

Role of Customer Satisfaction and Service Quality in Public and Private Banks

Author's Detail:

⁽¹⁾Muhammad Ismail Soomro, Assistant Professor Department of Business Administration, Shah Abdul Latif University Khairpur ⁽²⁾Sanam Gul Memon, Student of M.Phil. Shah Abdul Latif University Khairpur ⁽³⁾Muhammad Asif Channa, Student of M.Phil. Shah Abdul Latif University Khairpur

Abstract

The aim of this research paper is to identify the customer satisfaction and service quality in banking sectors of Sindh Pakistan. As the customer satisfaction and service quality always remain a prime factors for business for this purpose both public & private banks were selected and data was collected on random basis with the help of questionnaires by using "Likert Scale" ranging from "Strongly Agree to Strongly Disagree. Different age groups were selected from below 25 to above 45. Targeted sample was 130 respondent both male & females, 100 responses were reasonably considered. Research result shows that customer importance are more in reliability dimension then responsiveness and others factors respectively. The limitation of this study is that its implications are only applicable to the Khairpur & Sukkur cities because of the limited time & budget resources.

Keywords

Customer Satisfaction, Service Quality

INTRODUCTION

To meet the desired expectations is considered as great worth for an individual but in a business it is valuable for both seller and buyer. Customer satisfaction means when customer expectation and performance of product or services match customer feel happy and become satisfied. Customers are the major source of a business's survival effectively. In banking sector customer satisfaction is considered as a big challenge to maintain the customer loyalty through satisfied services. The first priority of any commercial business is to satisfy customer need because satisfied customer favorably talk about services of bank as compare to dissatisfy. Customer satisfaction is an attitude that customer expects before purchase and after sale services mainly in banking sector. (Oliver, 1991) suggested that for a business customer satisfaction is very important because satisfied customer ready to buy products again and again and their repeat purchase behavior increase their loyalty and also help the company to increase their profit. The profitable relationship between customer and bank is also important because the customer rely on bank services and use their wide range of quality services, as the competition grows rapidly among the banking sector most of the banks are engaged in focusing the customer Satisfaction as a key source of business growth. (Walker, (2008), like other type of business activities it is very necessary for banking sector that not only sale is enough end but the bank has to also maintain the relations with its customers for future retention. Now a days for meeting the customer satisfaction the banks are engaged to work in multi dimensions like commercial services,

micro financing, ATM services, E-banking, Mobile banking etc. (Chakrabarty, 2007).

While we are talking about banking sector of Pakistan, banking sector is old as Pakistan, from the year 1999 the banking sector has taken extreme growth in Pakistan. As compare to merchandising companies to satisfy the customer is too much ambiguous for banking sector because they are offering the services in intangible shape rather than the tangible products. Customer satisfaction reflects the mental attitude of the customer towards the expectations derived from the products and services they have availed. According to (Shrotriya Vikas, 2007) for meeting the customer satisfaction as long lasting relations with customers banks are offering services to customers through various strategic alliances such as branch less banking known as "Alternative Banking". Customer satisfaction is very complicated and ambiguous concept because each person have their own perception and sense of understanding as well as expectation toward the quality of banks so the level of satisfaction will change from one person to another, now a day Pakistani banks are using information technology to improving their quality and facilitate their services.

Banking sector is derived from the payments received from the customers in the shape of deposits and interest amounts, services offered to customers in the shape of financial assistance. Customer satisfaction depends upon the nature of services offered. Today in the era of extreme competition the customer satisfaction considered as the fundamental unit of success in the banking sector in the shape of long-run customer's

attachment with the banks by showing their inner experiences about the values attainment from the services offered (Liljander, 1994). Customer satisfaction and quality services are strategically necessary for companies to gain competitive advantage by (Jaiswal, 2008)

STATEMENT OF PROBLEM

Customers are key source of business, and customer satisfaction is an important issue for each organization that how to keep the customer for long period of time and make them satisfy. To measure customer satisfaction and service quality in banking with the help of various dimension (tangible, empathy, assurance, responsiveness and reliability) in both public and private sector banks in Pakistan.

Objectives of the study

Main object of our study is to identify customer satisfaction based on quality in banks of Pakistan in Sindh. The study based on to achieve following objectives:

- Identify the factors affecting on customer satisfaction and service quality.
- To compare customer satisfaction and service quality in both public and private sectors banks with the help of (SERVQUAL) dimensions.

