

SERVICE QUALITY & CUSTOMER SATISFACTION WITH SPECIAL REFERENCE TO BANKING SECTOR

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Abstract

The study illustrates the influence of service quality and customer satisfaction on banking sector. A vivid description of service quality and customer satisfaction is described to present the significance of the study. The study is developed with the help of secondary qualitative data. All that information and data collected are based on journals and articles. The data presented in developing this research study is critically analyzed to explain the importance of the topic of research. Every detail is provided with respect service quality and customer satisfaction on banking sector with valid data and information. The researchers have developed the study in accordance with factual knowledge and theories that provide further illustration of the topic. All the information presents the importance of service quality and customer satisfaction on banking sector.

Keywords: Service quality, SERVQUAL, customer satisfaction, banking sector, customer loyalty.

INTRODUCTION

Service quality is considered one of the main factors that are behind customer satisfaction in commercial banks. It is observed that service quality has a decisive role to play in Irving customers with a good experience and converting them to loyal customers. High service quality influences the loyalty of customers and their engagement with the services of both private and public banks.

The chapter illustrates the background of the study with relevant statistical information. Based on the information, research objectives are presented to highlight the significance of the study. The research questions are formulated and are well addressed to complete the study further.

Research Objectives

The research objectives of the article are mentioned below:

- To analyze the influence of service quality on the banking sector
- To identify customer satisfaction in relation to the banking sector
- To highlight the challenges faced by customers in the banking sector

Research questions

The research questions of the article are mentioned below:

RQ1: In which ways does the quality of services influence the banking sector?

RQ2: In what ways does customer satisfaction impacts the banking sector?

RQ3: What are the challenges faced by the customers in the banking sector?

Background

The recent years of globalization have shown "saturation of markets", competitiveness and "development of information technology" that increases customer awareness. Customers worldwide are more conscious of the quality of service they receive (Hammoud, Bizri & El Baba, 2018). Service-based banks have compelled customers with the best services in order to have a competitive advantage over the rival banks. The high percentage of quality services provided by the banks has resulted in customer satisfaction and engagement.

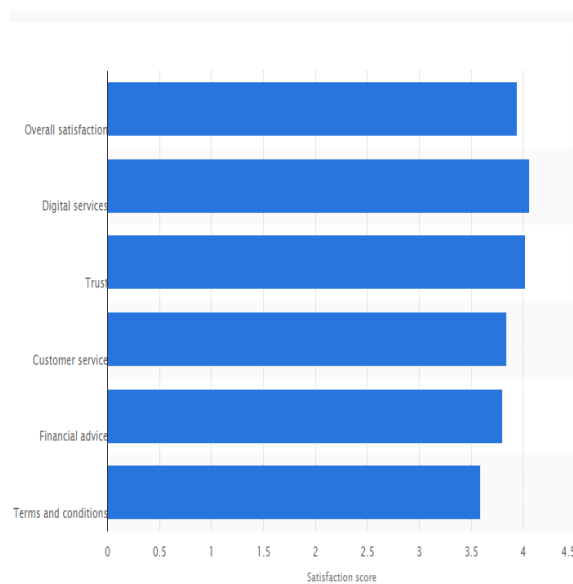


Figure 1: Factors on which consumer bank satisfaction depends

(Source: Statista, 2022)

It is observed that customers are most satisfied with banks whose services highlight trustworthiness along with terms and conditions well presented to the customers (Statista, 2022). From figure 1, it can be illustrated that trust and digital service is the most valued attributes of the banking service that

contributes to meeting the needs of its customer and providing a good experience.

