

SERVICE QUALITY AND CUSTOMER SATISFACTION WITH COMMERCIAL BANKS IN THE NAWALPUR DISTRICT

Yagya Prasad Rijal

Lecturer, Madhyabindu Multiple Campus

Abstract

The degree to which a consumer feels that a person, business, or organization has successfully delivered a good or service that satisfies their demands in the circumstances in which they are aware of utilizing the good or service is known as customer satisfaction. *The specific objectives of this study are to assess various aspects of service quality provided by commercial banks in Nawalpur; to determine and compare the extent of customers' satisfaction with the quality of banking services based on different constituent factors, to identify the bank-related factors which influence the service quality. This study is based on primary sources of data. The primary data analysis used different statistical tools like Cronbach's alpha, mean, correlation, and regression analysis. The major conclusion of this is that the level of quality service delivery and its effect on customer satisfaction at commercial banks in Nawalpur. Generally, the responses to service quality dimensions used to measure the performance of the banking services provided by commercial banks in Nawalpur are relatively high.*

Keywords: Customer, Satisfaction, Service Quality Dimensions, Reliability, Responsiveness, Tangibles, Assurance, Empathy

INTRODUCTION

Nepal's banking business has changed dramatically in the last several years, going from being a government-dominated, slow-moving field to one that is now highly lucrative, competitive, and nimble. The recent emergence of several international banks has intensified the rivalry between commercial banks. Banks are concentrating on offering their clients superior services to get a competitive edge and draw in more and more business (Boot & Thakor, 2009). Since the banking sector is a service-based one, maintaining a positive business

reputation depends heavily on customer happiness. Customer service is the most important factor in every company that provides services. A well-trained individual can offer customer service in a planned, methodical manner or by using well-thought-out self-service. Customers in the banking sector have closer relationships with banks' staff for any sort of services or products. Therefore, banks should always focus on training their front desk staff to provide quality service knowing their expectations and wants (Rogers, Meehan, & Scott, 2006).

Customers' expectations are greater and their level of satisfaction is higher with private banks, according to research that identified service quality characteristics as antecedents to customer happiness in Slovenian retail banking. They deal with private banks concurrently. Public banks should prioritize enhancing their services in terms of tangibility, dependability, responsiveness, and empathy to satisfy their clientele (Banerjee & Sah, 2012).

Considering the above-discussed scenario around the world, this study mainly focuses on examining the relationship between service quality and customer satisfaction in the context of Nepalese commercial banks.

Customers are being approached by numerous competitors who are willing to use multiple financial institutions to meet their needs and switch funds for short-term gains. This is especially true in service sectors like the banking industry, where bank operators face immense pressure and new challenges. They also have little room for differentiation when it comes to the products or services they offer or the costs they charge. In a situation like this, the biggest problem facing financial institutions today is generating pleased clients to generate loyal clients for tactical reasons.

Such an investigation may provide the banks with fine and complicated information that will help them reach the indefinable competitive edge they are searching for. Furthermore, these service quality and customer

satisfaction issues have long been ignored in developing economies when compared to research carried out in developed economies such as the USA and Europe (Firoz & Maghrabi, 1994).

The primary focus of this survey is on consumer expectations and satisfaction with banking services. When determining whether or not the financial services they are receiving meet their expectations, customers have standards in mind. In addition, because of the intense rivalry in the banking industry, consumers' and prospective customers' perceptions differ based on the services they want to get. Accurately measuring customer satisfaction boosts customer loyalty, brand recognition, profitability, and service efficacy for the bank. A crucial difference in a competitive environment where firms vie for clients, customer happiness is also becoming an increasingly important component of corporate strategy. It is common knowledge that happy consumers are essential for long-term business success. For that matter, many market leaders are found to be highly superior-customer-service-orientated (Tece, 2010).

Hence, there is a lack of publications concerning the fundamental factors of service quality and customer satisfaction in Nepal's banks. This research investigates the factors related to service quality that influence bank customers' satisfaction in Nepal's banking industry. There is a need to explore

whether the services provided by commercial banks in Nawalpur can satisfy their customers or not.

The study raises some research questions:

- a) What is the effect of the service quality on customer satisfaction?
- b) Whether there are differences in degrees of customer satisfaction in commercial banks or not.

The purpose of this study is to provide insight into the constructs and relationships of customer satisfaction and service quality in the banking industry in Nawalpur. More importantly, this study helps to identify the dimensions of service quality that impact bank customers' satisfaction in Nepal. The result will help bank managers and marketing practitioners a better understanding of bank customers in Nawalpur.