2. Literature Review

Customer satisfaction is a key factor for each organization, for enhancing organization productivity and its profit all the service related business focusing on customer satisfaction. Banking services in Pakistan is becoming more competitive and their interaction with customer's increases day by day. (Johnson and Fornell, 1991) define that customer satisfaction increase when well services coped with performance. Customer is a king stated by Prabhakaran and Satya (2003). (Woodruff, 1997) mention the positive and negative evaluation for customer services. (East, 1997) focus on customer satisfaction in sense of providing effective and efficient goods and services. (Akbar and Parvez et al., 2009) finding that service quality is important dimension and play effective role in banking sector so management should focus on customer satisfaction that enhance its productivity. Literature suggest that if any organization want to become a market leader then its management team should make strong bonding with customer, bonding will enhance when customer services of an

organization satisfy the needs of customer and when need will completed customer satisfaction automatically increased. (Hallowell, 1996) suggested that profitability of organization depend on customer satisfaction.

There are close relationship between customer expectations and customer satisfaction related with product and services, when performance and expectation match or increase customer will satisfy declared by Oliver (1980). (Manrai and Manrai, 2007) research based on customer dissatisfaction and their causes to switch other banks. Customer satisfaction is a response of consumers based on their difference between performance and expectation after consume the product by Tse and Wilton (1988). (Ray, 2007) focus on banks and customer relationship, when profit and services from bank are excellent customer will never switch to another. (File and Prince, 1992; Richens, 1983) mention that customer who satisfied from the bank services more willingly talk and respond positively bank advertisement. (Kohli and Jaworski, 1990) focus on significance of study about customer that we cannot ignore the importance of customer so it's better to establish better strategies for customers and market. On the other hand (Nasserzadeh et al., 2008) define that customer who dissatisfy from brand may switch to another brand. (Kevin Cacioppo, 1995 and Kumbhar, 2010) was found that customer satisfaction based on life time value of product and services based on expectation.

(Heskett et al., 1994) study based on customer satisfaction and customer loyalty he suggested direct association between both. If customer satisfied from product and services he become loyal if not then customer will switch another product. (Colin Beasty) found the relationship between private and public banks, customer satisfaction more in private bank than public because private banks show high level of honesty. It's important to measure the performance of company against the competitor will help to find difference by Chakrapani (1998). On the other hand (Girish and Preetha 1997) said that technology play important role in banks to increase productivity as well as satisfaction of customer. As this is era of technology and not just foreign but also Pakistani banks relay on technology so they invest more to adapt new technology. (Hansemark, & Albinsson, 2004; Kotler, 2000; Hoyer, & MacInnis, 2001) research suggested that customer attitude and customer

behavior help to judge the satisfaction, customer have emotional attachment toward product or services so understanding what customer want and what they gain is

important task. (Anthanasopoulos, Gounaris, & Sathakopoulos, 2001; Selnes, 1993; Bloemer, & Ruyter, 1998) find that satisfaction is important aspect to develop strong and long lasting relationship.

Customer never compromise on quality, customer pay money and give time and attention toward the product or services of company which create value. Cost and quality are motto to avail better services. Customer want better services in low cost. (Kumbhar, 2010) research based on service quality related with banks that better services help to satisfy customer and increasing loyalty and value. There are positive relationship between customer satisfaction and service quality. There are ten factors related with quality define by Berry (1990). (Parasuraman et al, 1985) define strong relationship between customer satisfaction and quality of service. (Kheng et al., 2010) suggested that quality service is significant factor that play important role in customer loyalty on bases of reliability, assurance, and empathy. (Ahmed et al., 2010) describe that tangible and assurance are significant factors which effect on research otherwise empathy are least factor. (Prof.Gopalkrishnan et al., 2011) work based on customer's retention which directly related with satisfaction and quality of customer's. (Juran, 1988) said that Quality based on two major dimension one is product according to need and second it's free from defects. Most of the banking sectors focus on the quality services either these are public or private banks. (N. Senthikumar et al) describe that Public banks providing credit to farmers and fishermen's and private banks giving loan for agricultural purpose.

