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The Impact of Service Quality on Customer Satisfaction of Janata Bank Ltd., Bangladesh

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Abstract

The ability of banks to survive in the market relies on its service quality. Service quality paves the way for customer satisfaction. The present study endeavored to apply SERVPERF model to measure the service quality of Janata Bank Ltd. (government owned) and its impact on customer satisfaction. The study found that only empathy dimension of the bank is satisfactory, whereas other dimensions, viz. tangibility, reliability, responsiveness, and assurance are not satisfactory. Thus, the bank managers need to find out the reasons behind customer dissatisfaction and take necessary steps to mitigate the level of dissatisfaction.

Keywords: *Service Quality, Customer Satisfaction, SERVPERF*

JEL Classification: *G21, M30, M31*

Introduction

Banks play an important role in a country. Public banks (government owned) are crucial part to serve the citizen. But are they performing up to the mark to serve the nation? is the table talk issue now. The government owned public commercial banks are- Sonali Bank, Rupali Bank, Janata Bank, Agrani Bank, and Basic Bank Ltd. Bangladesh being a developing economy, its banking sector with a wide geographical reach catering to the needs of a huge clientele offers an excellent scope for research on the issue of customer service quality in banking, and can provide the beacon for the evaluation of effectiveness of banking in developing economies (Siddique, Karim & Rahman, 2011). The efficiency of a banking sector depends upon how best it can deliver services to its target customers. In order to survive in this competitive environment and provide continual customer satisfaction, the banking services providers are required to frequently increase the quality of services (Salma & Shahneaz, 2013).

In the service industry, successful companies need more than just a competitive advantage in customer service. They need to have unwavering loyalty from their customers. The key to providing superior service is to understand and respond to customer expectations. This is because customers compare perceptions to expectations when judging the quality of a firm's service offering (Parasuraman et. al., 1988). Service quality, satisfaction and loyalty are strongly and positively related to each other (Akter, 2011). Service quality is about meeting customer needs adequately by matching to his expectations. Service quality in banking implies every time anticipating and satisfying the

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needs and expectations of customers. The significance of service quality in Banks has been emphasized in studies and perceived quality advantage leads them to higher profit. Service quality is a concept that has aroused considerable interest and debate in research literature because of the difficulties in both defining it and measuring it with no overall consensus emerging on either (Wisniewski, 2001).

Service quality is the core concept for ensuring a successful supply of services in general. In such a setting, bank services aim to optimize the service quality in order to attain a superior outcome level. The outcome of service quality, what firms expand by delivering a high-quality service, is the return on quality concept and service profit chain. Nowadays, service quality has received much attention because of its obvious relationship with costs, financial performance, customer satisfaction and customer retention.

The present study has been conducted because there are not available studies on measuring service quality of public commercial banks by using SERVPERF model in Bangladesh, especially in Sylhet Division.

Conceptual Framework

Service Quality

The speedy growth and intensified competition in service industries has made it considerably important for the companies to calculate and evaluate service quality. Organizations operating in service sector know that their consumers' service quality is one of key input factors for victory at local as well as global level.

Service quality can be defined as the difference between customers' expectations of service and their perceptions of the actual service performance. Different meaning could be attached to the word quality under different circumstances. It has been defined in a different ways by various scholars. Some of the prominent definitions include “Quality is predictability” (Deming, 1982), “conformance to specification or requirement” (Crosby, 1984), “fitness for use” (Juran, 1988) and “customer’s opinion” (Feigenbaum, 1945). A solid foundation in defining and measuring service quality was emanated in the mid eighties by Gronroos (1984) and Parasuraman, Berry & Zeithaml (1985).

Defining service quality is difficult as compared to product quality due to some features unique to services including intangibility, inseparability, heterogeity and perishability (Chang & Yeh, 2002). In presence of these limitations, Parasuraman come up with a comprehensive way of defining service quality. Service quality has been defined in different ways by researchers. Gronroos (1978) suggests that service quality is made of two components- technical quality and functional quality. Technical quality refers to what the service provider delivers during the service provision while functional quality is how the service employee provides the service. Parasuraman et. al. (1988) defined service quality as a difference between customer’s expectations of service and customer’s perceptions of the actual service. According to these definitions, customers are the sole judges of service quality. If they perceive it to be good service, then it is. They assess the quality of service by comparing their expectation with perception.

Parasuraman SERVQUAI model (1988) is widely used to measure perceived service quality. Consumer's evaluation about service quality depends on size and direction of the gap between the service the customer expects to receive and what he or she perceives to have been received. Service quality is defined as the difference between the consumer's expectation about service and insight of the service experience. A service quality gap exists when there is a shortfall in which the service provider would like to close. Service quality is well-known as a multi-dimensional construct. Its dimensions often differ from one researcher to other researcher, but still there is some agreement that service quality mainly consists of three main features: "outcome quality", "interaction quality" and "physical service environment quality". Numerous researchers elaborated sub aspects of these three extensive dimensions, e.g., the most popular construct of service quality SERVQUAL has five dimensions:

- Reliability (The ability to perform the promised service dependably and accurately)
- Responsiveness (Willingness to help customers and provide prompt services)
- Assurance (Knowledge and courtesy of employees and their ability to convey trust and confidence)
- Empathy (Caring, Individualized attention the firm provides its customer)
- Tangibles (Physical facilities, equipment, and appearance of personnel)

