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Service Quality and Customer Satisfaction in Private Sector Banks of Karimganj Town: A Perceptual Study

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Abstract

At present, banking sector faces fierce inter-bank competition at the time of providing customer service in different parts of the country. The element of competition in small towns has not been intensified like that of metropolitan cities and state capitals. The entry of new generation private sector banks in the country has practically revolutionized the expectation level of customers. The thrust area of private sector banks is to improve their service quality as it is the reason to enhance the degree of customer satisfaction. The present paper makes a modest attempt to study the perception of customers about service quality of private sector banks in Karimganj town of Assam and tries to evaluate its influence on customer satisfaction. The study concludes that all the five dimensions of service quality are positively correlated with customer satisfaction and the influence of responsiveness dimension on customer satisfaction is the highest, which is followed by empathy, reliability, assurance and tangibility dimensions of service quality.

Keywords: *Tangibility, Reliability, Responsiveness, Assurance, Empathy*

JEL Classification: *G21, M30, M31*

Introduction

Indian economy has been passing through a phase of metamorphosis and banking sector is no exception to this. In the current millennium, the elements of competition in the banking industry have been gaining momentum (Adhikari & Das, 2016). Service quality and customer satisfaction are of great importance because of their interrelationship and service quality of a bank often leads to improvement in overall performance of the bank, which ultimately leads to higher degree of customer satisfaction (Negi, 2009). The banking industry not only focuses on providing wide range of products to create competitive edge but also lays emphasis on the offering of quality services. Customer satisfaction in banking industry is a multidimensional construct and the service quality has a strong influence on customer satisfaction (Culiberg & Rojsek, 2010).

In marketing literature, it can be easily found that both service quality and customer satisfaction are interlinked with each other. This interlink concept has been gaining utmost importance in service sector since customer satisfaction is to a great extent influenced by various dimensions of service quality. However, over the years, researchers across the world are by and large at consensus about some of the dimensions of service

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quality, which have been incorporated in SERVQUAL model and later on supported by SERVPERF model.

Service Quality

Service quality is a measure of how well the service level delivered matches customer expectations. Delivering quality service means conforming to expectations of customers on a consistent basis (Lewis & Booms, 1983). At the time of evaluating service quality, consumers compare the service they expect with perceptions of the service they receive (Gronroos, 1982). Service quality is the comparison of what consumers feel service firm should offer (i.e., from their expectations) with their perceptions of the performance of firms providing the services (Parasuraman, Zeithmal & Berry, 1988).

In a cut-throat competitive business environment, service quality may be considered as an effective weapon in the hands of the service organizations which may help them to consolidate their position in the market by effectively satisfying their valued customers.

Customer Satisfaction

Customer satisfaction can be defined as the extent to which a product's perceived performance matches the expectations of buyers (Kotler & Armstrong, 2012). Satisfaction is the consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption related fulfillment (Oliver, 1997).

Service quality and customer satisfaction are separate concepts, but both are closely related. There is a strong positive relationship between service quality and customer satisfaction (Parasuraman, Zeithaml & Berry, 1988). Service quality helps to determine the satisfaction level of customers (Cronin & Taylor, 1992). Customer satisfaction is one of the key factors for survival and growth of any business organization particularly in a buyers' market. In banking sector, customer satisfaction is highly contingent upon the various service quality dimensions, which have great influence upon the degree of customer satisfaction (Das, 2017).

In the era of information technology, the awareness level of customers about various alternatives is generally more as compared to yester decades and customers often prefer to deal with the bank that is capable of fulfilling their ever-changing expectations. The increased and diversified expectations of customers are the priority in the hands of every bank management in order to retain and expand their market share.

Review of Literature

Munusamy, Chelliah & Mun (2010) revealed that tangibility and reliability dimension of service quality had significant impact on customer satisfaction while assurance, empathy and responsiveness dimensions of service quality had insignificant impact on customer satisfaction. Ravichandran, Mani, Kumar & Prabhakaran (2010) observed that increased level of service quality of banks could satisfy and develop customer satisfaction. However, the influence of responsiveness dimension of service quality upon customer satisfaction was maximum and significant. Al-Hawary, Alhamali & Alghanim