The main motive of both banks to serve the customers and increasing the level of quality and customer satisfaction. Number of Private Banks increases now a days in Pakistan. (Muhammad Naveed) noted that customer from public services bank are less satisfied then private banks. After conducted the surveys managers of banking find that customer satisfaction is important. Customers frequently respond qualitative products and services. (Monica Bedi) suggested that in India service quality and customer satisfaction is important for banking either public or private financial institution. (Lewis and Mitchell, 1990; Dotchin and Oakland, 1994a; Asubonteng et al., 1996; Wisniewski and Donnelly, 1996) mentioned the scope of service quality in which customer needs match the services. Initially research on service quality as an attitude by Churchill and Suprenant (1982). (Parasuraman et al., 1985, 1988, 1991, 1994; Carman, 1990; Bitner, 1990)

suggest that service quality is preceding factor of customer satisfaction. According to (Farzad Asgarian) that private banks as compare to public more popular because private banks provide complete satisfaction and qualitative services to its customers. (Lehtinen & Lehtinen, 1982) focus on their attention towards 1980s service quality concept. (Meuter *et al.*, 2000) focus on organization quality services that company gain competitive advantage, customer satisfaction increases when service quality level increase. Five major factors describe by Trivedi and Agrawal (2009) are tangibility, assurance, reliability, responsiveness, assurance, empathy in banks related with service quality

2.1. Reliability

Include the performance of personals or ability that help to accurately, deliver services in efficient manner without any failure. Zeithaml, et al (1988) define that reliability is a that dimension which cannot be modified. In the field of quality service reliability is a very important factor for consumers by Parasuraman, et al (1988). Reliability help to identify the evaluation of service suggested by Garvin (1987). The basic dimension of service quality (reliability) and its impact on customer satisfaction define by (Islam, Khadem, Alanddin, 2011).

2.2. Responsiveness

Ability to help the customer to deliver quick service. Responsiveness in research showing lack of reliability by measuring SERVQUAL technique with the help of scale describe by Bahia and Nantel (2000). Zeithaml, et al (1988) suggested that responsiveness is a that dimension which cannot be modified. Service quality based on five major dimension in which responsiveness also mention suggested by Wilson et al. (2008), communicate customer to provide effective services to customer and respond their request immediately is key element of responsiveness by Parasuraman, et al (1991)

2.3. Empathy

To provide customer care and proper attention. Two major factors of empathy and its evaluation describe by Parasuraman, et al (1991). Either customer accept or rejected the services when fell empathy. (Zeithaml, et al, 1988) describe ten major factors related with empathy to identify service quality.

2.4. Assurance

Employees having knowledge and got complete trust from customers that create assurance and courtesy. Actions that create courtesy and confidence by

employees are the basic assurance elements describe by Parasuraman, et al (1991). Its responsibility of bank to create trust and confidence to establish comfortable relationship by Anderson, et al (1976).

2.5. Tangibles

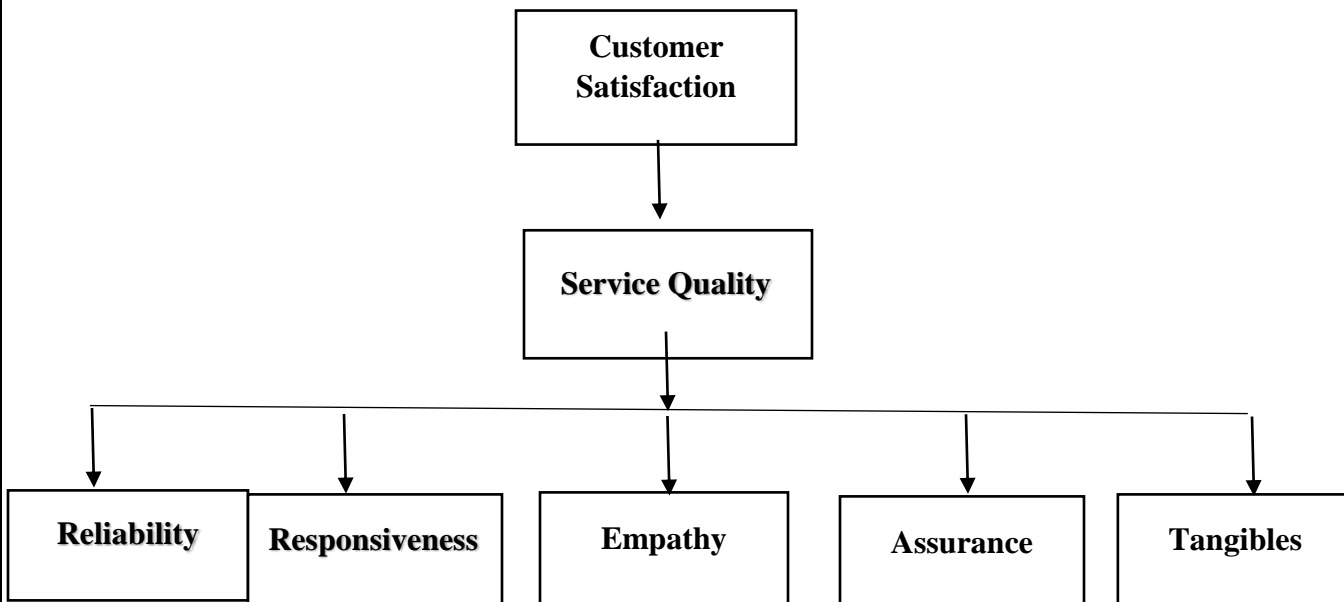
Physical resources that showing appearance like buildings, machine, equipment and devices concern with

