

Service Quality to Satisfaction with Service: A study in Banking sector

*Farzana S.Hussain

Assistant Professor, Department of Commerce M.E.S. College, Marampally, Aluva, Kerala (India)

ARTICLE DETAILS

Article History

Published Online: 29 Sep 2018

Keywords

Bank, Service quality, Satisfaction

Corresponding Author

Email: farzana.shajeer [at]gmail.com

ABSTRACT

In today's highly competitive Indian banking sector, the delivery of excellent service quality to customers is a key to success and survival of banking business. This study examines the nature of relationship between service quality and satisfaction with service in a retail bank setting. The specific objectives of the study are to determine the nature of relationship between service quality dimensions as identified by Sureshchander, Rajendran and Anantharaman (2002) and satisfaction with service in the bank. That type of analysis will be helpful to identify and ascertain dimensions of service quality that has significant impact on service satisfaction level of customers. The findings from the study can provide with valuable insights in enhancing service quality to induce greater customer satisfaction and positive behavioural outcomes. Banks are facing ever-intensifying competition, and they have to be sensitive to the demands of well-informed and value-conscious customers. Measuring customer satisfaction offers an immediate, meaningful and objective feedback about clients preferences and expectations. 41 item scale to measure bank service quality by Sureshchander, Rajendran and Anantharaman (2002) is used to study perceptions of service quality and Customer Satisfaction with Service Scale of Susskind, Kacmar & Borchgrevink (2003) is used to measure satisfaction among customers regarding the bank's service. In this way, the service quality dimensions may be evaluated in relation to service satisfaction and it will be an indication of the strong and the weak points of the bank. This paper intends to relate these two variables in selected public and private banks and to make a comparison of the data collected. The most significant contribution will be in terms of the determination of the critical service dimensions. This will enable to gain competitive advantage by a thorough understanding of the critical factors.

1. Introduction

In a milieu which becomes increasingly competitive, service quality as a critical measure of organizational performance remains at the forefront of services marketing literature and practice

(Yavas and Yasin, 2001). There has been a flurry of research exploring interrelationships between service quality and satisfaction owing to the realisation that high service quality is a must for achieving customer satisfaction.

A number of organizations are focussing on ascertaining the customer perceptions of service quality and subsequently devising strategies for enhancing the same (Zeithaml et al., 1996). According to Cronin and Taylor (1992), delivery of high quality service was the tactic that was predominantly employed by service providers to carve a niche for them in the global market. Denove & Powers (2006) comments that, although there is debate over the true financial impact, there is consensus that improving service quality and customer satisfaction promotes positive business results (as cited by Mcgrath, 2009). It follows, that understanding the processes and connections that contribute to service quality perceptions and lead to business results, are of great interest to practitioners. Therefore firstly the service providers should know as to how the service is perceived by the customer.

2. The Ever Evolving Banking Scenario

There is a growing awareness of importance of services in the world economy. The complex nature of services coupled with the growing province of the service sector has increased the need for better customer satisfaction. Banking and financial services are an important part of the service industry (Mishkin, 2001). There have been significant changes in the regulatory, structural, and technological factors in the banking environment throughout the world. The result is that such changes have reduced barriers to cross-border expansion, ending up in a more integrated global banking market. Banks are being allowed a greater range of activities, enabling them to become more competitive with non-bank financial institutions. Currently, banking includes, in addition to normal banking functions, other financial services that were traditionally non-banking in character such as investment, insurance, mortgage, securitization, etc. According to Benston (1994), this move attempted to bridge the gap between banking and financial service providing institutions (as cited by Singh and Kaur, 2011).

