

**A Study on the Role of Service Quality on Customer
Satisfaction in Banks- with special reference to Public sector banks
in Kannur District**

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Abstract

It is commonly understood that quality is one of the most important factor during the marketing of products and services. So, service quality has become an important tool in the service industry. The concept of customer satisfaction is widely known as a key differentiator which occupies a main position in the area of marketing practice and thoughts and is considered as the major outcome of any marketing activity. There are abundant research activities on service quality in relation to the many areas of marketing of services specially in managing customers' behaviour. Customer service is the benchmark for success in the service industry. For this research study, banking industry has been chosen in the retail financial sector because as a service, its attributes are essentially needed. This study is a quantitative research work which examines the importance of service quality on customer satisfaction. This study adopted a non probability sampling method and the customers of the selected Public sector banks in Kannur constitute the sample frame. The data has been analysed using SPSS. Multiple regression analysis has been used to analyse the data.

Key Words: Service Quality, Customer Satisfaction, Banks.

INTRODUCTION

The needs of the customers are always evolving. They have a free accessibility to all competitive brands of services or products that are of global standards. There are multiple factors like competition, globalization and volatile market dynamics which can affect the service industries.

The most important factor which separates the competitors is the quality of service provided to the customers by trying to bridge the gap arising between the customers' expectations and experience they have receiving, Every stake holder has to find answer to the question of what drives the performance of an organization, even if they have increased awareness of the significance of service of the customers in a business. The service providers need to be very much adaptive to the customer needs. This should be the first step in delivering quality service to the customers. The typical banking attributes such as speed of service, employee courteousness, convenience of location, employee behaviour in general and so on are almost essential for developing a long lasting relationship with the customers. The sequences of employee service behaviour on customer service quality satisfaction can be viewed as the signals of retention or defection and these are appropriate for monitoring the service results. The most popular aspect of customer satisfaction in academic world is that customer satisfaction is the judgment occurred out of the comparison of pre-purchase expectations with post purchase evaluation of the product or service-experience that is dominated by two theoretical perspectives; customer service and SERVQUAL methods.

REVIEW OF LITERATURE

The literature which is available before the researcher clearly shows that that the actual delivery of service by both private & public sector banks in India falls short of the expectations of customers on a large majority of the elements of service quality even though private sector banks are found having a greater edge over public sector banks in terms of quality of services provided to its customers (Kessler, Sheila, 2003). The most widely used method of measuring service quality is the SERVQUAL instrument (Parasuraman, A., V. Zeithaml and L. Berry, (1991). It is a 22 item or statement instrument developed on the basis of the differences between the perceptions and expectations of customers regarding the dimensions of service quality. Alternatively in the year 1992, Cronin and Taylor developed SERVPERF which is a modified version of SERVQUAL with the same five service quality dimensions which are generally used to evaluate service satisfaction. The services and marketing literature has pointed out that the service quality is primarily formed by the frontline employees' service behaviour and the respective consequences during service encounters which involves personal interactions between

the employee and the customer including customer perceptions of service quality. (Panda, Tapan, 2006).

CUSTOMER SERVICE QUALITY

The success or failure of any organization is measured in terms of its ability to quickly respond to the changes in the market with more efficient satisfaction. This later leads to the retention of customers also. According to Allred and Addams (2000), service quality is an important issue in any service industry, and more significantly for financial service providers, who face difficulty in demonstrating to their customers about the differentiation by products alone. Service quality is the result of human interaction between the customer and the service provider. The marketers of services should realize that for successfully leveraging service quality as a competitive edge, the first step is that they need to correctly identify the background of what the consumer perceives as “service quality”. From this perspective, the model which was proposed by Parasuraman, Zethaml and Berry provides varied citations of the applied dimensions of service quality. Evaluation of service quality sometimes becomes difficult because of some characteristics that are inherent in services like – heterogeneity, intangibility and inseparability. However, the research has recommended that there is a strong relation between the ability of customer service providers to develop strong customer relationships with consumers which effect in outcomes such as customer service, quality customer satisfaction and loyalty.

Customer satisfaction and service quality have been investigated by many researchers and the results have shown that the two constructs are definitely independent. In the year 1988, Parasuraman, Zeithaml and Berry have developed an instrument called SERVQUAL for measuring service quality based on input from focus groups. It is based on the proposition that service quality can be measured as the gap between the customers expect in the service they are going to get and the service they have experienced. It means that the service quality is calculated as the difference in the two scores. It also signifies that if the difference results in a smaller gap, we can make sure that the service is of much better quality. Although the instrument was early developed within the marketing sector, it is now used in a variety of organizational settings.

