

SERVICE QUALITY AND CUSTOMER SATISFACTION: A CASE STUDY - BANKING SECTORS IN JAFFNA DISTRICT, SRI LANKA

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ABSTRACT

This study was undertaken with the objective of finding out the impact of the service quality on customer's satisfaction in banking sectors. For this study, Quality of services is evaluated by reliability, functionality, responsiveness service design and assurances, and also reviewed with help of the GAP (SERVQUAL) analyze this was established by Zeithaml, Parasuramn and Berry. Customer satisfaction is appraised by service facility and accessories, convenience and supporting service, customer value, customer loyalty. The present study is initiated the impact of the service quality on customer satisfaction with the samples of 143 customers of banking. The study found that the correlation value between service quality and customer satisfaction is 0.767. It is significant at 0.01 levels. There is positive linear relationship between the service quality and customer satisfactions. According to the Regression analysis, 58.8 % service quality impact on customer satisfaction. Finally, service quality influences on customer satisfaction. The study further points out that keen attention should be paid to polish service quality. Because, service quality are inter related with customer satisfaction.

KEYWORDS: customer satisfaction service quality, HSBC bank.

1.0 INTRODUCTION

In Sri Lankan economy, banking sectors play is most significant role and also they faced more competition. If they continue to exist in the market, they need to maintain high level customer satisfaction. Customer satisfaction and service quality are global issues that affect all organizations, be it large or small, profit or non-profit, global or local. Many companies are interested in studying, evaluating and implementing marketing strategies that aim at improving customer satisfaction and maximizing share of customers in view of the beneficial effects on the financial performance for the firm. Quality and customer satisfaction have long been recognized as playing a crucial role for success and survival in today's competitive market. Not surprisingly, considerable research has been conducted on these two concepts. Notably, the quality and satisfaction concepts have been linked to customer behavioral intentions like purchase and loyalty intention willingness to spread positive word of mouth, referral, and complaint intention by many researchers (Olsen, 2002; Kang, Nobuyuki and Herbert, 2004; Soderlund and Ohman, 2005). Quality is an ability of a set of inherent characteristics of product, system or process to

fulfill requirements of customers and other interested parties. But service quality meant that overall collection of implicit and explicit characteristic that the service can satisfy the customer (Parasuraman, Zeithaml, and Berry, 1990). This study was evaluated the impact of the service quality on customer satisfaction in banking industry.

2.0 RESEARCH PROBLEM

Customer satisfaction and service quality are most important elements in achieving organizational goals. Organization tries to have constant customer satisfied with the service provided by it. Because of, service quality plays a pivotal role in determining customer satisfaction. In a way, quality needs to be understood and manage throughout the services of an organization. Hence, quality services are considered as most important aspect. Satisfaction and quality have evolved along parallel tracks (Strandvik & Liljander, 1995). The relation of both constructs is currently subject to a passionate and controversial (Gotlieb, Grewal, & Brown, 1994; Patterson & Johnson, 1993). Whatever aspect (reference object establish, relevance of emotion) for the distance are satisfaction or quality particularly importance regarding the impact on customer retention, transaction related satisfaction valued have to be complement by product, service related quality perception of customers because of the ephemeral characters emotional determination of the satisfaction construct. Here we have to consider the significance customer satisfaction due to customer satisfaction depends on service quality. Even though, customer satisfaction is a feeling which is differed person to person. By that, the present studies initiated to find out that to what extent impact of the quality service on customer satisfaction.

3.0 OBJECTIVES OF THE STUDY

The main object of the study is to examine the impact of the service quality on customer satisfaction.

Sub objectives

1. To recognize the factors which influences the customer satisfaction;
2. To suggest the bank to increase the customer satisfaction and service quality;

4.0 REVIEW OF THE LITERATURE AND HYPOTHESES

In the past two decades, although more and more research finding have appeared concerning quality, it is still worth noting here that there are distinct conceptualizations of quality (Holbrook). Customer satisfaction is generally described as the full meeting of one's expectations. Customer satisfaction is the feeling or attitude of a customer towards a product or service after it has been used. The confirmation model treats satisfaction as a meeting of customer expectations (East, 1997; Oliver 1989) and is generally related to habitual usage of products (East, 1997). However, research on customer satisfaction has moved towards the disconfirmation paradigm which views satisfaction with products and brands as a result of two cognitive variables: pre purchase expectations and disconfirmation (Churchill and Surprenant, 1982; Peter and Olson, 1996). According to Peter and Olson (1996), "pre purchase expectations are beliefs about

anticipated performance of the product; disconfirmation refers to the differences between pre purchase expectations and post-purchase perceptions". In an earlier study, Churchill and Surprenant (1982) reported that disconfirmation positively affected satisfaction. That is, when subjects perceived the product performing better than expected, they were more satisfied (Churchill and Surprenant, 1982). Further empirical research supports the notion that satisfaction is caused by expectations and requires considerable cognitive effort on the part of customers (Bearden and Teel, 1983; Moutinho and Goode, 1995; Cadotte 1987).