Banking is a high involvement industry. Banks now know that delivery of quality service to customers is essential for success and survival in today's global and competitive banking environment (Wang et al., 2003). Valued customers require truly personalized services. Szymigin and Carrigan (2001) points out that knowing what customers want and do not want and then ensuring that they get what they want is crucial (as cited by Ehigie, 2006). Customers can and do change their bank if their expectations are not met by their existing service provider. When the decision to switch is made, the customers

do not in fact inform the present bank in advance (Kish, 2000). Beatty *et al.*, (1996) and Crosby *et al.*, (1990) observes that the relationship between the client and bank is influenced by the quality of the service the client receives (as cited by Abratt and Russell, 1999). They further add that this finding is particularly important because, in the banking field, products are easily copied.

As a step towards helping the bank management to overcome the problem of loss of customers, it would have very fruitful managerial implication if researchers try to identify what is in the minds of bank customers regarding bank services when they compare what should be offered and provided, and what is actually offered and provided (Stafford, 1994).

3. Perceived Service quality in banking sector

Perceived quality of service tends to play an important role in banking services in terms of competitiveness. It is very significant to study the construct of service quality in banking sector especially because of the inherent nature of banking services i.e., high contact between customers and service providers (Angur *et al.*, 1999), need for long term business relation and its representation of critical features of service quality (Sureshchander *et al.*, 2002).

Considering the present day banking scenario, the nature of the customer relationship is changing. Particularly as electronic banking becomes more prevalent, a bank's service quality may well be measured in terms of personal support rather than technical support. That is to say, as banks become more and more "high-tech," with their standardized technical services, the importance of such tech factors as differentiating factor gets drastically reduced and the customers will evaluate banks based more on their "high-touch" factors. In view of this, customer perceived service quality has become a key construct in the banking industry. Few of the writings on service quality are quoted below so as to shed some light on its importance.

- The increase in competition has made service quality a key differentiating factor for banks attempting to improve their market and profit positions Angur (1999).
- Lin (2009) says that level of service quality is an important criterion for customers to select banks.
- Zeithaml *et al.* (1996) found that service quality has a strong positive effect on respondents' loyalty to the company and a negative effect on propensity to switch.
- Rust *et al.* (1995) suggested that superior service quality helps to generate greater revenue and yield greater profitability.
- Jamal and Naser (2002) demonstrated that a positive relationship between service quality and customer satisfaction has been well established.

4. Satisfaction with service

Recognizing the need to differentiate their offers, organizations in many competitive markets have realized that providing superior customer service is the way to be distinguished from their competitors (Kanovska, 2009). Service

firms take various steps to make sure that they provide adequate services to their customers in response to changing customer needs. As far as customer satisfaction is concerned, it is an ever moving bar. What kept customers happy few years before would not now meet the expectations of customers at present. Customers' wants, needs, and expectations move as quickly as the market itself. Therefore, what would have delighted and surprised them a short while back is now seen as a thing of the past (Kaur, 2007). Understanding what customers want and do not want can result in greater efficiency, reduce waste in management and enhance competitive advantage (Chang and Chen, 1998). Important excerpts from literature go as follows:

- Service managers should constantly investigate customer needs and make appropriate changes in response. Service quality improvements are crucial to long-term success (Chang and Chen, 1998).
- Rust and Zahorik (1993) provides a framework that allows a marketing manager to determine which elements of customer satisfaction have greatest impact on corporate performance and to determine the financial value of managerial actions to improve service aspects. They demonstrated that retention rate, which is the most important component of market share is driven by customer satisfaction.
- Marketers are searching for ways to retain customers through improved customer service (Dabholkar *et al.*, 2000).
- As cited by Ehigie (2006) in the International Journal of Bank Marketing, satisfied customers are more likely to concentrate their business with one bank (Reichheld, 1993), provide recommendations for the bank and invariably reduce a bank's cost of providing services, likely to be more loyal and improve bank revenue generation (Winstanley, 1997).
- Aurora *et al.* (1997) reports that the level of customer satisfaction is becoming one of the major targets in the hands of banks to increase their market share (as cited by Ahmed, 2002).
- Lenka, Suar, and Mohapatra (2009) in a case study of Orissa, found that better human, technical and tangible aspects of service quality of the bank branches increase customer satisfaction.

