structured questionnaire.

Service Quality and Customer Satisfaction

To remain competitive, firms must understand the importance of service quality and its impact on customer satisfaction. Thus, firms tend to rely on service quality for gaining sustainable competitive advantage. Several studies found that satisfaction affects customer loyalty, retention and organizational profitability (Angelova & Zekiri, 2011). Customer satisfaction depends on the consumer experience while utilizing the services. Therefore, firms ensure that their customers have a memorable and delightful experience while consuming the services. Some studies have argued

that since satisfaction depends on transactions, attitudes towards a product will have more enduring effect on the image of firms (Arokiasamy & Tat, 2014). Others believe that service quality has a greater impact on consumer satisfaction than product and price. Improved service quality by banks helps in developing attitudinal loyalty which is a prerequisite for customer retention. Thus, service quality has a strong influence on customer satisfaction (Bharwana et al., 2013). In addition, service quality is also considered an important tool for developing and maintaining sustaining relationship with customers. It is more important for banks and financial institutions as they have few options for creating product differentiation (Al-Azzam 2015). Lower perceived quality results in higher dissatisfaction (Omar, Saadan, & Seman, 2015). While examining the effect of service quality on satisfaction, some studies have found that service quality does not affect satisfaction as it is an antecedent to satisfaction. Others maintain that customer satisfaction is the end result of service quality (Hussain et al., 2014). Banking sector thus makes deliberate efforts for providing premium services to its customers. Firms perpetually measure and monitor their services quality for ensuring that their customers are highly satisfied and loyal to them. If banks meet customer demands and expectations then they would not have any problem in having a high-level customer base (Sureshbab, Devasenathipathi, & Vijay, 2014). If the overall experience of customers is positive it is an indication that they are highly satisfied. In this context, studies also found that satisfaction alone might not guarantee repurchase, customer retention or loyalty. The other marketing factors are



important as well. Whilst validating the effect of service quality on satisfaction some studies found that a higher satisfaction level leads to higher retention and brand loyalty. Banks have little margin to play with because of competition and statutory regulations. Therefore, they are highly dependent on service quality for retention of customers, developing brand loyalty and earning higher profits (Khan & Fasih, 2014).

Tangibility and Customer Satisfaction
Tangibility refers to things that have a physical existence, which could be seen, felt and touched. From a banking perspective it included the technological equipment and ambience of branches including employees (Khan & Fasih, 2014). Tangibility is a significant aspect of customer satisfaction in the service industry especially banks. As the products of banks and service industry are intangible, they have to rely heavily on the tangible aspects for satisfying customers. Customers tend to extensively switch from one bank to another (Iberahim, Taufik, Adzmir, & Saharuddin, 2016). One reason for this is that banks are not giving due importance to tangible aspects. Customer satisfaction and retention strongly depends on tangibles including modern equipment, ambience and staff. Therefore, banks must improve these tangible aspects. Tangibles are significant for creating differentiation, customer satisfaction and sustainable growth (Arokiasamy & Tat, 2014). Customer satisfaction in banking significantly depends on both tangible and intangible aspects. Therefore, combining both tangible and intangible aspects in the value proposition can lead to greater satisfaction among customers and sustained relationships (Khan & Fasih, 2014). Some studies argue that

service quality positively influence the profitability of an entity (Irfan et al., 2014).

Realizing the importance of service quality, General Electric (GE) was able to earn large profits by making huge investments on various service quality aspects. Realizing the importance of tangible aspects, GE made drastic changes in branches that made them more noticeable and appealing to customers. Banks must also improve its tangible and non-tangible aspects. These improvements will enhance customers satisfaction and help foster a long term relationship between banks and clients (Khan & Fasih, 2014)

Reliability and Customer Satisfaction

From a consumer perspective, reliability refers to how efficiently firms are addressing their problems and how accurately they maintain customer records (Parasuraman & Zeithaml, 1988). Customers prefer those firms that keep their promises and communicate the same to them. In the banking industry, reliability can be interpreted as on time delivery of services (Hussain et al., 2014). Reliability has been found to be an important aspect that promotes high level of customer relationships (Parasuraman & Zeithaml, 1988). Several studies found that reliability is an important component of SERVQUAL and it positively effects customer satisfaction Various studies found that service quality affects customer satisfaction including reliability (Kashif et al., 2015). Adoption of technology will also give an edge to firms and will help in providing reliable services. Consequently, this will make the customers highly satisfied (Khan & Fasih, 2014).