For more than two decades, customer satisfaction has been an intensively discussed subject in the areas of consumer and marketing research. Since the mid-1970s annual conferences have been held on customer satisfaction (e.g., Hunt, 1977), with proceedings being published since 1981 in the *Journal of Customer Satisfaction, Dissatisfaction and Complaining Behavior*. During the past two decades, more than 1200 articles have been published in the area of customer satisfaction research (Perkins, 1991; Wilkie, 1990). In numerous publications, satisfaction has been treated as the necessary premise for the retention of customers, and therefore has moved to the forefront of relational marketing approaches (Rust & Zahorik, 1993). Kotler sums this up when he states.

A basic problem for the investigation of the satisfaction–retention link is that, after more than two decades of theory development, there is still no widely accepted consensus on the satisfaction construct (Swan & Trawick, 1993). Particular importance for the analysis arises from the fact that a conclusive distinction is missing between customer's satisfaction and the adjacent construct of product and service quality.

Satisfaction and quality research "have evolved along parallel tracks" (Strandvik & Liljander, 1995). The relation of both constructs is currently subject to a passionate and controversial debate (Gotlieb, Grewal, & Brown, 1994; Patterson & Johnson, 1993). For the investigation undertaken here, the following aspects for the distinction of satisfaction and quality are of particular importance. Because quality is a dynamic construct, additional consumption experiences influence and modify the existing quality perception and cause changes in this perception (Thompson & Getty, 1994). Based on the above review of literature, following hypotheses can be formulated.

H1- Service quality has positive impact on customer satisfaction

H₂ – Service quality influence on customer satisfaction

5.0 DATA AND EMPIRICAL METHODS

5.1 DATA COLLECTION

The primary and secondary data were collected for the survey. Primary data were collected through questionnaires and secondary data were collected from books, journals, and magazine.

5.2 SAMPLE

The study limited to customers of bank which are located in Jaffna. Convenience sampling method has been adopted to select customer from bank. Researcher circulated one hundred and seventy seven (177) questionnaires to customers but one hundred and forty three (143) customers responded. Out of one hundred and forty three customers, 83 were male and 63 were female.

5.3 QUESTIONNAIRE DESIGN

Questionnaire is designed to gather the data. It consists of four parts A, B, and C.

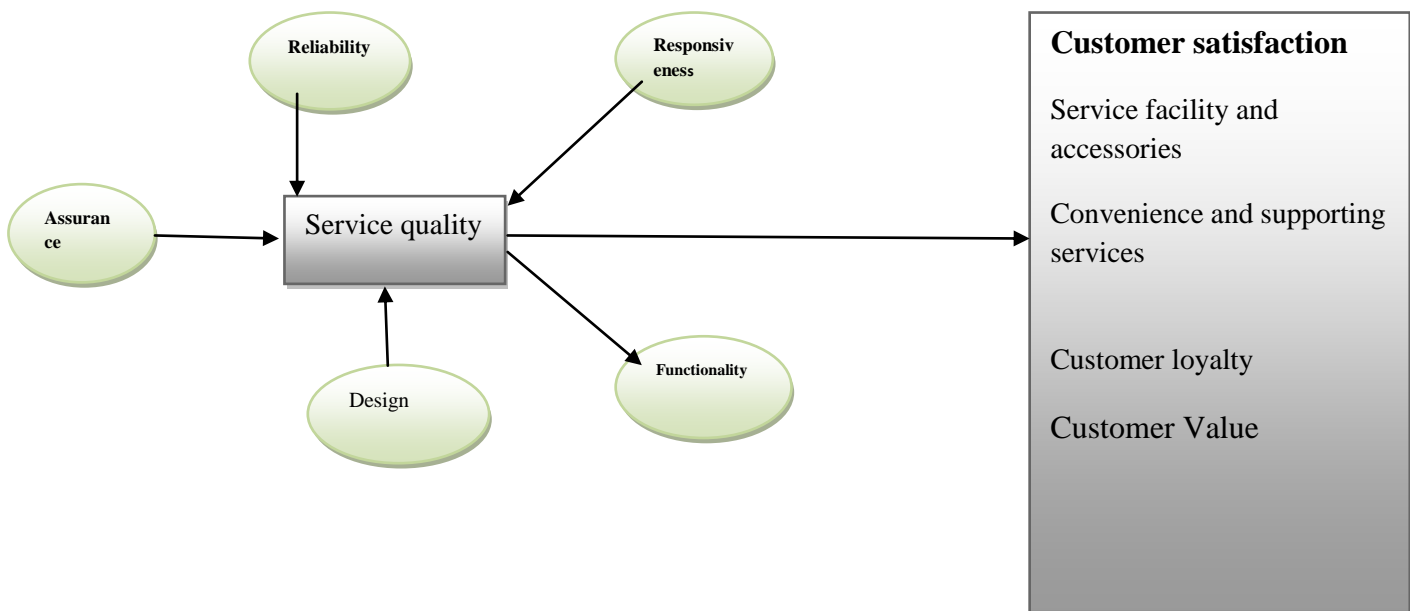
Part –A, it deals with personal characteristics such as sex, status, age, education, monthly income, and country.

