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## Service Quality and Customer Satisfaction in Commercial Banks:

### An Empirical Study

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#### *Abstract*

*Banking sector in India like many other sectors has been experiencing a rapidly changing market, new and modern technologies, economic uncertainties, changing and more demanding customer services and above all fierce competition, that has presented an unpredictable set of challenges for them. In order to face this constant evolution of new challenges, the commercial banks have to reinvent their understanding of their clients and re-examine the value and service quality to assure that they make far reaching implications in terms of service quality and customer satisfaction. In order to be successful in the market it is not only sufficient for commercial banks to attract new customers but also concentrate on retaining existing customers implementing effective policies of customer satisfaction.*

*Customer satisfaction can be considered as the essence of success in today's highly competitive world of business. Customer satisfaction increases the existing customer loyalty, repurchase process, awareness of the people about the firm, decrease the price flexibility, the cost of gaining new customers and prevent the customers being affected from competitive enterprise. With better understanding of customers' perceptions, commercial banks can ascertain the actions required to meet the customers' needs. The present study assesses the status of customers' satisfaction with respect to select dimensions of service quality in commercial banks operating in Silchar town of Assam.*

**Keywords:** *customer satisfaction, service quality, competition.*

**Introduction:** The banking industry in India has undergone drastic change since post independence. Banking sector reforms along with financial sector liberalisation and opening up of the economy have made the situation precarious to the banks [Sharma, 1995]. Indian bankers find their semi-protected world disintegrated into fiercely competitive and market oriented world [Kulkarni, 1994]. Indian

commercial banks have been striving to satisfy their customers by ensuring quality service, but in some cases many banks could not do this. Again, customers of different banks are not satisfied on their banks, because of low quality services. Increased level of awareness of customers and wide range of options open to them have their effect in changing the needs and expectation of customers and consequently



Indian commercial banks in order to preserve their market share are compelled to cope up with the emerging environment and changing needs of bank customers [Dahotre, 1994]. In this competitive arena, in order to sustain the growth and increase the market share, an organisation should aim at satisfying the customer. In today's E-commerce economy, where innovation likely to offer merely a fleeting advantage, satisfaction will be the sole way for a business to survive [Sharp, 2003].

**Concept of Customer Satisfaction:** The phrase 'customer satisfaction' does not only express a happy customer, but rather complex than that. Customer satisfaction is defined as a customer's overall evaluation of the performance of an offering to date. customer satisfaction is considered as the emotional response to the experiences associated with the quality of products, services, timeliness, efficiency, ease of access, environment, other facilities including the behaviour and attitude of the service providers in comparison to the customer's expectations. It is the transaction specific effective response to the evaluation of discrepancy between the prior expectations and actual experience relating to banking services [Paul and Barman, 2010]. Customer satisfaction increases the existing customer loyalty, repurchase process, awareness of the people about the firm, decrease the price flexibility, the cost of gaining new customers and prevent the customers being affected from competitive enterprise. [Peter, J.P. and Olsan, J.C., 2005]. Satisfaction of the customer depends on the quality of services. In modern customer centric competitive arena, satisfaction and service quality prove to be the key factors. The higher the (perceived) service quality,

the more satisfied and loyal are the customers [Petruzzellis et al, 2006].

**Concept of Service Quality:** Service quality is a form of attitude that results from the comparison of expectations with performance [Cronin and Taylor, 1992]. Service quality can be defined as the difference between customers' expectations for service performance prior to the service encounter and their perceptions of the service receive. Service quality can be also defined as "a judgment about a service's overall excellence or superiority" [Schneider and White, 2004]. Defining service quality and its components in a form that is actionable in the workplace is an important endeavour that any business company cannot take lightly. Moreover, many scholars agree that service quality can be decomposed into two major dimensions. The first is referred to by [Parasuraman et al., 1985] as "outcome quality" and the second by [Gronroos, 1984] as "technical quality." However, the first dimension is concerned with what the service delivers and on the other hand; the second dimension is concerned with how the service is delivered.

Service quality is one of the critical success factors that influence the competitiveness of an organisation. A bank can differentiate itself from competitors by providing high quality service [Bahia & Nantel, 2000]. The survival and growth of the bank does not depend only on its size of funds but also on its ability to provide qualitative services to its customers on a sustainable basis [Sharma & Sharma, 2006]. Satisfaction of the customer depends on the quality of service. In the modern customer centric competitive arena, satisfaction, service quality proves



to be key factors. The higher the (perceived) service qualities, the more satisfied and loyal are the customers [Petruzzellis, et al, 2006]. Customer satisfaction leads to profitability and service quality is the main factor of it.