communication. Physical resources that asses by consumers related with quality that show validity describe by Berry and Clark (1991). Appearance of tangible resources create the value and increase the customer satisfaction define by Bitner (1990), Research suggested by Zeithaml, et al (1988) that tangible factor is important dimension and cannot be changed or modify.

RESEARCH MODEL

This model shows the relationship between customer satisfaction and service quality (SERVQUAL) with the help of five major dimension related with banks of Sindh, Pakistan.

Model



Reliability: Is the ability to provide what was promised, dependably and accurately, Never over promise and always keep your promises.

Responsiveness: The willingness to help customers and provide prompt service. Always get the definition of prompt from the customer

Empathy: The degree of caring and individual attention provided to customers

Assurance: The knowledge and courtesy of employees and their ability to convey trust and confidence.

Tangibles: The physical facilities and equipment and the appearance of personnel

These five factors define by Zeithaml (1990)

RESERCH METHODOLOGY

Population & Sample

The study aim to examine customer satisfaction and quality services in banking sectors of Sindh province in Pakistan. For the purpose two cities were selected (Khairpur and sukkur). The information collected from both private and public banking sectors. Total 130 responded as a sample were selected out of which 100 responses collected from both public and private banking sectors.

Research Instrument

To measure the customer satisfaction most likely to use Questionnaire for research study. The research instrument based on 16 items and 5 factors tangibility, assurance, reliability, responsiveness, assurance, empathy. To measure the customer satisfaction both private and public banking sectors five point “Likert Scale” with responses ranging from 1 to 5 started from strongly agree= 1 to strongly disagree = 5. Target responded was both male and females and different age groups started from below 25 to above 45. Responses were statistically tested with the help of SPSS version 21 where the scale show reliability and validity as alpha score 0.727. So the instrument was significant for our study objective.

Data Collection

Data collected with the help of primary source by generating questionnaire. From 130 targeted sample 100 responses collected from both public and private banking sectors (34 response from public and 66 responses from private sectors), out of 100 responded 78 males and 22 females responded were provide responses. 30 questionnaires rejected due to respondent negligence. To know further information about relationship between factors were used factor analysis with the help of SPSS software. Data were tested with the help of KMO (Kaiser-Meyer-Olkin Measure of Sampling Adequacy) where the adequacy value more than 0.5, in this regard it was 0.645 given in Table# I. Second test Bartlett's Test of Sphericity where the value of Sig. (P) must be less than 0.001.

Table # I KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.645
Approx. Chi-Square		327.674
Bartlett's Test of Sphericity	df	120
	Sig.	.000

By the use of varimax rotation method the value should be greater than one were taken. As the five factors were chosen for initial solution have Eigen values more than one. Showing in table II. In the original variables almost 60 percent of the variability accounted.