Responsiveness and Customer Satisfaction Responsiveness indicates how efficiently a firm addresses customer queries and provides solutions to their problems. In this context, it is important for firms to understand customer needs in terms of their daily operations and make these operations safe and efficient (Parasuraman & Zeithaml, 1988). Studies have found that responsiveness is not only an important component of service quality model but it also has a positive effect on customer satisfaction (Al-Azzam 2015). If employees are highly responsive to customer queries it will lead to a higher level of customer satisfaction (Al-Azzam 2015). The responsiveness level is strongly dependent on the attitude and behavior of employees. Thus, it is important for firms to give required orientation to their employees on customer dealings on a regular basis. Consequently, this will lead to higher customer satisfaction and better relationship with firms (Loke et al., 2011).

Empathy and Customer Satisfaction

Empathy refers to how firms understand and solve customer problems and issues (Parasuraman & Zeithaml, 1988). Thus, it is important for banks to be empathic with their customers while addressing their queries and problems. If they are able to do that they will not only have a competitive edge but will have highly satisfied customers. Studies have found that empathy positively affects customer satisfaction (Flick, 2015). Other studies have concluded that customers will not be satisfied with service quality if employees lacking empathy (Loke et al., 2011). Therefore, empathetic behavior from employees leads to a positive attitude towards firms which in long run improves their financial health (Khan &

Fasih, 2014). Banks must pay individual attention to customers and their specific needs (Al-Azzam 2015). Banks that are able to give efficient services to customers and are able to resolve their conflicts effectively will have a pool of highly satisfied customers (Khan & Mariam, 2014). It has also been reported that if employees are empathetic to customers they will ignore minor errors and mistakes (Khan & Fasih, 2014). Studies have validated that empathy affects service quality and helps in building a loyal customer base (Al-Azzam 2015). Assurance and Customer Satisfaction Assurance refers to the customer trust and confidence in the firm to give the best possible services to them (Arsanam & Yousapronpaiboon, 2014). When employees extend courtesy while providing services, they are indirectly giving assurance to customers that they will solve all their problems (Khan & Fasih, 2014). Factors such as employee knowledge and courtesy also help in extending trust (Parasuraman & Zeithaml, 1988). Prior studies suggest that trust positively affects customer satisfaction. Customer trust on employees leads to a higher satisfaction level and positively affects purchase intention (Khan & Fasih, 2014).

Discussion of Empirical Results

It is found that the respondents were those are having accounts in various banks in Anakapalli. The respondents group comprises of various categories like working professionals, Businessman, Housewife, Senoir Citizen, Student etc. 125 respondents were interviewed. ANALYSYS Reliability and Validity Test Cronbach's were used to measure the consistency of each item under the same construct. All scales have greater than the suggested value of 0.70. All the



constructs like assurance, tangibility, empathy, responsiveness and customer satisfaction have the sufficient standard reliability values. Despite the slightly lowered value of 0.64, reliability is also taken into account for the purpose of research because the composite reliability values are higher than 0.70 for all constructs taken in the research including reliability. The AVE values for all constructs are greater than 0.50 as per the standard AVE rule and also the Composite Reliability values for all constructs are greater than AVE in all cases.

Thus the reliability scale is improved to be higher in this research indicating the effectiveness of the study. The alpha value for each construct demonstrates adequate internal consistency. The results indicate that the determinant, Assurance has the highest impact on customer satisfaction than any other determinants of service quality of banking service provided in Anakapalli. If assurance increases by 0.383 will have increased customer satisfaction in banking sector. Similarly, the customer satisfaction in banks in Anakapalli is also strongly influenced by the tangibility where an increase in tangibility by 0.279 will cause a direct increase in the customer satisfaction in Anakapalli banks. Also, the customer satisfaction in Anakapalli banking service will be directly affected by empathy where an increase in empathy 0.2 will have a respective increase in the customer satisfaction within banks in Anakapalli. However, the lowest impact of the reliability and responsiveness on customer satisfaction, where an increase in them by 0.146 and 0.056 respectively will cause an increase in the customer

satisfaction in banking services provided by banks in Anakapalli.

The customer satisfaction level is very high in private banks than the public banks in the city by considering the above mean values. The public banks or the government banks have to strive for attaining increased customer satisfaction by decreasing the gap exists in all dimensions of service quality. Among the key factors influencing the customer satisfaction in the city, Assurance has the least gap score than Reliability and Empathy. Thus all the banks operating in the city have been providing their respective service as promised or assured to the customer.