**Objective of the Study:** The objective of the study is to assess the degree of satisfaction of bank customers with respect to select dimensions of service quality in commercial banks operating in Silchar town of Assam.

**Review of Literature:** Different studies conducted on customer satisfaction in the banking sector concluded that with the phenomenal increase in population and the increased demand for banking services, service quality and customer satisfaction are going to be key differentiators for each bank's success in future.

**Parasuraman et al., (1985)** suggested the SERVQUAL framework to assess the level of customer satisfaction. The SERVQUAL model of **Parasuraman et al. (1988)** proposed a five dimensional construct of perceived service quality-tangibles, reliability, responsiveness, assurance and empathy- with items reflecting both expectation and perceived performance.

**Parasuraman (2000)** opined that superior customer service and marketing excellence are the two sides of the same coin.

**Vijayakumar (1999)** opined that the interaction of individual needs, motives, perception and attitudes with environmental influences cause the customer to act. The study has suggested that banks can maximise the level of customer satisfaction by concentrating on-good and prompt customer service; courtesy and pleasant reception; display and decoration of the branch; convenience in terms of location/time; helpful and

friendly attitude of employees; and reputation/recommendations. The study made by **Kumar (1999)** has emphasized on the regular and proper conduct of customer service committee meetings, customer council and customer relations programme to know the customers' requirements/expectations from the bank which will be of immense advantage in drawing the scheme and giving proper direction to services. **Dixit (2004)** suggested that the first step in customer service is courtesy. Customers are now-a-days becoming more aware and more unwilling to be treated generically. **Ahmed (2008)** commented that a bank can be said as customer-oriented, if its various organisational activities like organisational restructuring, staffing and co-ordination are geared up to fulfil customers' need. The study is based on the public sector banks in the Barak valley with respect to customer satisfaction and it has been found that the customers are dissatisfied with the working of the bank. **Paul and Barman (2010)** observed that in the age of competition, the banks have to concentrate on the customers' satisfaction levels through providing prompt, regular and quality service to retain the existing customers and at the same time have to improve the quality of services day by day to attract new customers. **Ananth et al (2011)** conducted a study to evaluate the quality of service delivered by selected private sector banks. The study followed the SERVQUAL as a framework and added one more dimension "accessibility" to the previous five dimensions of SERVQUAL to fit into the study. It has been observed in the study that empathy, reliability and assurance are major dimensions positively influencing the quality of service for bank



customers. **Kailash (2011)** indicated that enhancing the customer experience is now a crucial component of attracting and retaining customers in order to grow and protect a profitable business. **Islam and Ali (2011)** examined the interrelationship among service quality, satisfaction and customer loyalty. It is found in the study that the customer satisfaction and reputation of the bank lead to greater loyalty. The study provides a framework for bankers to offer quality service.

The entire exercise with respect to review of literature gains an insight into various aspects of customer satisfaction. A large number of research studies have been conducted on customer satisfaction in different banks covering various dimensions of service quality with reference to different geographical locations in India and abroad. These studies not only identified various service quality dimensions but also measured customer satisfaction based on various service quality dimensions.

**Data Source and Methodology:** The study is based on primary data. The population of the study includes customers of commercial banks operating in Silchar town of Assam. In order to attain the objective of the study, various service quality dimensions that are capable of influencing the satisfaction of bank customers have been identified through extensive review of literature and out of them five dimensions of service quality have been selected. Against each select

dimension of service quality, specific components have been identified which forms the basis of developing the survey instrument. A structured questionnaire was served to sixty (60) numbers of customers for obtaining their perception on various aspects relating to service quality in commercial banks which were considered necessary and useful for the present study. A five point rating scale ranging from Strongly Agree (5) to Strongly Disagree (1) was employed. To analyse the responses of bank customers, weighted average score has been used.

**Scope and Limitations of the Study:** The scope of the present study is confined to the customers of select branches of commercial banks operating in Silchar town of Assam. Each study area has its own demographic and situational specificities. So, the findings of the study need to be interpreted with great caution while making any kind of generalization. The possibility of sampling error cannot be completely eliminated and the findings of the survey may not reflect the perceived service quality of the entire population. Moreover, the findings and conclusions are based on knowledge, perception and experience of the respondents and the element of biasness cannot be totally ruled out.

**Profile of the Respondents:** Table 1 shows the profile of the respondents. The total numbers of respondents have been classified on the basis of gender, age, marital status, education.