Review of Literature

Customer Satisfaction

The degree to which a consumer feels that a person, business, or organization has successfully delivered a good or service that satisfies their demands in the circumstances in which they are aware of and/or utilize the good or service is known as customer satisfaction. This indicates that happy consumers will be less price-sensitive and that offensive marketing usually has higher costs than defensive marketing as it takes more work and money to persuade happy customers to leave their present suppliers. Customer happiness and service quality are positively correlated (Kotler & Keller,

2009).

a. Service Concept

A study carried out by Johns, (1998, p.954) points out that the word 'service' has many meanings which leads to some confusion in the way the concept is defined in management literature, service could mean an industry, a performance, an output or offering or a process. He further argues that services are mostly described as 'intangible' and their output viewed as an activity rather than a tangible object which is not clear because some service outputs have some substantial tangible components like physical facilities, equipment, and personnel.

b. Quality Concept

The definition of quality is essentially relational: 'Quality is the continuous act of establishing and maintaining connections by evaluating, foreseeing, and meeting expressed and implicit demands.' The attributes of goods and/or services that customers appreciate are represented by the term "quality". Customer satisfaction increases with the quality of financial services (Johns, 1998).

c. Service Quality (SERVQUAL Model)

SERVQUAL is a multi-dimensional measure designed to evaluate how customers in retail and service industries perceive the quality of the services they get. It provides the basis for the measurement of customer satisfaction with the service provided using the gap between the customer's expectation

of performance and their perceived experience of performance. This widely-known instrument for measuring service quality is the SERVQUAL model. Service quality is a focused evaluation that reflects the customer's perception of elements of service such as interaction quality, physical environment quality, and outcome quality. These elements are in turn evaluated based on specific quality dimensions: reliability, responsiveness, assurance, empathy, and tangibles. Satisfaction, on the other hand, is more inclusive: it is influenced by perceptions of service quality, product quality, and price as well as situational factors and personal factors. According to Parasuraman, Zeithaml, and Berry (1988), five principal dimensions that customers use to judge service quality include reliability, responsiveness, assurance, empathy, and tangibles. Parasuram et.al (1988), the conceptual framework for the SERVQUAL scale was derived from the works of a handful of researchers who have examined the meaning of service quality. Service quality and customer satisfaction have been investigated, and results have shown that the two constructs are indeed independent, but are closely related, implying that an increase in one is likely to lead to an increase in the other. The greater the service quality higher the customer satisfaction (Sureshchandar, Rajendran, & Anantharaman, 2001).

Reliability

Reliability is the ability to perform the promised services both dependably and

accurately. Reliable service performed is a customer's expectation and means that the service is accomplished on time, in the same manner, and without error every time. The greater the respondents' reliability on banks, the greater will be customer satisfaction (Munusamy, Chelliah, & Hor, 2010).

Responsiveness

Responsiveness is the willingness to help customers and to provide prompt service. Keeping customers waiting particularly for no apparent reason creates unnecessary negative perceptions of quality. If a service failure occurs, the ability to recover quickly and with professionalism can create very positive perceptions of quality. The greater the bank employee's responsiveness, the higher will be satisfaction (Siddiqi, 2011).

Assurance

Assurance is the knowledge and courtesy of employees as well as their ability to convey trust and confidence. The assurance dimension includes the following features: competence to perform the service, politeness and respect for the customer, effective communication with the customer, and the general attitude that the server has the customer's best interests at heart. The greater the banks' assurance provided to respondents, the higher will be customer satisfaction (Munusamy, Chelliah, & Hor, 2010).

Empathy

Empathy is the provision of caring, individualized attention to customers.

Empathy includes the following features: approachability, sensitivity, and effort to understand the customer’s needs. The core concept of empathy is to understand the needs of customers and provide individual attention. Employee and customer interactions are reflected through the empathy dimensions. The greater the banks’ empathy for the customer, the greater will be customer satisfaction (Parvez, 2009).

d. Tangible

Tangible is the appearance of physical facilities, equipment, personnel, and communication materials. The condition of the physical surroundings is tangible

evidence of the care and attention to detail that are exhibited by the service provider. This assessment dimension also can extend to the conduct of other customers in the service. The more the banks’ tangible elements’ attractiveness, the greater will be satisfaction (Saiful & Borak, 2011).

Conceptual Framework

Munusamy et. al. (2010) researched service quality delivery and its impact on customer satisfaction in the banking sector in Malaysia has applied the SERVQUAL model. Based on that following conceptual framework of this study has been developed.