Since 1988, they have made numerous changes to SERVQUAL in response to the problems identified by other researchers. Later they have recommended three other different SERVQUAL formats which the researchers can use for separating customer expectation scores into tolerance zones. From the perspective of customers, quality is perceived as being two-dimensional, which composes of technical and functional qualities (Caruana, 2002). Gronroos (2007) later modified this model and gave importance to the function of output quality and process quality as happening before to and resulting in consequence quality. He referred the technical quality to the solution passed to the customer by a specialist. Functional quality was related with the result of the development provided to the customer. This was further supported by Cronin and Taylor who focused on the functional quality of SERVQUAL for evaluating the customers' perceptions of the service providers' performance and called this instrument SERVPERF, which is a subset of SERVQUAL which uses the same five dimensions of the SERVQUAL as the five performance dimensions. SERVPERF uses the SERVQUAL dimensions which measures only customers' perceptions of service provider performance. Additional dimensions such as individual impact, work organizational impact and group impact have been identified as influencing system for organizational success.

CUSTOMER SATISFACTION

Customer satisfaction is a function of expectations and disconfirmation and it one of the key elements of business success and profitability. If the customer is more satisfied, the more durable will be his relationship with the service provider. The 1980's saw the emergence of customer service literature in the form of qualitative service research that identified and illustrated service quality and customer satisfaction. Studies of customer behaviour placed importance on customer satisfaction as the base of the post purchase stage. Customer satisfaction acts a catalyst to customer retention and this relationship in turn leads to increased market share. Hallowell used 12,000 retail-banking customers at 59 divisions in order to examine the hypothesized relationships between customer loyalty, customer satisfaction and profitability. The findings of the study supported the hypothesis that the customer satisfaction is greatly related to customer loyalty, which have lead to a positive relationship with profitability. A superior customer service leads to a positive relationship between staff satisfaction, service quality and

customer satisfaction which ultimately leads to profitability. It also recognises the significance of staff satisfaction and their service performance as drivers of customer satisfaction.

Duncan and Elliot (2002) established a connection between a good customer service performance, customer satisfaction and profitability which has become a prerequisite in the marketing of services. Furthermore, Gittel (2002) established that a more effective relationship with customers created by service providers can lead to an increase in customer satisfaction and thereby increased retention rates

To demonstrate that customer service quality has positively influenced customer satisfaction, Parasuraman et. al (1985) projected certain variables. The variables such as reliability, tangibles, communication responsiveness, credibility, competence, security, courtesy, understanding and access were the dimensions used for evaluating quality of service. They later reduced these primary dimensions to five dimensions which followed a generally accepted instrument design which led to the configuration of the original “22-items SERVQUAL” tool. This instrument provided researchers with an ability to test the performance-expectation gap which is known as GAP 5, which is one of the gaps in the model of service quality. This gap model positions the strategies, key concepts, decisions in providing quality service in a manner that starts with the customer and constructs the organization’s tasks around what is needed to close the gap between customer expectation and perceptions (Parasuraman et al., 1991). The gaps are described as follows; Gap 1 is the difference between customers’ expectations and managers’ perceptions of those expectations, while Gap 2 is the discrepancy between managers’ perceptions of customers’ expectations and service quality specifications. Gap 3 is the difference between service delivered and service quality specifications. Gap 4 is the difference between the service promised and the service provided. Gap 5 is the difference between customers’ expectations and their perceptions of service received.

The SERVQUAL (Parasuraman et al., 1988) consisted of several dimensions such as, Reliability which is the capability to implement the promised service correctly and consistently. Responsiveness is an ability to help customers and provide quick service. Empathy is a concern and personal awareness that a service provider is giving to its customers. Assurance is the

politeness and knowledge of service providers and their ability to motivate confidence and trust. Tangibles are physical facilities, equipment, and the individual appearance of service providers. The last two dimensions (assurance and empathy) included communication, credibility, security, competence, courtesy, understanding customers and access dimensions. They condensed aspects of all ten dimensions originally conceptualized dimensions into five dimensions.