**Table 1: Profile of the Respondents**

Gender	Number of Respondents	Percentage of Respondents
Male	47	78.3
Female	13	21.7

<b>Age</b>		
Below 40	33	55
Above 40	27	45
<b>Marital Status</b>		
Unmarried	26	43.3
Married	34	56.7
<b>Educational Qualification</b>		
Under-graduate	25	41.7
Graduate and others	35	58.3

**Source: Field Survey**

**Profile of the Study Area:** Silchar is located in the Southern part of Assam and it is the head quarter of the District of Cachar. It is situated on the bank of the Barak River near the Bangladesh border. Silchar is situated on the left bank of the Barak river in 24°49'0"N and 92°48'0"E ([http://www.msmediguwahati.gov.in/dip\\_silchar.html](http://www.msmediguwahati.gov.in/dip_silchar.html)). It is the economic gateway to the state of Mizoram and part of Manipur. The Silchar Municipal Board area is having 28 nos. of wards. The city has tremendous

commercial importance as a sizeable population of traders settled there from distant parts of India. Over the past few years, the city has constantly witnessed a huge influx of people from nearby smaller places due to the city's increasing future prospects and other developments in the field of education, medical facilities and the more recently booming real estate market and other commercial business making the city quite an overcrowded one.

#### **Data Analysis:**

**Table 2: Level of Satisfaction of Bank Customers on Different Service Quality Dimensions**

<b>Service Quality Dimensions</b>	<b>Mean Score</b>	<b>Rank</b>
Reliability	3.42	4 <sup>th</sup>
Responsiveness	3.68	2 <sup>nd</sup>
Tangibility	3.56	3 <sup>rd</sup>
Assurance	3.74	1 <sup>st</sup>
Empathy	3.40	5 <sup>th</sup>

**Source: Field Survey**

The summary of the mean scores of different service quality dimensions tabled above shows that how well the mean scores are related to one another in showing the overall performances of the banks offered to the customers. In the above table the mean scores are ranked in the order of customer satisfaction. The rankings show that the customers are on the whole satisfied with all the service quality dimensions selected for the study. According to the rankings, out of the five dimensions tabled above, it is evident that the customers are substantially satisfied with the assurance dimension. This is

immediately followed by the responsiveness dimension. Whereas, the mean scores of the other three dimensions namely tangibility, reliability and empathy are very close to each other. Although the rankings show that the tangibility dimension is fairly higher than the reliability and empathy dimension, but the banks should make sincere efforts to improve their performances on these three dimensions.

**Table 3: Level of Satisfaction with respect to Reliability Dimension of Service Quality**

Sl. No	Components of Reliability Dimension	Weighted Average Score	Rank
1	Employee sincerely try to solve customers' problem	3.65	2 <sup>nd</sup>
2	Bank provides the service within the time it promises to do so	3.60	3 <sup>rd</sup>
3	Employees perform services correctly at the first instance	3.92	1 <sup>st</sup>
4	ATM service of the bank is always in order	2.52	4 <sup>th</sup>
<b>Mean Score</b>		3.42	

**Source: Field Survey**

Table 3 reveals that the mean score of reliability dimension is 3.42 which imply that customers are satisfied on this dimension of service quality. The reliability dimension is comprised of four components. The weighted average score of the first three components of reliability dimension are more than three which implies that customers of commercial banks in Silchar town of Assam are by and large satisfied on all these components. However, banks should adopt necessary steps so that every ATM should be in

perfect order and they can provide quality service within their promised time. In the order of ranking, the performance of employees in providing services at the first instance stands first which is immediately followed by sincerity of the employees to solve customers' problems. The time bound promises of the banks to provide services to the customers has been ranked third, while the readiness of the ATM machines for the customers has been ranked last in the order of ranking.

**Table 4: Level of Satisfaction with respect to Responsiveness Dimension of Service Quality**

Sl. No.	Components of Responsiveness Dimension	Weighted Average Score	Rank
1	Employees are willing to help the customers	3.83	1 <sup>st</sup>
2	Employees provide prompt service to customers	3.57	3 <sup>rd</sup>
3	Employees assure the customers that problems will be handled	3.63	2 <sup>nd</sup>
<b>Mean score</b>		3.68	

**Source: Field Survey**

Table 4 reflects that the mean score of responsiveness dimension is 3.68 which indicate that customers are on the whole satisfied by this dimension of service quality. The responsiveness dimension is composed of three components. The weighted average score of all the three components of responsiveness dimension are more than 3 which imply that customers of commercial banks in Silchar town are satisfied on all these components at large. However, a lot needs to be done in

providing prompt services to customers. Thus, proper training should be provided to employees for enhancing their skills and efficiencies in dealing with the customers. In order of ranking, willingness of the employees to help the customer ranks first which is followed by assurance of the employees to handle customers' problems. Promptness of the services of the employees has been placed last in the order of ranking.