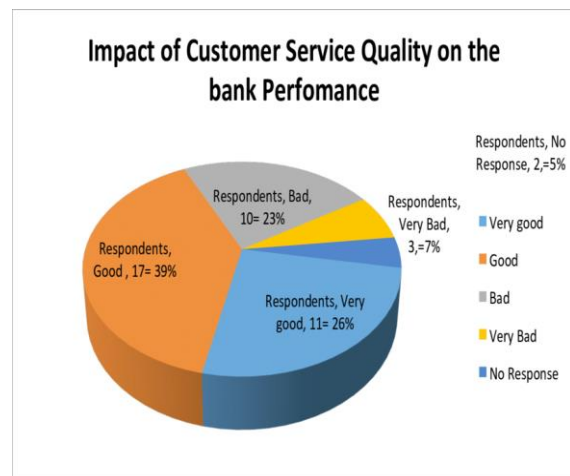


Figure 2: Impact of service quality on customer satisfaction in the banking sector

(Source: Devesh, 2019)

Customer satisfaction is subjective and includes a perceived concept that includes past experiences, recommendations and the quality of services. Figure 2 illustrates that service quality and customer satisfaction is distinct concepts; they are closely related to each other. The link between customer satisfaction and service quality impacts the engagement of customers with the banks and their loyalty programs (Devesh, 2019).

LITERATURE REVIEW

Introduction

The chapter presents a vivid description of service quality and customer satisfaction in the banking sector. Both customer satisfaction and service quality are linked to each other and influence the customer engagement with the banks. Service quality depends on differences like time management, and customer service and affects customer intentions to adopt loyalty programs of a bank.

Service quality in the banking sector

Service quality is defined as the measure of "how well the services provided" by the banks meet the expectation of the customers. Banking services include digital services, "commercial

credit cards", drawing services and automated payments. It is important for banks to provide each minute to the consumers in order to build a transparent relationship (Nambiar et al. 2018). All the loan packages facilitated by the banks for adverse situations need to be formulated in a way that enhances customer engagement. All the packages need to meet the customer's expectations and provide a better experience such that they recommend the services to their families and friends.

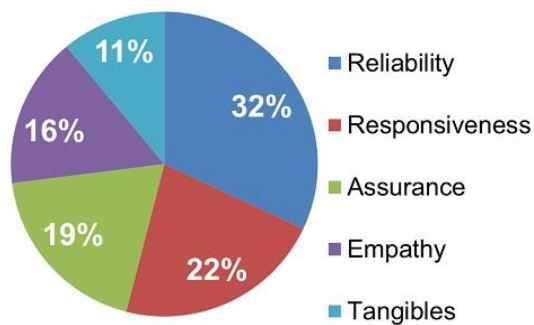


Figure 3: *Service quality is measured by SERVQUAL*

(Source: Tee, Preko & Tee, 2018)

According to Tee, Preko & Tee (2018), customer expectation and customer satisfaction are highly related to service quality. It is observed that accurate responsiveness by the customers is important for improvising of the bank services. Proper engagement from customers and their feedback help banking sector to enhance quality of services. Service quality is measured with the help of a modified version of SERVQUAL that involves five dimensions. From figure 3, it can be understood that the dimensions include "Reliability, Responsiveness, Empathy, Assurance and Tangibles". All these dimensions help the banking sector to understand the unpredictable customer demands and plans according to increased engagement and cooperation from customers.

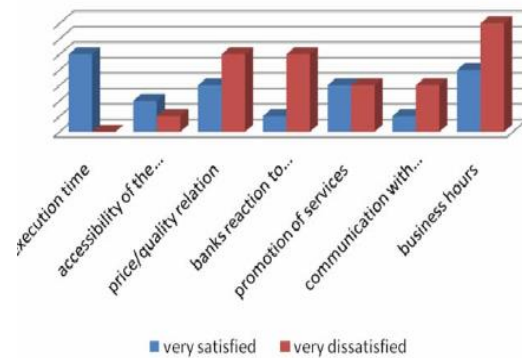


Figure 4: *Evaluation of customer satisfaction in banking service*

(Source: Pakurár et al. 2019)

As argued by Pakurár et al. (2019), customers need services that are handy and quick which includes better customer service from the banks. Effective channels that provide effective solutions to banking queries anytime anywhere enhance customer satisfaction levels. From figure 4, it can be understood that customer feedback effectively helps the banking to understand the needs of the consumers and to what extent their services are able to meet the expectations. The banking sector needs to provide services based on advanced technology that enhances customer satisfaction.