The SERVPERF model was carved out of SEVQUAL by Cronin & Taylor in 1992. SERVPERF measures service quality by using the perceptions of customers. Cronin & Taylor (1992) argued that only perception was sufficient for measuring service quality and therefore expectations should not be included as suggested by SERVQUAL (Baumann, 2007). Along with other researchers in 1994, Parasuraman et al. also mentioned that measurement method using SERVPERF is better than using SERVQUAL, though SERVQUAL can provide better diagnostic results of service quality. The SERVPERF scale is found to be superior not only as the efficient scale but also more efficient in reducing the number of items to be measured by 50% (Hartline & Ferrel, 1996; Babakus & Boller, 1992; Bolton & Drew, 1991).

Customer Satisfaction

Customer satisfaction implies the extent to which performance matches a customer expectations (Kotler & Armstrong, 2012). Perceived service quality is a component of customer satisfaction (Zeithamal et al., 2009) and it determines customer satisfaction (Cronin & Taylor,1992). The quality of services offered will determine customer satisfaction and attitudinal loyalty (Ravichandran, Prabhakaran & Kumar, 2010). So organization needs to know how to keep their customer, even if they appear to be satisfied. Fornell (1992) noted that although customer satisfaction and quality appear to be important for all firms, satisfaction is more important for loyalty in industries such as banks, insurance, mail order and automobile.

Objective of the Study

The prime objective of the study is to examine the influence of service quality dimensions on customer satisfaction of Janata Bank Ltd.

Hypothesis of the Study

There is no positive influence of service quality dimensions on customer satisfaction of Janata Bank Ltd.

Methodology of the study

Data Source: Field Survey
Data collection method: A structured questionnaire (SERVPERF model)
Sampling method: Convenience Sampling
Sample size: 101
Scaling Technique: 5-point Likert scale type
Data Analysis Tools: Percentage and Multiple Regression Analysis

Results and Discussion

Table 1: Profile of Respondents

Gender	**No. of Respondents**	**% of Respondents**
Male	65	64.4
Female	36	35.6
Age (in completed years)		
Upto 20	11	10.9
21-30	46	45.5
31-40	31	30.7
41-50	9	8.9
Above 50	4	4
Profession		
Student	34	33.7
Business	19	18.8
Government employee	37	36.6
Private Job	10	9.9
Others	1	1

Source: Field Survey

Table 1 provides the profile of total respondents of the study. It is clear from the table that out of the total 101 respondents investigated under this study, overwhelming majority, i.e. 65 per cent of them were male whereas 36 per cent were found to be female. With regard to age group, the table depicts that the important age groups among the respondents in the present study are 21-30 and 31 to 40 years, which constitute 46 per cent and 31 per cent of the total sample size respectively. The respondents falling in the age group of upto 20 years constitutes 11 per cent of the total. The number of respondents in the age group of above 50 is found to be the lowest, i.e., 4 per cent only. Furthermore, it is evident from the table that profession of highest number of respondents, i.e., 37 per cent was government employees. Whereas, near about 34 per cent of the respondents were students. The number of respondents engaged in private job and other profession were 10 per cent and 1 per cent respectively.

Table 2 discloses the multiple regression result of the explanatory variables. The value of R^2 (0.356) suggests that 35.60% of the variation in the level of customer satisfaction has been explained by the explanatory variables, i.e., the select dimensions of service quality of Janata Bank Ltd. Bangladesh.

The F statistics (10.495) with p value of 0.000 shows that the regression model is highly significant which. This result implies that the data are well suited in explaining the influence of the select service quality dimensions on customer satisfaction of Janata Bank Ltd. Bangladesh.

Table 2: Result of Multiple Regression Analysis

Variables	B value	t value	p value
Constant	-5.585	-1.585	0.116
Tangibility	0.066	0.370	0.712
Reliability	-0.097	-0.815	0.417
Responsiveness	0.265	1.528	0.130
Assurance	0.223	0.790	0.432
Empathy	0.763*	6.304	0.000
R^2	0.356		
F	10.495		
p value	0.000		

Note: Dependent variable: Customer Satisfaction
Source: Based on filed survey

The table discloses that the beta values of all the select service quality dimensions except Reliability dimension are positive. Thus, Tangibility, Responsiveness, Assurance and Empathy have positive influence on satisfaction. On the other hand, Reliability has negative influence on customer satisfaction. Further, the beta value of Empathy dimension on customer satisfaction is found to be the highest while influence of Reliability dimension on customer satisfaction is the lowest. The result of corresponding t-value and p-value make it clear that only Empathy dimension is making significant contribution to the model at 5% level of significance among others.

Conclusion

Good service quality creates satisfaction as well as positive word-of-mouth, which helps to retain existing customers as well as get new customers. Taking a good position in marketplace also depends on service quality. The study found that empathy of Janata bank is only satisfactory but other dimensions of service quality are not satisfactory. Therefore, managers of the select branch need to identify the reasons of dissatisfaction of customers with respect to service quality and make necessary strategies to overcome such problems. The present study has considered only one branch of the bank operating in Sylhet city. Therefore, further research may be conducted considering all the branches of Janata Bank Ltd., which may help to identify more service quality dimensions.

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