(2011) revealed that four dimensions of service quality, namely, tangibility, reliability, assurance and responsiveness were positively and significantly correlated with customer satisfaction. Ghost & Gnanadhas (2011) revealed that out of five service quality dimensions of SERVPERF framework, the impact of assurance dimension was the highest and the same was lowest in case of tangibility dimension of service quality. Lohani & Bhatia (2012) pointed out that reliability, responsiveness and assurance dimensions of service quality were important determinants of customer satisfaction. Shanka (2012) found positive correlation between service quality dimensions of SERVPERF model and customer satisfaction. Although all the service quality dimensions made a positive impact on customer satisfaction, but empathy, assurance and responsiveness dimensions significantly influenced customer satisfaction in private banks. Sivesan (2012) & Nautiyal (2014) revealed positive relationship between each of the five dimensions of SERVPERF model of service quality and customer satisfaction and all the five service quality dimensions positively influenced customer satisfaction. Ushantha, Wijeratne & Samantha (2014) observed highest correlation between reliability dimension and customer satisfaction, which was followed by assurance, responsiveness, empathy and tangibility dimensions of service quality. Adhikari & Paul (2015) revealed that in the age of fierce competition, delivery of quality services helps a bank in making their customers feel satisfied. Thus, from the finding of literatures, it may be safely commented that service quality and customer satisfaction are interrelated and both play a convincing role for improving the overall performance of a bank.

Objectives of the Study

1. To study the service quality of private sector banks operating in Karimganj town of Assam.
2. To examine the influence of service quality on customer satisfaction of private sector banks operating in Karimganj town of Assam.

Hypotheses of the Study

1. There exists no significant correlation between service quality dimensions and customer satisfaction of private sector banks operating in Karimganj town of Assam.
2. There exists no significant influence of service quality dimensions on customer satisfaction of private sector banks operating in Karimganj town of Assam.

Methodological Design

Study Area and Organization: The present study makes an attempt not only to study the service quality and its relationship with customer satisfaction but also to examine the influence of service quality on customer satisfaction in private sector banks, *namely*, AXIS bank, HDFC bank and ICICI bank operating in Karimganj town which is located in south Assam.

Sampling Design: The sample size of the present study is one hundred twenty (120) numbers of customers taking forty (40) numbers of customers from each of the three private sector banks under study. In order to attain the required information pertaining to the study, the convenience sampling technique has been used.

Variables Consideration: Service quality has been assessed on the basis of the responses of customers over nineteen (19) numbers of components of service quality, which have been categorized into five (05) service quality dimensions, namely, Tangibility, Reliability, Responsiveness, Assurance and Empathy.

Data Collection Tool: A structured interview schedule comprising of a numerical scale ranging from

Strongly Disagree (=1)	Moderate Disagree (=2)	Disagree (=3)	Neutral (=4)	Agree (=5)	Disagree (=6)	Strongly Agree (=7)

Statistical Tools: For the purpose of analysis of collected data, Mean, Standard Deviation (SD), Correlation and Multiple Regression have been used.

Results and Discussion

Table 1 depicts the perception of bank customers on select dimensions of service quality. The mean values in the table imply that the customer perception about service quality dimensions in private sector banks operating in Karimganj town of Assam is by and large favourable. The mean score of customer perception is the highest with respect to *reliability* dimension (5.71) of service quality. However, relatively higher mean scores have also been observed with *assurance* dimension (5.53) and *empathy* dimension of service quality (5.43). But the level of perception of the bank customers is found to be moderate with *responsiveness* dimension (5.39) and the perception of bank customers is the lowest regarding *tangibility* dimension of service quality (5.29). Table 1 further discloses that the mean score of customer satisfaction is 4.78 with a standard deviation of 0.8947, which implies that service quality of these banks under study could not be considered as the best source of solace for the customers.

Table 1: Customer Perception about Service Quality

Service Quality Dimensions	Mean	SD
Tangibility	5.29	0.7870
Reliability	5.71	0.8341
Responsiveness	5.39	0.9595
Assurance	5.53	0.7754
Empathy	5.43	0.9049
Customer Satisfaction	**4.78**	**0.8947**

Source: Based on Field Survey

The values of SD of customer perception with respect to different dimensions of service quality have been computed to study the consistency /variation in their responses. The value of standard deviation with respect to *assurance* dimension is the lowest which implies that the perception of customers is more concentrated about this dimension. On the contrary, since the value of the standard deviation with respect to *responsiveness* dimension is the highest, it denotes that the tilt of the views of the respondents is bent more towards this.

Table 2 represents the degree of association between overall customer satisfaction and select dimensions of service quality. It can be observed from the table that all the dimensions of service quality are positively correlated with customer satisfaction at 1% level of significance. Highest degree of correlation exists between customer satisfaction and customer perception about *empathy* dimension of service quality, i.e., 0.730. The degree of correlation between customer satisfaction and customer perception about *responsiveness* dimension (0.727) as well as *assurance* dimension (0.692) are quite high.