In a banking business, the customers are the main reason and the driving force behind a bank's functioning. Therefore, customers should feel satisfied with the services provided the bank. With diversification in the services provided by banks and also the growing awareness of customers regarding available alternative opportunities, it is very essential that banks should have a system wherein satisfaction with service provided is continuously measured and to understand the critical components and relative significance of factors of perceived service quality leading to higher levels of service satisfaction. And what is important is to understand that what happens beyond the perception of the customer is relatively irrelevant (Gronroos, 1988).

5. Measuring perceived service quality

As discussed above there has been no dearth of studies on the concept of service quality (.A look at these writings shows that most of them measure service quality by replicating or adapting Parasuraman et al.'s (1988) five-dimension SERVQUAL model.Their comprehensive research model of service quality was commonly used by other researchers (Carrillat et. al., 2007; Isa, 2008; Ravichandran et. al., 2010). In SERVQUAL model the differences between expected quality level and the actual perception of consumer is the major measurement criterion that affects the attitude of consumers toward the products or services they bought. Although literature exists, showing that SERVQUAL had been used to measure service quality in a broad range of service settings (Buttle, 1996), SERVQUAL has been subject to a number of criticisms (Cronin and Taylor, 1992; Buttle, 1996) inspite of its widespread impact on academia and on business and the latter after an extensive survey of literatute classified such criticisms as into broad categories as theoretical and operational.

With specific reference to banking, Lam (1995) reports that there are problems with the dimensions of SERVQUAL. Few scales related to service quality as can be seen in the literature are the scales by Avkiran (1994), Bank Service Quality or BSQ (Bahia and Nantel, 2000) to measure service quality in banking, as an adaptation of SERVQUAL, SYSTRA–SQ (Aldlaigan and Buttle, 2002), Sureshchander et al. (2002) scale to measure bank service quality. Cui et al. (2003) reports that Confirmatory factor analyses of the scale revealed lack of validity with sample from different culture. Hofstede (1980) reported that cultural differences are very vital and there is scope to develop specific measuring instrument to measure service quality in a different cultural environment. The implications of culture, marketing and service quality in the Indian context should therefore be specially considered in this context. As far as India is concerned, for many years like many other developing nations, marketing was not considered as crucial for professional management and rather it was criticized on socio-political grounds (Angur et. al., 1999). As time passed Indian consumers have become more and more technology

savvy and they also have been demanding more and more of quality and personalized services. Adding to the growing awareness among customers, pressure of increased competition and a more deregulated economy, Indian management can no longer be insensitive to the role of marketing and it is an important wing in most big organizations.

As an initiative towards sensitivity to cultural differences it would be worthwhile to conduct a study using a service quality scale developed in the Indian banking context for use in India. Thus the scale developed by Sureshchander et al. (2002) was selected for this study, the details of the constituting factors are shown below. Sureshchander et. al. (2002), in their paper related to the development of their scale writes that a careful scrutiny of the scale items reveals that most of the items mostly focus on human aspects of service delivery and the remaining on the tangibles of services (like the effect of atmospheric, design and decor elements, appearance of equipment, employee dress etc.).Further he adds that there are 2 important aspects –systematization of service delivery and social responsibility of the service organization as important determinants of service quality as the image or goodwill a service firm could establish for itself interms of being responsible to the society in which it operates is very important. Thus they developed a scale based on 5 factors and 41 items as

1. Core service or service product
2. Human element of service delivery
3. Systematization of service delivery
4. Tangibles
5. Social responsibility

It was developed with special reference to banking industry. The reliability and validity analysis was done based on samples from Indian banks and all the 5 factors showed strong evidence of unidimensionality, reliability, convergent, discriminant and criterion related validities as was evident from his paper.