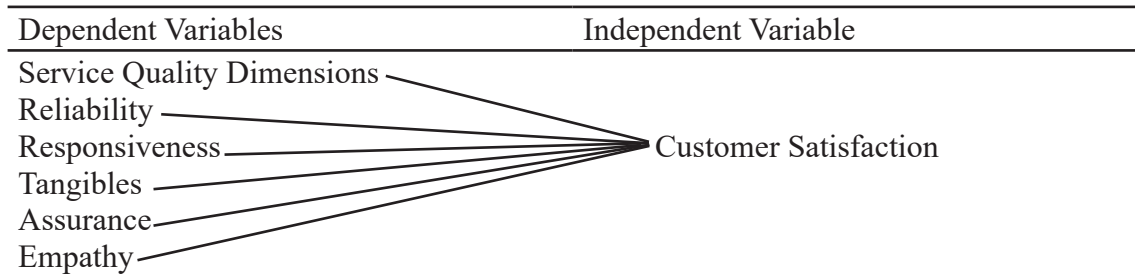


Figure 1. Conceptual Framework

Source: Parvez, 2009

RESEARCH METHODOLOGY

This research is a descriptive cum correlation study that is survey-based. It's numerical. Structured questionnaires are the primary tool used to collect data. A descriptive study is thus required to gather relevant data on the variables influencing customer happiness as well as the correlation between service quality and customer satisfaction of various commercial banks in Nawalpur. Primary sources of data provided the basis for this investigation. A sample of 384

respondents from various commercial banks in Nawalpur was surveyed on the differences in customer satisfaction between public and private banks and the quality of their services. The population of this study includes 20 commercial banks in Nepal and 19 commercial banks operating in Nawalpur district. All the banking customers of Nawalpur are the population of the study, 384 customers were taken randomly for this study.

Cronbach’s alpha is a function of the number of test items and the average inter-

correlation among the items. As a general rule, a coefficient greater than or equal to 0.7 is considered acceptable and is a good indication of construct reliability. From the calculation, is found that the coefficient of Cronbach’s alpha for the 384 items is 0.867, suggesting that the items have relatively high internal consistency.

Result and Discussion
Correlation Analysis

The degree of a link between two variables

is known as correlation. A high or strong correlation indicates a significant association between two or more variables, whereas a low or weak correlation indicates little to no relationship at all. The range of correlation coefficients is -1.00 to +1.00. A perfect positive correlation is represented by a value of +1.00, a perfect negative correlation by a value of -1.00, and no association between the variables under test is shown by a value of 0.00.

Table 1

Customer Satisfaction with Service Quality Dimensions

Variables	CS	Tangibles	Reliability	Responsive ness	Assura nce	Empa thy
Tangible						
Reliability	1.000					
Responsiveness	.520	1.000				
Assurance	.513	.414**	1.000			
Empathy	.462*	.386**	.226**	1.000		
	.718**	.417**	.139**	.443**	1.000	
	.109	.332**	.264**	.305**	.229**	1.000

** Correlation is significant at the 0.01 level (2-tailed).

Table 1 shows the calculated value of correlation coefficients of customer satisfaction with service quality dimensions in Nepalese commercial banks. All the variables of service quality are positively correlated with customer satisfaction. According to the statistics, assurance

and customer satisfaction have a strong positive correlation with a magnitude of 0.718 and are significant at the one percent significance level. Likewise, there is a positive association, significant at the 5 percent significance level, and accounted for at.462 between responsiveness and

customer satisfaction. Additionally, tangible and customer satisfaction have a positive correlation of .520, which is significant at the five percent significance level. Similarly, at a level of five percent, both dependability and empathy had a negligible positive correlation with customer satisfaction, with magnitudes of .513 and .109, respectively.

Conclusions

The major conclusion of this study is the level of quality service delivery and its effect on customer satisfaction at commercial banks in Nepal. Generally, the responses to service quality dimensions used to measure the performance of the banking services provided by Nepalese commercial banks are relatively high. Customers feel that the most important physical features and facilities are the bank's location and interior layout. From the survey result, the most important facilities provided by banks in Nepal are deposit facilities. The study also concluded that good behavior, honesty and politeness

of staff, and accuracy in performance are felt to be the most important elements in customer satisfaction. Customers are less satisfied with interest rate policies, commissions, and fees.

