

A Note on the Relationship Between Service Quality Dimensions and Customer Satisfaction in the Banking Sector

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Abstract

Businesses across industries are striving hard to ensure customer satisfaction. The banking sector is not an exception. One of the critical elements for generating customer satisfaction in the banking sector is service quality. Several studies have ascertained the effect of various service quality dimensions on customer satisfaction in the banking sector. This paper, therefore, reviewed some of the studies that examined the effect of service quality on customer satisfaction in the banking sector based on the SERVQUAL model. It is observed that the five dimensions of service quality (i.e., reliability, assurance, responsiveness, empathy and tangible) are essential towards achieving customer satisfaction in the banking sector. However, the efficacy of these dimensions as predictors of customer satisfaction varies across contexts. Accordingly, managers should work to identify and improve those dimensions that are important to their operating environment to achieve customer satisfaction.

Keywords: Service Quality, Customer Satisfaction, SERVQUAL Model, Banking Sector

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Introduction

Businesses across industries are working hard to ensure customer satisfaction, a key ingredient for achieving customer loyalty and competitive advantage. Consequently, market-driven organisations in all sectors, are regularly and consistently striving to meet or exceed customer expectations in order to generate the much-needed customer loyalty, future revenue and competitive advantage. In the service sector, customer satisfaction is a measure of product quality and the referent for evaluating the success of all service offerings (Banki, Bin-Ismail, Danladi *et al.*, 2016). Thus, service organisations throughout the business world are constantly seeking unique ways of differentiating their service offerings as their survival and prosperity are determined by the willingness, ability and capability of managers to respond to the changes in the service economy (Ugboma, Ogwude, Ugboma *et al.*, 2014).

A critical element in the drive at achieving customer satisfaction in the service sector is service quality (Ogunjinmi and Binuyo, 2018). Customer satisfaction and service quality are seen to be inter-related; hence, high service quality results in high customer satisfaction (Munusamy, Chelliah and Mun, 2010). A service organisation can, therefore, differentiate itself by consistently delivering higher quality service than its competitors (Kotler and Armstrong, 2012). It is the realisation of the potency of service quality in attaining competitive edge that convinced most service organisations to join the customer-driven quality movement. In that regards, managers seeking to produce a satisfied customer base must identify the expectations of their target customers with regards to service quality (Kotler and Armstrong, 2012; Parasuraman, 2004). The banking sector, as one of the competitive service sectors in many economies around the world, can therefore not be an exception, and this is why several scholars explored the relationship between service quality and customer satisfaction in the sector.

Although several models of service quality were suggested by scholars and adopted in studies on the influence of service quality on customer satisfaction in the banking sector which includes SERVQUAL model (Parasuraman, Zeithaml and Berry, 1988), ES-QUAL/E-Rec S-QUAL (Jovovic, Lekic and Jovovic, 2016), HESQUAL (Sokoli, Koren and Shala, 2019), hierarchical model (Brady and Cronin, 2001), and SERVPERP model (Cronin and Taylor, 1992) among others, however, this study focused on the review of the application of SERVQUAL model dimensions in examining service quality influence on customer satisfaction in the banking sector. Thus, the objective of this paper is to review the current literature on the relationship between service quality dimensions and customer satisfaction in the banking sector based on the SERVQUAL Model.

Literature Review

Customer Satisfaction

Customer satisfaction is the overall impression of customers regarding an organisation and its goods and or services (Jatau and Saidu, 2018). It is the extent to which customers are pleased with the goods and or services provided by a business (Shrestha, 2018). Customer satisfaction is the extent to which the perceived performance of a product matches the expectations of a customer (Kotler and Armstrong, 2012). Thus, customer satisfaction depends on the perceived performance of the product in relation to the expectation of the customer. If the performance of the product falls below expectations, the customer will be dissatisfied but if performance matches expectations, the customer will be satisfied (Zeithaml, Parasuraman and Berry, 1990). However, if performance exceeds expectations, the customer will be delighted (Kotler and Armstrong, 2012). Customer satisfaction is, therefore, the outcome of the extent to which overall service performance meets or exceeds customer

expectations. Consequently, establishing customer satisfaction should be the number one priority of a company aspiring to achieve marketing success (Parasuraman, 1987) as customers are the only people who know their wants.

Service Quality

It is more difficult to define and evaluate service quality compared product quality as the former is a function of the service provider’s competence as well as the efficiency of the service delivery process (Parasuraman, 2010). Accordingly, quality of a service is determined by the relationship between expected service performance and customers evaluation of the actual services they receive from the service provider (Pakurár, Haddad, Nagy *et al.*, 2019). As such, it is an assessment by customers about the extent to which a service fulfils their expectation in relation to their perception of the service.