Part –B consists 20 statements to measure the service quality. Five dimensions such as Reliability, Responsiveness, Functionality, Design, and Assurance are considered for measurement of service quality.

Part-C consists of 20 statements which are divided into four main variables (Service facilities and Accessories, Convenience and Supporting service, Total customer value, and Total customer cost) to measure the customer satisfaction.

By including variables, questionnaire is prepared with five point Likert- scaling system. In a way, qualitative is data converted into quantitative and then details analysis is made with appropriate statistical tools, in order to prove the objective to test the hypothesis

6.0 CONCEPTUALIZATION MODEL



Above conceptualization model shows the relationship between variables. Thus service quality is considered as independent variable whereas customer satisfaction is the dependent variable.

7.0 FINDING AND DISCUSSION

This part concentrates with the presentation and analysis of data which can be tested by descriptive statistics, correlation analysis and regression analysis.

7.1 RELIABILITY AND VALIDITY

Cronbach alpha has been employed to evaluate the reliability scale of construct and dimension of each construct. Reliability scale of the overall service quality was 0.789. Reliability scale of the reliability, functionality, responsiveness, design, and assurance was 0.678, 0.637, 0.789, 0.7442 and 0.876 respectively. Reliability scale of customer satisfaction was 0.796. Validity yielded reliability coefficients higher and equal to 0.50 and KMO value was also very much satisfactory at 0.784, indicating high construct validity of construct (Hair et.al, 1995).

7.2 DESCRIPTIVE ANALYSIS

TABLE – 01 DESCRIPTIVE ANALYSIS FOR DIMENSION SERVICE QUALITY

Details of variable	Mean	Std. Deviation
Reliability	5.55	2.250
Functionality	5.34	1.501
Responsiveness	5.17	1.552
Design	5.01	1.509
Assurance	5.16	2.287

From the above table, we can observe that according to mean value reliability and functionality are the important service quality factors. However service design is not considered as most essential factor. Conversely, on the basis of standard deviation, functionality is most significant factor.

TABLE – 02 DESCRIPTIVE STATISTICS FOR CUSTOMER SATISFACTION

Details of variable	Mean	Std. Deviation
Service facilities and accessories	5.55	2.250
Customer value	5.34	1.501
Customer loyalty	5.13	1.590
Convenience & shopping	5.17	1.552

From table -02, we are able to observe that according to mean value service facilities and accessories and customer value are most crucial factors to create customers satisfaction even if customer loyalty is not take into account most important factors to make customer satisfaction.

Conversely, on the basis of standard deviation, total customer value and convenience and shopping are most important aspects on customer satisfaction where as service facilities and accessories is considered as the least important factor.

7.3 REGRESSION ANALYSIS

Regression model was applied to test how far the service quality had impact on customer satisfaction. Coefficient of determination- R^2 is the measure of proportion of the variance of dependent variable about its mean that is explained by the independent or predictor variables (Hair et.al, 1998). Higher value of R^2 represents greater explanatory power of the regression equation.

TABLE – 03 MODEL SUMMARY; IMPACT OF SERVICE QUALITY ON CUSTOMER SATISFACTION

Model	R	R square	Adjusted R square	Std. Error of The estimate
1	.767	.588	.587	9.386

a Predictors: (Constant), service quality

Above table shows the R^2 value of 0.588. It means that the service quality is contributing to the customer satisfaction by 58.8% and remaining 41.2% can be attributed by other factors which are not studied, because they are beyond the scope of study. Anyhow hypothesis -01 is also accepted.

7.4 CORRELATION

Correlation analysis was carried out to find out the relationship between the variables

TABLE -04 CORRELATION ANALYSIS

Variable	Service quality	Customer satisfaction
Service quality	1	0.767 ^{**}
Customer satisfaction	0.767 ^{**}	1

** Correlation is significant at the 0.01 level (2 – Tailed)

Table -04 shows the relationship between the variables (service quality and customer satisfaction). Correlation value is 0.767 which is significant at 0.01 levels. It indicates that as the service quality increases the customer satisfaction increase. So, the hypothesis – 2 is accepted.

8.0 CONCLUSION AND SUGGESTION

The correlation value between and service quality and customer satisfaction is 0.767. It is significant at 0.01 levels. There is positive linear relationship between the service quality and customer satisfaction. According to the Regression analysis, customer satisfaction is influenced by service quality by 58.8%. Finally service quality influences to customer satisfaction. So, finally we can come to the conclusion that service quality has an impact on customer satisfaction. Based on the find out, following tips can be provided to boost the service quality in the banking sectors. Manager of the bank or administrative body needs to identify the primary quality determinants, clearly managing the customer expectation, educating the knowledge to customer regarding to the service.

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