RESEARCH METHODOLOGY

Focusing on the quantitative analysis, a descriptive research study is made here. The survey method was applied and a cross section of the population was selected. Questionnaires were used for collecting data within the population specified. The bank customers constituted the population for this study. The sample frame consists of the customers of the Public sector banks in Kannur area. The sample size was determined by the sample size calculator formula. For the purpose of review of literature and to identify the research gap, secondary data has been made use of. The sample size of the customers is 100. Analysis of the data was done using SPSS. Multiple regression analysis has been used to analyse the relationship between customer satisfaction and service quality. The purpose of the study was to determine the degree to which service quality has its implications on customer satisfaction in the Public sector banks of Kannur.

Research Objective

The objective of the study is to determine the variables of customer service quality which have an implication on customer satisfaction.

To provide valuable suggestions on the basis of findings of the study for improving customer satisfaction among customers towards the services of Public sector banks in Kannur.

Hypothesis

H01: High degree of customer service quality does not ensure customer satisfaction as perceived by the customers.

Table 1.
Regression Analysis of Service Quality and customer satisfaction

	Sum of Squares	df	Mean Square	F	Significance
Regression	62.54	5	12.508	72.621	0.00
Residual	81.65	471	0.173		
TOTAL	144.18	477			

R=0.658, $R^2 = 0.433$, Adjusted $R^2 = 0.427$, SEE =0.4148

From the analysis, it can be found out that the mean score of customers' experience is 3.45 thereby contributing an average score of 3.415 to the customer satisfaction as a whole.

R = 0.658 is the correlation coefficient which indicates that there is correlation between customer satisfaction and service quality.

R2 = 0.434 is the coefficient of determination which indicates the degree of variability in the service quality variables.

P value = 0.00 indicating that the significance value is < 0.05 ; indicates that the null hypothesis has to be rejected with an understanding that high degree of customer service quality ensures customer satisfaction as perceived by the customers.

Table 2

Regression Analysis of Service Quality and Customer Satisfaction

	Unstandardised Co-efficients		Standardised Co-efficients	t	Sig.
	B	Std Error	Beta		
(Constant)	1.375	0.239	-	5.781	0.000
Tangibles	0.315	0.052	0.401	6.173	0.000
Reliability	0.214	0.048	0.241	4.311	0.000
Responsiveness	0.001	0.064	0.001	0.011	0.992
Assurance	-.002	0.077	-0.001	-0.029	0.978
Empathy	0.090	0.041	0.093	2.239	0.025

Dependent Variable : Customer Satisfaction

The regression analysis of service quality and customer satisfaction can be interpreted in terms of the regression equation also; $Y = a + b_1 x 1 + b_2 x 2 + b_3 x 3$ and hence can be concluded that

that customer satisfaction is dependent on the following SERVQUAL factors tangibles, reliability and empathy.

RESEARCH FINDINGS

This study considered the banking industry as its sample frame and there by analysing the concepts which are relevant in the context of the banking employees and the customers. The specific aim of this study was to analyse the customer perceptions of the service delivery by the the bank employees and thereby knowing its impact on satisfaction of their customers. This research study is throughout guided by the analytical framework which investigated the relationship between customer satisfaction and service quality. The statistical analysis supported the relevancy of the research problem and then a regression analysis was carried out to test the hypotheses for assessing the relationship between service quality and customer satisfaction. The results of the data analysis relating to the bank customers' perception of service quality showed that a better understanding of the different attributes of service quality is needed by the bank employees in order to increase their customers' satisfaction. The significant influence of factors like Tangibility, Reliability and empathy on customer satisfaction established that the bank employees have to be more vigilant and competent in performing their jobs. They should be more open and expressive about their thoughts and feelings. All these will be having a major impact on establishing relationships which is an antecedent to customer satisfaction.

CONCLUSION

This paper investigated the service quality construct and its effect on customer satisfaction in Public sector banks in Kannur. The research was guided by two objectives. More specifically, the dimensions of service quality in the banking sector and its effect on customer satisfaction were examined. For that a well structured questionnaire was developed and used. All the dimensions of service quality like Tangibility, Assurance, Reliability, Responsiveness and Empathy were checked by expectation and actual or perceived services in Public sector banks in Kannur. The study testifies the fact that the service quality dimensions like Tangibility, Reliability and Empathy are having a strong impact on customer satisfaction. Therefore, it can be suggested that banks need to give importance to these service quality dimension when they design their delivery of banking service to the customers.

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