Table # II Factor Extraction by varimax rotation

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.373	21.079	21.079	3.373	21.079	21.079	2.234	13.965	13.965
2	1.834	11.464	32.543	1.834	11.464	32.543	1.975	12.343	26.308
3	1.624	10.147	42.690	1.624	10.147	42.690	1.805	11.279	37.588
4	1.296	8.100	50.790	1.296	8.100	50.790	1.683	10.518	48.106
5	1.201	7.508	58.298	1.201	7.508	58.298	1.631	10.192	58.298
6	1.077	6.729	65.027						
7	.825	5.154	70.181						
8	.798	4.985	75.166						
9	.703	4.396	79.562						
10	.674	4.212	83.774						
11	.565	3.530	87.304						
12	.512	3.197	90.501						
13	.500	3.123	93.625						
14	.385	2.405	96.030						
15	.336	2.103	98.133						
16	.299	1.867	100.000						

With the help of factor analysis five factors of service quality namely are tangibility, assurance, reliability, responsiveness, assurance, empathy examine. The factor loading include given five factors and co-efficient of reliability, the Eigen value and percentage of variance given in table III.

Table # III Factor association with other dependent factors

Dimension	Que.	Eigen Values	Factor Loading	Percentage variance	Commutative Percentage
Reliability	Q1	6.831	.642	21.079	21.079
	Q2		.513	11.464	32.543
	Q3		.454	10.147	42.690
Responsiveness	Q4	3.574	.238	8.100	50.790
	Q5		.529	7.508	58.298
	Q6		.544	6.729	65.027
Assurance	Q7	3.00	.343	5.154	70.181
	Q8		.348	4.985	75.166
	Q9		.283	4.396	79.562
	Q10		.345	4.212	83.774
Empathy	Q11	1.577	.365	3.530	87.304
	Q12		.458	3.197	90.501
	Q13		.412	3.123	93.625
Tangibility	Q14	1.02	.626	2.405	96.030
	Q15		.475	2.103	98.133
	Q16		.539	1.867	100.000

RESULTS & DISCUSSION

The total 100 responded were taken from both public and private banks in this study. After the collection of responses from customers found wide prospective for bank that how banks are trying to measure the satisfaction of customers in order to increase their service quality. The bank continuously improve their efficiency on the bases of five major dimension (Reliability, Responsiveness, Assurance, Empathy, and Tangibility). After selection of organization type both public & private the statistics of respondent shows that (34%) from public sector and (66%) from private banks are, as the public banks are few as compare to private most information obtain from private bank customers The gender Split into both male(78%) and female(22%).

Male's category is more than the females. Most of responses provided by graduate level (41%) then post graduate (29%), undergraduate (29%) and (1%) from others respectively. Customer satisfaction also access by different occupation from business (40%), services (18%), self-employed (20%) and others (22%) included students and house wife's are satisfied from the service quality of banks. All the responses tested statistically where the validity of alpha score 0.727. Table#1 based on KMO test show 0.645 result on the other hand table#2 shows initial Eigen value of five components are 60% of variability.

Through research has found (6.831) Eigen value in reliability factor. It focus on three variables related with service quality like, promise fulfillment within time limit

by banks, free from error records and sincerity in customer problem solving. Second dimension was responsiveness it show (3.574) Eigen value. It relate with different criteria e.g. service promptness, and frequently help to the customers. Other three dimension are Assurance Eigen value are (3.00), empathy Eigen value are (1.577) and tangibility Eigen value (1.02) respectively. In assurance customer have surety that data are secure and transaction are safe, and quick replay from employee when needed. The second last factor is empathy include continent operating hours, understanding of specific needs of customers and individual attention. Last Factor is Tangible factor like new advance technology and equipment's, neat appearance and physical facilities.

CONCLUSION

This paper conclude the customer satisfaction and service qualities of both public and private banks. For measuring service quality SERQUAL method was applied. The research suggest that SERQUAL dimensions are important tool to predict performance and quality of services in both banks. This paper found that customer importance are more in reliability dimension because banks keeping their promises and provide same services as they want. Responsiveness also well focused by customer and third assurance dimension are analyze by customers like transaction safety and service consistency so on. It means banks of Pakistan either public or private sector should give more attention on three dimension reliability, responsiveness and assurance. For this training is important for the employees in both sectors and will help to increase productivity and quality and services of banks.

LIMITATION OF THE STUDY

This study is limited to the sample of selected private and public banks of Sindh province of Pakistan, excluded all others banks situated to remaining other three provinces. As due to limited resources of time and budget only two cities of Sindh namely Khairpur & Sukkur were chosen for the research purpose therefore results of this study doesn't apply to the other big cities of Sindh such as Karachi or Hyderabad.

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