



A STUDY ON IMPACT OF CUSTOMER SATISFACTION ON SERVICE QUALITY WITH REFERENCE TO PRIVATE BANKING INDUSTRY IN VIJAYAWADA CITY

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Abstract

In the competitive banking industry, customer satisfaction is considered as the essence of success. Service quality is considered an important tool for a firm's struggle to differentiate itself from its competitors. The objective of this study was to find out customer satisfaction on service quality with respect to service quality dimensions. From the findings, the research objectives were achieved by identifying the determinants of service quality as reliability, accessibility, responsiveness tangibles and empathy. The study accomplished that quality service is an important factor to satisfied customer satisfaction. In the world of global economy, banking sector needs has become more diverse and exotic than ever before.

Key Words: Service Quality, Customer Satisfaction, Banking Secto.

Introduction

Bank is a customer oriented services industry. A bank depends upon the customers for their survival in the market. The customer is the focus and customer service is the differentiating factors (Guo *et al.*, 2008). A bank can differentiate itself from competitors by providing high quality customer service (Naeem & Saif, 2009). Efficacy of customer service is related with progressive operation. In the competitive banking industry, customer satisfaction is considered as the essence of success. Organizations operating in service industries should consider service quality a key strategic issue for the business success (Spathis *et al.*, 2004). Those service providers who establish a high level of service quality retain a high level of customer satisfaction; they also obtained a sustainable competitive advantage. Research indicates that companies with an excellent customer service record reported a 72% increase in profit per employee, compared to similar organizations that have demonstrated poor customer service; it is also five times costlier to attract new customers than to retain existing customers (Duncan, 2004). In some earlier studies, service quality has been referred as the extent to which a service meets customer's needs or expectations (Lewis & Mitchell, 1990). Bank should be known about the expectation and perception of the customer. Measuring customer's expectation is the key to being able to serve the customer satisfactorily. Service quality has been a vital issue of discussion and research over the past three decades. Research on service quality has well established that the customer perception of the quality of a service depends on customer's pre-service expectations. Studies by Parasuraman *et al.* (1985), Zeithmal *et al.* (1990), noted that the key strategy for the success and survival of any business institution is the deliverance of quality services to customers. Accordingly, Chang (2008) deemed that excellent service quality is vital to business success and survival. Hence, delivering quality service to clients is a necessity for success and survival in today's competitive world (Kheng *et al.*, 2010).

Objectives

1. To ascertain the importance of service quality and how it affects customer satisfaction in terms of service quality dimensions like Tangibility, Reliability, Responsiveness, Assurance and Empathy.
2. To suggest some recommendations to improve customer satisfaction.

Literature Review

Service quality is considered an important tool for a firm's struggle to differentiate itself from its competitors (Ladhari, 2008). Service quality has received a great deal of attention from both academicians and practitioners (Negi, 2009) and service marketing literature defined service quality as the overall assessment of a service by the customer (Eshghi *et al.*, 2007). Gronroos (2007) also defined service quality as the outcome of the



comparison that consumers make between their expectations and perceptions. Service quality has a strong correlation with customer satisfaction, financial performance, manufacturing costs, customer retention, customer loyalty, and the success of marketing strategy (Cronin *et al.*, 2000; Wong *et al.*, 2008). Organizations operating within the service sector consider service quality to be a strategic component of their marketing plan (Spathis *et al.*, 2004). Through service quality, organizations can reach a higher level of service quality, a higher level of customer satisfaction, and can maintain a constant competitive advantage (Meuter *et al.*, 2000). Banking industry is a demand driven industry, which constitute an important part of the service industry (Newman & Cowling, 1996). Customers compare their expectations about a specific product or services and its actual benefits. As stated by Kotler & Armstrong, (2010), satisfaction as a person's feelings of pleasure or disappointment resulting from the comparison of product's perceived performance in reference to expectations. Razak *et al.* (2007) also reported that overall satisfaction is the outcome of customer's evaluation of a set of experiences that are linked with the specific service provider. It is observed that organization's concentration on customer expectations resulted into greater satisfaction. Satisfaction and service quality have certain things in common, but satisfaction generally is a broader concept, whereas service quality focuses specifically on dimensions of service (Wilson *et al.*, 2008). Wilson *et al.* (2008), service quality is a focused evaluation that reflects the customer's perception of reliability, assurance, responsiveness, empathy and tangibility while satisfaction is more inclusive and it is influenced by perceptions of service quality, product price and quality, also situational factors and personal factors.

Methodology

Sampling Method and Sample Size: As the study is about measuring service quality of banks, the population included mainly clients of different private banks like-ICICI,IDBI,AXIS,HDFC, Karur Vysya Banks, which are located in the Vijayawada City. In this study 110 respondents of different banks have been selected by using convenience sampling method.

Data Collection and analysis: A survey was conducted in various private banks in Vijayawada city to collect primary data by using structured questionnaire. A convenience sampling process has been used to collect data for this research. All questions are closed-ended because all possible answers were given to the respondents. The five-point Likert scale (where 1= strongly disagree to 5 = strongly agree) has been used for the main research questions. After data collection, by using SPSS software (17.0 versions), correlation analysis conducted to test the strength of associations between the study variables

Test Assessment: In order to prove the internal reliability, Cronbach's Alpha Test of reliability is used. Applying this test specifies whether the items pertaining to each dimension are internally consistent and whether they can be used to measure the same construct or dimension of service quality. In this study, the value of Cronbach's alpha is **0.891** which is greater than the standard value, 0.7. Thus it can be concluded that the measures used in this study are valid.

Analysis

	Mean	Std. Deviation	N
Tangibility	4.2242	.38870	110
Reliability	3.7956	.43851	110
Responsiveness	4.0424	.40160	110
Assurance	4.0205	.35214	110
Empathy	4.0250	.43493	110

The statistical description of service quality where it has found that banks customers perceived Tangible (with the highest mean scores, i.e. M = 4.2242, SD = 0.38870) to be the most dominant service quality and evident to a considerable extent, followed by Responsiveness (M = 4.0424, SD = 0.40160), Assurance (M = 4.0205, SD = 0.35214) and Empathy (M = 4.0250, SD = 0.43493) which were rated as moderate practices of their bank. Reliability (M = 3.7956, SD = 0.43851) with the lowest mean score was perceived on the overall as least dimension of service quality in private banks of Vijayawada. The standard deviations were quite high, indicating the dispersion in a widely-spread distribution. This means that the effects of service quality on



customer satisfaction are an approximation to a normal distribution. This also indicates that respondents were in favour of customer satisfaction. Tangibility and responsiveness and assurance play a key role on impact of customer satisfaction.

Conclusions

Customer satisfaction is a critical business requirement. Customer value is an asset to the organization. While, quality service is essential in today's competitive market. The objective of this study was to find out customer satisfaction on service quality with respect to service quality dimensions. From the findings, the research objectives were achieved by identifying the determinants of service quality as reliability, accessibility, responsiveness tangibles and empathy. The study accomplished that quality service is an important factor to satisfied customer satisfaction. In the world of global economy, banking sector needs has become more diverse and exotic than ever before. So, Banks should focus in service quality to satisfy their customers in every dimension of service quality.

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