Table2: Correlation between Service Quality Dimensions andCustomer Satisfaction

Service Quality Dimensions	Correlation Coefficient
Tangibility	0.374*
Reliability	0.683*
Responsiveness	0.727*
Assurance	0.692*
Empathy	0.730*

Note: *Correlation is significant at 0.01 level.
Source: Based on Field Survey

However, relatively moderate level of correlation has been observed between customer satisfaction, customer perception about reliability dimension is 0.683, and *tangibility* dimension is 0.374 of service quality. The p values as shown against the select dimensions of service quality in Table 2 indicate that there exist significant linear relationship between customer satisfaction and customer perception about all the individual dimensions of service quality.

The influence of different dimensions of service quality on customer satisfaction (dependent variable) of private sector banks in Karimganj town of Assam has been analyzed by employing multiple regression technique.

Table 3 discloses the regression results of explanatory variables, which reveal that all the five service quality dimensions positively influence the satisfaction of customers since all the five predictors, have positive b values. The b values indicate that out of five predictors, the influence of *responsiveness* dimension is the highest while the same is the lowest in case of *tangibility* dimension of service quality on customer satisfaction if the effects of other dimensions are held constant. The result of corresponding t value and p value make it clear that all the predictors are making significant contribution to the model except *tangibility* and *assurance* dimension of service quality at 5% level of significance.

The value of R^2 (0.651) suggests that 65.10% of the variation in the level of customer satisfaction has been explained by explanatory variables, i.e., the select five dimensions of service quality. The adjusted R^2 value (0.636) also indicates that the predictors explain 63.60% of the variation in the degree of customer satisfaction. Thus, the dimensions of service quality selected for the study could explain a very large amount of variation in customer satisfaction. The difference between R^2 and adjusted R^2 is only 0.015 or 1.5% and this reduction implies that if the model were derived from the population, it would account for approximately 1.5% less variation in the outcome.

Table 3: Multiple Regression Results of the Selected Variables

Model	**Unstandardized Coefficients**		**Standardized Coefficients**	***t value***	***p value***
	B	**Std. Error**	**Beta**		
(Constant)	-0.216	0.415	--	-0.520	0.604
Tangibility	0.015	0.074	0.013	0.206	0.837
Reliability	0.250	0.096	0.233	2.616*	0.010
Responsiveness	0.320	0.084	0.344	3.818*	0.000
Assurance	0.018	0.124	0.015	0.142	0.887
Empathy	0.307	0.093	0.310	3.282*	0.001

$R^2 = 0.651$, Adjusted $R^2 = 0.636$
$F = 42.584$, $p = 0.000$

Note: *indicates that the variable is significant at the 0.01 level
Source: Based on Field Survey

The overall predictability of the model is also calculated. The F statistics (42.584) with respect to p value (0.000) shows that the regression model is highly significant which implies that the data are well suited in explaining the influence of five service quality dimensions on customer satisfaction in the banks of private sector operating in Karimganj town of Assam.

Summary of Findings

The perceptions of customers in private sector banks operating in Karimganj town of Assam are by and large favourable with respect to all the dimensions of service quality. The perception of customers towards *reliability* dimension of service quality is most favourable which is followed by *assurance*, *empathy*, *responsiveness* and *tangibility* dimensions of service quality. The variation in the perception of customers has been lowest with respect to *assurance* dimension while highest variation has been noticed in case of *responsiveness* dimension of service quality.

There exists significant and positive relationship between customer satisfaction and all the five service quality dimensions at 5% level of significance. Highest degree of positive correlation exists between *empathy* dimension of service quality and customer satisfaction. On the contrary, lowest degree of positive correlation has been noticed between customer satisfaction and *tangibility* dimension of service quality.

All the five service quality dimensions positively influence customer satisfaction since all the five predictors have positive b values. The b values indicate the influence of *responsiveness* dimension on customer satisfaction is the highest and the influence of *tangibility* dimension on customer satisfaction is the lowest out of five predictors. There exists significant cause and effect relationship between all the predictors to the model except *tangibility* and *assurance* dimensions of service quality at 5% level of significance. In other words, empathy, reliability and responsiveness dimensions of service quality at 5% level of significance significantly influence customer satisfaction.

Conclusion

A bank, it either in private sector or in public sector, cannot continue to survive in the long run if its customers are dissatisfied for a reasonable period of time. Private sector banks operating in Karimganj town are relatively new entrants in the market and are expected not only to invent new products and services on a continuous basis after understanding the needs and requirements of their potential and valued customers but also to provide better quality of services in order to effectively satisfy their customers. Although the present study reveals positive influence of all the five select dimensions of service quality on satisfaction of customers of private sector banks operating in one of the old towns of south Assam. Bank management at branch level are expected to consider sincerely about *assurance* and *tangibility* dimensions of service quality for ensuring higher degree of satisfaction of customers since the scope for improving these two dimensions are yet to be explored to a large extent. The findings of the study will have to be interpreted with caution for generalizing as it largely reflects the situation specific to the chosen study area.

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