The SERVQUAL Model

The SERVQUAL model was proposed by Parasuraman *et al.* (1988) for measuring service quality as perceived by customers. The SERVQUAL model has five dimensions (see Table 1) which is otherwise labelled as RATER (Ganiyu, 2016). These dimensions include reliability, assurance, tangibles, empathy, and responsiveness. Consumers evaluate service quality by comparing expectations with perceptions based on the five SERVQUAL dimensions (Parasuraman *et al.*, 1988).

Table 1. Dimensions of the SERVQUAL Model

Dimension	Description
Reliability	It is the capability of a service organisation to render the required service correctly and dependably.
Responsiveness	is the willingness and readiness of a service provider to render the desired service promptly. Allowing clients to wait unattended can create negative perceptions of quality. In the case of service failure, the capability to promptly recover can create very positive perceptions of quality.
Assurance	This relates to the level of employee knowledge and courtesy that inspires customer confidence that their expectations will be met. This includes the ability to execute the service, respectful engagement and productive communication with the customer, and a customer-centric service behaviour that takes best interests of the customer at heart.
Tangible	It is the appearance of physical facilities, service tools and equipment, service personnel, and other physical service infrastructure.
Empathy	This refers to employee caring and provision of individualised attention to understand customer needs. Empathy includes approachability, sensitivity and employee effort to understand the needs of customers.

Source: Adapted from Ganiyu (2016).

The availability of several alternative service quality models in the literature does not detract from the usefulness of the SERVQUAL as a model of choice. Its four-dimensional structure is not only robust and parsimonious but also comprehensive and amenable to innovative reinterpretations. SERVQUAL’s strength comes from the ease with which it can be adapted to emerging realities in the service industry, especially from the banking sector. For example, the emergence of complicated electronic financial services introduced added referents that must be captured in measuring customers’ perception of quality with regards to such services. While some studies adapt the SERVQUAL without changing its domain structure (e.g., Kumar and Sharma, 2020; Bashir, Ali, Wai *et al.*, 2020), others, like Jovovic *et al.* (2016), attempted significant extension of the extant theoretical service quality model to capture novel developments in e-banking. Other researchers like Vetrivel, Rajini and Krishnamoorthy (2020) developed new measure while making passive use of the SERVQUAL model

domain characterisation. Nevertheless, in whatever way used, the SERVQUAL remains a useful model for assessing the quality of services, including bank services.

Relationship between Reliability and Customer Satisfaction

Several studies have ascertained the relationship between reliability and customer satisfaction in the banking sector. Afroz (2019) examined the effect of service quality on customer satisfaction in Bangladesh found that the reliability dimension of service quality has a positive impact on customer satisfaction. Also, Vencatayu, Padaruth, Juwaheer, Dirpal *et al.* (2019) found reliability to have a significant positive effect on customer satisfaction in commercial banks of Mauritius. Similarly, Famiyeh, Asante-Danko and Kwarteng (2017) found that reliability has a significant positive relationship with customer satisfaction of banks in Ghana. Again, Al-Shatanawi, Osman and Abdullahi (2014) reported that reliability has a significant positive relationship with customer satisfaction of commercial banks operating in Jordan. Furthermore, Saghier and Nathan (2013) reported that reliability positively influences customer satisfaction in Egypt. Also, Mohammed and Alhamadani (2011) reported that reliability has a significant influence on customer satisfaction of commercial banks in Jordan. Finally, Ganguli and Roy (2011) found reliability to have significant and positive relationship with bank customer satisfaction and loyalty. In contrast to these overwhelming results showing a significant and positive association between some dimensions of service quality and performance, Nautiyal’s (2014) findings indicated that reliability does not have a statistically significant effect on customer satisfaction in India. Also, Munusamy *et al.*’s (2010) findings in Malaysia indicated that reliability has no significant effect on customer satisfaction.

Zeithaml *et al.* (1990) had earlier averred that reliability is the foremost most crucial dimension of the SERVQUAL and they theorised that this will be so irrespective of the industry service quality is considered and investigated. However, El Saghier (2015) and Ravichandran, Mani, Kumar *et al.* (2010) considered reliability of secondary importance to the other four dimensions. Tangibles shared the first order of importance in the work of Rosen and Karwan (1994). Such lack of consistency in the usage to which the SERVQUAL was used as a predictor model to important organizational outcomes including customer satisfaction provides a window for further research.

Relationship between Responsiveness and Customer Satisfaction

Several studies have documented the effects of responsiveness on bank customer satisfaction. For instance, responsiveness has been reported by Afroz (2019) to have a significant positive influence on customer satisfaction in Bangladesh. Similarly, Vencatayu *et al.* (2019) reported that responsiveness has a significant positive effect on customer satisfaction in commercial banks of Mauritius. Likewise, Ananda and Sonal (2017) study indicated that responsiveness has a significant positive influence on customer satisfaction of retail banking customers in Oman. Similarly, Nautiyal (2014) findings indicated that responsiveness has a significant positive effect on customer satisfaction in India. Also, Al-Shatanawi *et al.* (2014) indicated that responsiveness has a significant positive relationship with customer satisfaction of commercial banks operating in Jordan. Also, Saghier and Nathan (2013) findings indicated that responsiveness positively influence customer satisfaction in Egypt. Responsiveness was also found by Mohammed and Alhamadani (2011) to have a significant influence on customer satisfaction of commercial banks in Jordan. However, the findings of Munusamy *et al.* (2010) in Malaysia show that responsiveness has no significant influence on customer satisfaction.