Sl. no.	Critical factors	Explanation of the critical factors
1.	Human element of service delivery	This factor refers to all aspects (reliability, responsiveness, assurance empathy, moments of truth, critical incident and recovery) that will fall under the domain of the human element in the service delivery
2.	Tangibles of service – servicescapes	The tangible facets of the service facility (equipment, machinery, signage, employee appearance, etc.) or the man-made physical environment, popularly known as the “servicescapes”
3.	Core service or service product	The core service portrays the “content” of a service. It portrays the “what” of a service, i.e. the service product is whatever features that are offered in a service

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| 4. | Systematization of service delivery: non-human element | The processes, procedures, systems and technology that would make a service a seamless one. Customers would always like and expect the service delivery processes to be perfectly standardized, streamlined, and simplified so that they could receive the service without any hassles, hiccups or undesired/inordinate questioning by the service providers |
| 5. | Social responsibility | Social responsibility helps an organization to lead as a corporate citizen in encouraging ethical behaviour in everything it does. These subtle, but nevertheless forceful, elements send strong signals towards improving the organization's image and goodwill and consequently influencing the customers' overall evaluation of service quality and their loyalty to the organization |

6. Purpose of the research

In the present study, an attempt has been made to analyze satisfaction with service as regards working of selected branches of a nationalized bank (as a case study). Given the importance of perceived service quality and 'satisfaction with service' in the Banking sector and also lack of studies to understand the driving forces behind these constructs using a scale developed in the Indian context by which cultural differences can also be examined, an attempt has been made to bridge this gap and this study would be significant to the research and practitioner communities. The main objectives of the study is:

1. To determine the whether Perceived Service Quality is a determinant of 'Satisfaction with service' among the customers of the selected bank (branches).

7. Methodology

Methodology for this paper includes the procedure and tool for data collection, sample profile, data analysis and study limitation.

a) Data collection and sampling

In order to analyze 'Perceived service Quality' and 'satisfaction with service' of the selected banks, the study was conducted using survey method and the sample size was 100. The sample was chosen from the banks selected based on judgment sampling. Standard scales were used for the purpose. 'Perceived service Quality' was measured using scale by Sureshchander et. al. (2002) and 'Satisfaction with service' using Susskind, Kacmar & Borchgrevink (2003).

b) Data Analysis

Data Analysis was done using SPSS. The profile of the sample is given below:

Table 1. Sample Demographic Profile

Variable	Value	frequency	Percentage
Gender	Male	68	30
	Female	32	70
Age group	20-30	40	40
	31-40	32	32
	41-50	20	20
	51-60	8	8
Qualification	Pre degree/Diploma	2	2
	Graduate	76	76
	Post graduate	22	22

Income	Below Rs.25,000	22	22
	Rs.25,000-Rs.35,000	27	27
	Rs.35,001-Rs.45,000	21	21
	Rs.45,001-Rs.55,000	10	13
	Rs.55,001-Rs.65,000	13	4
	Rs.65,001-Rs.75,000	4	2
	Rs.75,001-Rs.85,000	2	1
	Above Rs.85,000	2	1

Multiple regression analysis was done to find impact of perceived service quality as independent variable and satisfaction with service as dependant variable.

Table 2. Results of Regression

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.775 ^a	0.600	0.594	0.25713
a. Predictors: (Constant), perceived service quality				

The model summary shows that the independent variable perceived service quality is able to explain 60 % variation in satisfaction with service.

c) Study Limitations

The sample size has to be increased to do advanced statistical techniques for digging deep in to the nature of relationship between the study variables. This can be taken as scope for further research.

8. Conclusion

This study was able to establish that perceived service quality is very important in determining service satisfaction. The scale by Sureshchander et. al (2002) has been used for studying various aspects of service quality. This scale has been developed in Indian context. The usability of this scale was also checked. The study can be further extended to deepen ones understanding of the nature of relationship between PSQ and service satisfaction by undertaking a dimension wise study.

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