Customer satisfaction

Banking services need to identify the interrelationships and crucial factors contributing to customer satisfaction. It is important to understand the changing demands of the customers to help them use the e-banking facilities. With internet banking and credit cards, consumers mostly face issues with security problems. The banks must provide assurance and information such that the customer engages with e-banking facilities.

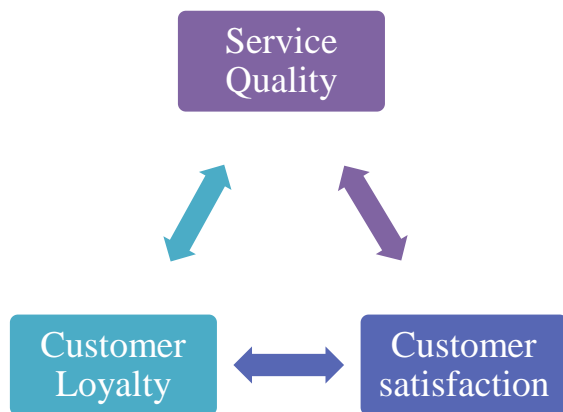


Figure 5: *Customer satisfaction*

(Source: Created by Researcher)

As stated by Agrawal et al. (2019), customers are highly motivated to open more than one account to take the privilege of more services as shown in figure 5. Banks tend to sell similar kinds of packages and services to customers. Thus customer experience with one of the services helps the bank retain its customers. It also holds other banks to have a competitive advantage in the dynamic sector. Banks need to focus on improving interpersonal services with their customers. When customers that the bank is taking the initiative to explain the services and help them select the right option that adds more definition to their needs. Effective communication and passing of information enhance the customer experience and help the banks retain them for a longer period of time.

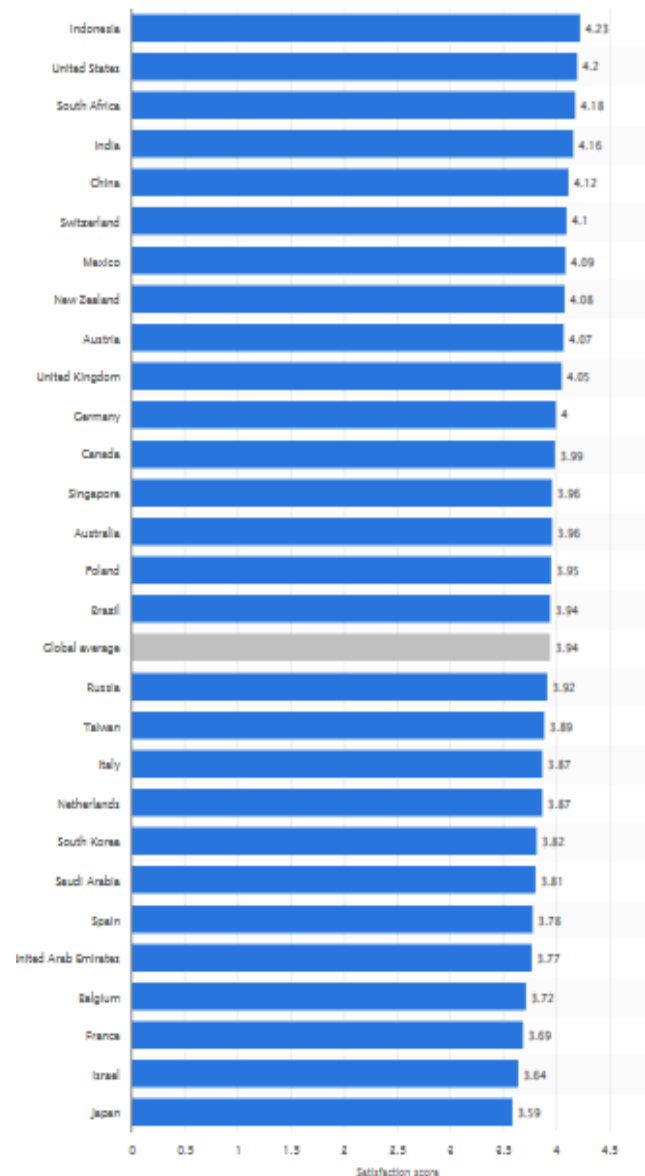


Figure 6: *Worldwide bank customer satisfaction in 2021*

(Source: Statista, 2021)