**Table 5: Level of Satisfaction with respect to Tangibility Dimension of Service Quality**

Sl. No.	Components of Tangibility Dimension	Weighted Average Score	Rank
1	Bank's physical features are visually appealing	3.63	3 <sup>rd</sup>
2	Bank has comfortable sitting arrangement	3.78	2 <sup>nd</sup>
3	Bank maintains cleanliness of its premises	3.82	1 <sup>st</sup>
4	Bank provides hygienic toilet facilities	3.33	4 <sup>th</sup>
5	Location of counters inside the branch is convenient to me	3.23	5 <sup>th</sup>
<b>Mean Score</b>		3.56	

**Source: Field Survey**

From Table 5, it is inferred that the mean score of tangibility dimension is 3.56 which imply that customers are satisfied on this dimension of service quality. The tangibility dimension is comprised of five components. The weighted average score of all the five components of tangibility dimension are more than 3 which connotes that customers of commercial banks in Silchar town of Assam are largely satisfied on all the components. However, it is observed from the above table that customers' experiences are moderate in areas like providing hygienic toilet

facilities and location of counters inside the branch. Thus, bank management is required to give more attention to these areas to gear up customer satisfaction. In table 5, cleanliness of the premises of the bank has been placed at the top in the ranking order, which is followed by comfortability of sitting arrangements, visual appeal of the bank's physical features, and hygiene of the toilet facilities. Convenience of the counters location inside the branch holds the last rank in the order of ranking.

**Table 6: Level of Satisfaction with respect to Assurance Dimension of Service Quality**

Sl. No.	Components of Assurance Dimension	Weighted Average Score	Rank
1	Employees are polite in their dealings	3.62	3 <sup>rd</sup>
2	Employees have sufficient knowledge to meet my queries	3.68	2 <sup>nd</sup>
3	I feel safe about the transaction that I make with the bank	3.92	1 <sup>st</sup>
<b>Mean score</b>		3.74	

**Source: Field Survey**

An analysis of Table 6 suggests that the mean score of assurance dimension is 3.74 which imply that the customers are satisfied on this dimension of service quality. Out of the three components of

assurance dimension, the value of weighted average score shows that the employees have sufficient knowledge to meet the customers' queries and the customers feel safe about their transaction. However, the



politeness factor should be taken care of by the bank management properly by giving training to the new employees and by providing workshops and seminars for existing employees. In the order of ranking, customer's sense of security while making

transaction with the bank ranks top in the above table, which is followed by knowledge of the employees to meet customers' query. However, politeness of the employees while dealing customers' concerns ranks the last.

**Table 7: Level of Satisfaction with respect to Empathy Dimension of Service Quality**

Sl. No.	Components of Empathy Dimension	Weighted Average Score	Rank
1	Employees understand varied needs of the customers	3.45	2 <sup>nd</sup>
2	Employees give personal attention to the customers	3.28	3 <sup>rd</sup>
3	Operating hours of the bank are convenient to me	3.48	1 <sup>st</sup>
Mean score		3.40	

**Source: Field Survey**

One of the striking features of Table 7 is that the mean score of the service quality dimension Empathy provided by the customers is the lowest in comparison to other service quality dimensions. In all the three elements which were taken into consideration for the survey are very important components, but it is evident that the customers' status is complaining and they feel displeased especially with the employees' attention towards customers. The bank management should educate the employees about how to empathise with the customers by showing personal attention to their needs. In the above table, in order of ranking, convenience of the operating hours of the bank stands first, while employees' understanding of the different needs of the customer stands second. The employees' personal attention to the customers' concerns ranks last in the above table.

#### Conclusion

Satisfaction is the sum total of customers' expression of service quality and depends upon customers' own perception and expectations. Customer

satisfaction is the outcome felt by the buyers who have experienced a company's performance that has fulfilled their expectations. Customers are satisfied when their expectations are met and delighted when their expectations are exceeded. Customer satisfaction with respect to service quality is an invaluable asset for the modern organisations, providing unmatched competitive edge. Enhancing the customers' experience is now a crucial component of attracting new customers and retaining the existing customers in order to grow and protect a profitable business. It is because of these factors, marketers are always interested in knowing about the satisfaction of their customers towards their offerings. A major contribution of this study is to identify the areas of customer satisfaction/ dissatisfaction in commercial banking sector in Silchar. Although the satisfaction levels are high on various service quality dimensions, there still remains a lot to be done by the management of the banks to maximise their customer satisfaction.





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