Relationship between Assurance and Customer Satisfaction

Several studies have examined the relationship between assurance dimension and customer satisfaction in the banking sector. The studies of Afroz (2019) in Bangladesh reported a positive influence of



assurance on customer satisfaction. Similarly, the study of Vencatayu *et al.* (2019) documents that assurance have a significant positive effect on customer satisfaction in commercial banks of Mauritius. Furthermore, Ananda and Sonal (2017) indicated that assurance has a significant positive effect on customer satisfaction of retail banking customers in Oman. Likewise, Nautiyal (2014) found the assurance dimension to have a significant positive effect on customer satisfaction in India. Similarly, Shatanawi *et al.* (2014) reported that assurance has a significant positive relationship with customer satisfaction of commercial banks operating in Jordan. Also, the study of Saghier and Nathan (2013), which examined service quality dimensions and customer satisfaction in Egypt, indicated that assurance significantly and positively influences customer satisfaction. In contrast to the findings above, the study of Munusamy *et al.* (2010) in Malaysia revealed that assurance has no significant impact on customer satisfaction.

Relationship between Empathy and Customer Satisfaction

Previous studies on the effect of service quality dimensions and customer satisfaction in the banking sector have identified the relationship between empathy and customer satisfaction in different settings. Empathy has been reported by Afroz (2019) to have a significant positive effect on customer satisfaction. Similarly, Vencatayu *et al.* (2019) found empathy to have a significant positive effect on customer satisfaction in commercial banks of Mauritius. Also, Famiyeh *et al.* (2017) examined the relationship between service quality and customer satisfaction and found empathy to have a significant positive relationship with customer satisfaction of banks in Ghana. The study of Nautiyal (2014) indicated that empathy has a significant positive effect on customer satisfaction in India. Shatanawi *et al.* (2014) reported that empathy has a significant positive relationship with customer satisfaction of commercial banks operating in Jordan. Saghier and Nathan (2013) reported that empathy positively influences customer satisfaction in Egypt. Contrary to these findings, Munusamy *et al.* (2010) found that empathy has no significant effect on customer satisfaction in Malaysia.

Relationship between Tangibles and Customer Satisfaction

Many scholars have extensively examined the relationships between tangibles and customer satisfaction in the banking sector. The study of Afroz (2019) in Bangladesh reported a positive influence of tangibles on customer satisfaction. Also, Vencatayu *et al.* (2019) ascertained that tangibles have a significant positive effect on customer satisfaction in commercial banks of Mauritius. Similarly, Famiyeh *et al.* (2017) found that tangibles have a significant positive relationship with customer satisfaction of banks in Ghana. Furthermore, Ananda and Sonal (2017) found tangibles to have a significant positive influence on customer satisfaction of retail banking customers in Oman. Similarly, Shatanawi *et al.* (2014) reported that tangibles have a significant positive relationship with customer satisfaction of commercial banks operating in Jordan. Moreover, Mohammed and Alhamadani (2011) ascertained that tangibles have a significant influence on customer satisfaction of commercial banks in Jordan. Also, Munusamy *et al.* (2010) reported that tangibles have a significant positive effect on customer satisfaction in Malaysia. However, Nautiyal (2014) found that tangibles have no statistically significant effect on customer satisfaction in India. Also, Saghier and Nathan (2013) found that tangibles do not affect customer satisfaction in Egypt.

Conclusion

Service quality is a critical element in achieving customer satisfaction which is a key to achieving customer loyalty, future revenue and competitive advantage in an increasingly competitive and globalised business environment. Some efforts have, therefore, been made by several scholars to identify and understand how various factors related to service quality can influence customer satisfaction.

Some of these efforts led to the development of models of measuring service quality. One of these models is the SERVQUAL model by Parasuraman *et al.* (1988) with five dimensions of service quality which includes reliability, assurance, responsiveness, empathy and tangibles. These dimensions of service quality were applied in some studies across various service industries. Consequently, the SERVQUAL dimensions have also been adopted by a significant number of studies in the banking sector. This paper reviewed some of these studies, and the findings indicate that all five service quality dimensions are important to achieve customer satisfaction in the banking sector. However, in a few instances, some of the dimensions were found to be insignificant. Managers in the banking sector should identify those dimensions that are significant to customer satisfaction in their operating environment to achieve the desired outcome.

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