As demonstrated in figure 6, it can be noted that around 60 thousand people have recorded that bank customers are satisfied with the services provided and meet the customer expectations. In contrast, ineffective problem-solving skills shown by the bank officials reduce their intention to carry on with services. It is important for banks to provide enough resources to the service centers that reduce poor customer experience. Avoiding interpersonal communication to reduce costs is one of the major disadvantages that reduce customer engagement (Vencataya et al. 2019). Providing

high quality solutions on e-banking helps the customers shows the banking is committed towards its customers and enhances customer satisfaction level. Thus it is significant for banks to provide quality services that increase customer engagement and enhance customer satisfaction.

Theory

Expectancy- disconfirmation theory

With respect to the theory, it can be understood that performance expectations regarding a product or services is significant in establishing satisfaction among the customers. Customers are indeed comparing the performance of services against one another such that their expectations are safeguarded. Satisfaction is a psychological phenomenon that comes from perceived quality which is able to exceed or meet the expectation of the customer (Eklof, Podkorytova & Malova, 2020). In relation to the theory it can be well understood that customer satisfaction is related to the quality of services provided by the banks. Quality of services set standards that provide competitive advantage to the banks in this dynamic sector. The predetermined standards set by the services help cities to meet their predictive needs and expectations.

METHODOLOGY

The study is developed with the help of a secondary qualitative method. All the data and information furnished in the study are collected from journals and articles. All the information is well explored to present the research objectives. The existing materials are reviewed

to present the significance of the study. According to Flick (2020), the secondary qualitative method provides a systematic review of the peer-reviewed resources. It is a cost-effective method that is easily accessible to the researchers. It provides the researchers with better understanding of the concepts and ideas based on factual knowledge and experiences. It helps the researchers to analyze the relevant theories and concepts to further progress with the study (Sherif, 2018). In this study, a positivist ideology is selected to gather data and information for further analysis.

Secondary data analysis is supported by a descriptive exploratory framework. All the relevant journals, peer-reviewed articles, libraries and government websites are considered to develop the study that focus on customer satisfaction in the banking sector. The data gathered from existing resources covers all the concepts and ideas regarding service quality and customer satisfaction in the banking industry. A brief description of themes is provided in this study along with a thematic code (Davidson et al. 2019). Interpretation of all the themes and articles to understand their quality is furnished in the study to establish its significance in accordance with the research topic. The study is future proceeded with a thematic analysis that presents the result of the secondary data. A review on the quality of data collected from different journals and articles are highlighted in the study to understand the measured outcomes of the study.

RESULT

Quality review

Table 1: *Quality review*

Authors	Study design	Number of resources	Measured outcomes	Result	Quality review
Hammoud, Bizri & El Baba, (2018)	Quantitative	15	Impact of Online banking on service quality and customer satisfaction	E-banking sector has assured quality services to its customers and enhanced tiger satisfaction level.	Moderate

Nambiar <i>et al.</i> (2018)	Qualitative	45	Influence of perceived service quality on customer satisfaction in the banking sector	It highlights the moderating effects of customer knowledge on their satisfaction.	Moderate
Pakurár <i>et al.</i> (2019)	Quantitative	15	Dimension of service quality positively impacts the customer satisfaction in the banking sector	Banks needs sustainable strategies to enhance customer engagement and it is presented with SERVQUAL model	Moderate
Vencataya <i>et al.</i> (2019)	Quantitative	20	Influence of service quality on customer satisfaction and loyalty	Customers are engaged with schemes that meet their needs and expectations.	High

(Source: By learner)