When comparing three different bank groups based on service quality, joint venture banks outperform non-joint venture banks and public banks in all parameters except tangibles. Reliability is seen by Nepalese consumers as the most crucial element affecting the caliber of services provided by commercial banks in the country. The outcome demonstrates that banks' long-term survival depends on how well they serve their clients and how satisfied they are. The outcome also shows that in the instance of Nepalese commercial banks, assurance and responsiveness—at the 1% and 5% significance levels—have a significant impact on customer satisfaction. The study also found that joint venture and non-joint venture banks are effectively competing with state banks. The complete set of null hypotheses that are developed

REFERENCES

- Adeoye, B., & Lawanson, O. (2012). Customer satisfaction and its implications for bank performance in Nigeria. *British Journal of Arts and Social Sciences*, 5 (1), 13-29.
- Al-Sulaiti, Al-Khulaifi, & Al-Khatib. (2000). Banking services and customer's satisfaction in Qatar: A statistical analysis. *College of Business and Economics*, 130-154.
- Auka, D. O. (2012). Service quality, satisfaction, perceived value, and loyalty among customers in commercial banking in Nakuru Municipality, Kenya. *African Journal of Marketing Management*, 4 (5), 185-203.
- Banerjee, N., & Sah, S. (2012). A comparative study of customers' perceptions of service quality dimensions between public and private banks in India. *International Journal*

- Boot, A. W., & Thakor, A. V. (2009). *The accelerating integration of banks and markets and its implications for regulation*. Oxford University Press, 2009.
- Chavan, J., & Ahmad, F. (2013). Factors affecting customer satisfaction in retail banking: An empirical study. *International Journal of Business and Management Invention, 2 (1), 55-62.*
- Craig, C. S., & Douglas, S. P. (2005). *International marketing research* (Third ed.). New York: John Wiley & Sons Ltd.
- Dhandabani, S. (2010). The linkage between service quality and customer loyalty in commercial banks. *International Journal of Management & Strategy, 1 (1), 1-22.*
- Firoz, N. M., & Maghrabi, A. S. (1994). The role of service marketing in economic development: an analysis. *International Journal of Management, 2, 641-74.*
- Fornell, C. (1992). A national customer satisfaction barometer: The Swedish experience. *Journal of Marketing, 6-21.*
- Ghost, S. F., & Gnanadhas, M. E. (2011). Impact of service quality in commercial banks on customer satisfaction: An empirical study. *International Journal of Multidisciplinary Research, 1 (6), 19-37.*
- Hardie, N., & Walsh, P. (1994). Towards a better understanding of quality. *Journal of Quality & Reliability Management, 11, 53-63.*
- K.Harter, J., L.Schmidt, F., Keyes, & Corey, L. (2003). *Well-Being in the workplace and its relationship to business outcomes*. Flourishing: The Positive Person and the Good Life.
- Khalid, M. A. (2011). Customer satisfaction with service quality in conventional banking. *International Journal of Marketing Studies, 3 (4), 165-174.*
- Kotler, P., & Keller, K. L. (2009). *Framework for marketing management*. Prentice Hall.
- Magutu, P. O., Mwangi, M., Nyaoga, R. B., Ondimu, G. M., M. K., K. M., et al. (2011). E-Commerce products and services in the banking industry: The adoption and usage in commercial banks in Kenya. *Journal of Electronic Banking Systems, 1-19.*
- Malik. (2012). A comparative study on the service quality and customer satisfaction among private and public banks in India. *Pacific Business Review International, 4 (3), 51-64.*
- Mohammad, A. A., & Alhamadani, S. Y. (2011). Service quality perspectives and customer satisfaction in commercial banks working in Jordan. *EuroJournals Publishing (14), 60-72.*

- Munusamy, J., Chelliah, S., & Hor, W. M. (2010). Service quality delivery and its impact on customer satisfaction in the banking sector in Malaysia. *International Journal of Innovation, Management and Technology*, 1 (4), 398-404.
- Naeem, H., Akram, A., & Saif, M. I. (2009). Service quality and its impact on customer satisfaction: An empirical evidence from the Pakistani banking sector. *International Business & Economics Research Journal*, 8 (12), 99-104.
- Pandey, D., & Joshi, P. R. (2010). Service quality and customer behavioral intentions: A study in the hotel industry. *California Journal of Operations Management*, 8 (2), 72-81.
- Parvez, A. a. (2009). Impact of service quality, trust, and customer satisfaction on customer loyalty. *ABAC Journal*, 29 (1), 24-38.
- Saghier, N. E., & Nathan, D. (2013, April). Service quality dimensions and customers' satisfaction of banks in Egypt. *International Business Research*, 1-13.
- Saiful, I., & Borak, A. M. (2011). Measuring service quality of banks: An empirical study. *Research Journal of Finance and Accounting*, 2 (4), 74-85.
- Teece, D. J. (2010). Business models, business strategy, and innovation. *Long Range Planning*, 172-194.
- Woldie, A. (2003). Nigerian banks-quality of services. *Journal of African Business*, 69-87.