According to the above analytic results, this study examined the perception of service quality of banking service provided to customers in Anakapalli and the relative differences attached with the various determinants of service quality using the SERVQUAL model. The findings of the research suggest that customer satisfaction toward banking services in the city of Anakapalli is significantly influenced by Assurance, Tangibility, Empathy, Reliability and Responsiveness. It is found out that Assurance has the most significance impact on customer towards banking services provided in Anakapalli and responsiveness has the least significant impact on customer satisfaction towards banks in. From this findings, it is clear that the customer expectation exceeds well in assurance provided by the banks in Anakapalli in terms of giving importance to customers' suggestions and views, secured transactions, sufficient knowledge base management, accurate record maintenance, meeting customers regularly etc.



Conclusion

This paper examined the perception of service quality of banking services provided to customer in Anakapalli and the relative differences attached with the various determinants of service quality using the SERVQUAL model. It is found out that Assurance has the most significant impact on customer satisfaction towards banking services provided in Anakapalli and responsiveness has the least significant impact on customer satisfaction towards banks in Anakapalli. From the findings, it is clear that customer expectation exceeds well in assurance provided by the banks in Anakapalli in terms of giving importance to customers' suggestions and views, secured transactions, sufficient knowledge base management, accurate record maintenance, meeting customers regularly etc. The banks deliver the best service to the customer what they assured for. Obviously, the banks in Anakapalli fail to meet the expected customer service in the dimension of responsiveness. The banks are not helping the customers times when the customers need them the most and the customer request and other queries remains unanswered at most times. Problems handling is also one important aspect where the banks in Anakapalli fail miserably. Thus, the customer perceptions regarding responsiveness in quality of service provided to short high margin and responses to this study suggest that responsiveness has positive correlation and no significant effect on customer satisfaction.

References

Arokiasamy , A. R. A., & Tat, H. H. (2014). Assessing the Relationship Between Service Quality and Customer.

Middle-East Journal of Scientific Research, 20(9), 1023-1030.

Van Iwaarden, J., van der Wiele, T., Ball, L., & Millen, R.(2003). Applying SERVQUAL to web sites: An exploratory study. *International Journal of Quality & Reliability Management*, 20(8), 919-935.

Al-Azzam , D. A. F. M. (2015). The Impact of Service Quality Dimensions on Customer Satisfaction: A Field Study of Arab Bank in Irbid City, Jordan. *European Journal of Business and Management*, 7(15), 45-53.

Angelova , B., & Zekiri, J. (2011). Measuring Customer Satisfaction with Service Quality Using American Customer Satisfaction Model (ACSI Model). *International Journal of Academic Research in Business and Social Sciences*, 1(3), 232-258.

Arsanam, P., & Yousapronpaiboon, K. (2014). The Relationship between Service Quality and Customer Satisfaction of Pharmacy Departments in Public Hospitals. *International Journal of Innovation, Management and Technology*, 5(4), 261-275.

Baghla, A., & Garai, A. (2016). Service quality in the retail banking sector-A study of selected public and new Indian private sector banks in India. *IJAR*, 2(6), 598-603.

Bharwana, T. K., Bashir, M., & Mohsin, M. (2013). Impact of Service Quality on Customers' Satisfaction: A Study from Service Sector especially Private Colleges of Faisalabad, Punjab, Pakistan.



International Journal of Scientific and Research Publications, 3(5), 1-7.

Kombo, F. (2015). Factors for customer satisfaction and customer dissatisfaction in commercial banks. *Mediterranean Journal of Social Sciences*, 6 (4S2), 584-589. 28

Routledge. Loke, S. P., Taiwo, A. A., Salim, H. M., & Downe, A. G. (2011). Service Quality and Customer Satisfaction in a Telecommunication Service Provider. Paper presented at the International Conference on Financial Management and Economics, Singapore.

Malhotra, N., Birks, D., Palmer, A., & Koenig-Lewis, N. (2003). Market research: an applied approach. *Journal of Marketing management*, 27, 1208-1213.

Omar, H. F. H., Saadan, D. K. B., & Seman, P. K. B. (2015). Determining the Influence of the Reliability of Service Quality on Customer Satisfaction: The Case of Libyan. *International Journal of Learning & Development*, 5(1), 86-89.

Paul, J., Mittal, A., & Srivastav, G. (2016b). Impact of service quality on customer satisfaction in private and public sector banks. *International Journal of Bank Marketing*, 34(5), 606-622. Rowley, J. (2014).

Designing and using research questionnaires. *Management Research Review*, 37(3), 308-330. Saunders, M. N. (2011). *Research methods for business students*, 5/e: Pearson Education India.

Sureshbab, B., T.Devasenathipathi, & Vijay, A. N. (2014). Customer Satisfaction on Tangibility of Banking Services in Thanjavur City. *Journal of Research in Commerce & Management*, 3(9), 76-84.

Walliman, N. (2015). *Social research methods: The essentials*: Sage.