Thematic coding

Table 2: *Thematic coding*

Author	Code	Themes
Vencataya <i>et al.</i> (2019)	Service quality, SERVQUAL dimensions, customer satisfaction, banking sector, customer loyalty, customer engagement, commercial banks	Service quality positively impacts and increases customer satisfaction level
Nambiar <i>et al.</i> (2018)	Customer knowledge, service quality, customer satisfaction, customer probability, customer acquisition	Customer satisfaction in the banking sector is correlated to service quality that help the banking sector to enhance customer loyalty

(Source: By learner)

Thematic analysis

Theme 1: Service quality is important for banks to increase customer satisfaction level

Both private and public banks need to meet the customer demands with their services. Customers are highly engaged with the information required for effective banking experience. Being a dynamic sector there are several banks that provide similar kinds of services to the customers. Thus an effective package that meets all the demands of the customers and helps them to better experience is highly beneficial for the banks. Banks need to incorporate strategies that provide customers with high quality digital services (Zouari & Abdelhedi, 2021). The banking sector has

shifted to the digital space and consumers worldwide have shown interest with all the e-banking services. Though digital service provides banking service at any given off time, it has faced several security issues. Thus advanced technology and advanced solutions to deal with security issues are extremely important to keep them engaged with the e-banking services.

Banks that are involved in providing quick dissolution and better customer service through different channels can increase purchase intentions of the customers. With the help of effective communication, banks are witnessed to establish interpersonal relationships with the customers (Devesh, 2019). It helps banks to understand the necessary requirements of the customers and their investment process.

Acknowledging exact problems of the customers with their savings and earnings enable the bank to suggest accurate packages and schemes that enhance customer experience.

Theme 2: Customer satisfaction in the banking sector helps to enhance customer loyalty

Banking services that identify the needs of the customers and provide effective information for adaptation of digital services help the customers have a better experience. Creating an omnichannel is important to connect with the customers at all levels and record their feedback. The new concept of mobile wallets has significantly increased customer loyalty programs with the banks (Agrawal et al. 2019). The younger generation is highly involved with internet banking, credit card systems and e-wallets that provide them access to banks anywhere in the world.

Providing a personalized plan to the customer based on their needs and expectations enhances their engagement in the banking services. This increases their involvement with the loyalty schemes and provides the bank with a competitive advantage in the dynamic business world. It is noted that a one percent increase in customer satisfaction have positively enhanced the engagement of customer loyalty schemes. There lies a significant association between customer satisfaction and customer loyalty. Thus it can be understood "that customer loyalty is a function of customer satisfaction".

Discussion

It can be well understood that customer satisfaction is important for the banking sector to retain its customers. Quality services and effective customer services help the customer with a better experience. A highly satisfied customer is likely to return and engage with other services of the bank (Vencataya et al. 2019). A customer that is engaging with additional services becomes loyal to a specific bank. However, lack of customer satisfaction among the population does not make customers loyal and reduces engage of the services.

CONCLUSION

Customer satisfaction in the banking sector has altered the dynamics of this industry. A variety of services are implemented by different banks based on the demands of the consumers. With online banking, customers are able to access the facilities anytime anywhere in the world. With the help of the findings of the study it can be analyzed that service quality has a positive impact on customer satisfaction. Customers that are content with the services of the banks enable their families to engage with the services as well. When banks are able to meet the expectations of their customers, they establish themselves in the competitive market in a better way. Their increased performance and quality services become the major attraction and consumers are heavily engaged with their programs.

Thus it can be concluded from the study that service quality and customer satisfaction are interconnected to each other. It is extremely important for banks to provide customers with quality services that enhance their level of satisfaction. However, ineffective and poor services reduce the engagement of the customers in the banking sector.

Limitations

While developing the study, it is observed that the secondary qualitative method selected have multiple drawbacks. The method lacks statistical data that cannot be interpreted to furnish the significance of the study. This mono-method has limited the resources used for effective data interpretation. Similarly, the factor of customer satisfaction has reduced the comprehensiveness of the study.

FUTURE SCOPE

There are many areas that need more focus from the researchers to establish the difference between banking and customer satisfaction. Digital banking has drastically increased security issues that negatively impact customer satisfaction among consumers. Thus future researchers can furnish strategies to enhance

the purchase intention of the customers and enhance customer loyalty.

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