Effects of Service Quality on Customers' Satisfaction of Domestic Airlines in Nepal

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Abstract

Background: Airlines industries significantly contribute in economic growth, tourism, world trade and international investment in today's globalized business world. Due to this purpose the attraction towards airlines companies is increasing and that has forced them to maintain certain quality level in order to compete and sustain in long run.

Objective: This paper aims to analyze the effects of service quality on customer satisfaction of domestic airlines in Nepal along with identification of customer perceived service quality in the aviation business and to examine factors influencing passenger' satisfaction in the aviation business.

Methods: Regression is used for generating effective output of the study. Likewise, ANOVA test, and reliability test are also performed with the help of statistical tools.

Results: Customers are satisfied if employees behave well with them and airlines value them with proper services and information. Also, the study reveals that there is significant relationship between customer satisfaction and tangibility, reliability, responsiveness, empathy and assurance.

Conclusions: The most influencing factor in selection of airlines is security they assure and timely flights. So, if airlines companies took these things into consideration then it would help in increasing customer satisfaction.

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JEL Classification: G40, H54, L80, L93

Introduction

With the increase in competitive business environment around the globe, customers' expectations are also increasing, especially in airlines sector which has caused huge challenge for airlines industries to retain their customers (Ali et al., 2015). So, maintaining effective service quality is must to gain loyalty of customers which will further lead to customer satisfaction (Goyal et al., 2016). Airline industries not only play a critical role in the service industry but also contribute to other industries by transporting passengers to their destination all over the world (Rhoades & Waguespack, 2008). Airlines can be considered as one of the emerging travel alternatives in today's time which has considerable amount of share in service sector as it facilitates economic growth, world trade international investments and tourism which helps organization to be a part of globalization (Indounas, 2018).A true preference is meaningful when the passengers have multiple options of airline, in that case price is usually a key factor to choose airlines, but besides price, various factors, too, play their role to attract the travels to fly budget airline (Chua and Kao, 2009).

History of aviation in Nepal dates back to 1958 A.D. (Devkota et al., 2020) which started for the convenience of royal family and later the service was expanded for general public as well (Banstola, 2017). Initially, neighboring Indian aircraft used to land on a mere cow grazing place called *Gaucharan* in Kathmandu. In the beginning, its service was limited to Indian cities like Patna, Calcutta and Delhi in the international sectors and to Simara, Pokhara and Biratnagar in the domestic sectors. The facilities provided at that time were limited. As mentioned in TAAN (2007) after the advent of democracy and the introduction of a liberal sky policy, the Nepali skies were filled with many private airlines that not only allowed the aviation business to flourish but opened the way for new aircraft to be introduced. According to Nepal Everest Himalyan Hiking (2020) there are 16 domestic airline companies operating in Nepal whereas, additional two companies are ready to operate soon. Taking various factors into consideration Cifci et al. (2018) urged word of mouth, personal needs and past experiences create an expected service. The perceived service has been compared with the expected service by the customers. Between the expected and the perceived service the gap appears if the perceived service does not match with the expected service.

There are three major determinants of service quality i.e. luggage handling, assurance and responsiveness according to (Manani et al., 2013). Customers select those airlines whose fares are low and services are better as compared to others (Usha and Kusuma, 2017). Most passengers travel the same airlines because of their scheme so the paper suggests that the marketing scheme plays vital roles to attract the customers.The study conducted by Jamkatlesh (2018) in Nepal presents similar results to study conducted by Usha and Kusuma in India as customers looked for the airlines fares to some extent while choosing the airlines.Perceived value of customers also have positive influence on brand image of airlines companies (Chen & Liu, 2017). Airlines should focus on all dimensions of service quality, with special focus on personnel services and image for enhancing their customer satisfaction. It is expected that findings of this study will help airlines to understand the roles of various dimensions of service quality for enhancing their customer satisfaction (Farooq et al., 2018).

Airlines industries are considered to be rapidly changing industries (Kernchen, 2007). With the increasing awareness and adoption of ICT among customers the sector has been more competitive and risky (Shaw, 2016; Buhalis& Law, 2008). Such risk can be minimized by increasing service quality of airlines which will be acceptable for the country as well as customers (Sim et al., 2010). What factor contributes the quality and attribute that customer likes is a subject of discussion. Aviation Nepal (2020) reported that in Nepal there is cutthroat competition between domestic airlines in terms of fares, service, flight availability and most of the companies are in the pipeline, so airlines mostly focus on the need and want of the costumers so that they can survive and sustain in the market in long term (McCabe, 2006). In relation to the airlines business, their attribute and customer satisfaction, number of research are available in the world and few are conducted in Nepal as well. But the studies conducted

in the context of Nepal witness huge gap in terms of time, awareness, attitude, flight fares. Icha and Agwu (2015) as the time, technology, income of customer, social status, education level of customer, market competition, use of social media are increasing customers' choice is shifting day by day which can provide different direction to the study. Several researchers have stated that their different findings regarding the relationship between service quality and customer satisfaction.

However, several questions are still unanswered in the context of Nepal which can be seen as: What is customer perception about the service of the Nepalese domestic airlines? Are customers satisfied with the service provided by domestic airlines? This study will help to attain answers to these questions as the general objective of the study is to analyze the effect of service quality on customer satisfaction of domestic airlines in Nepal. Likewise, this study will further aid to identify customer perceived service quality in the aviation business, to examine factors influencing passengers' satisfaction in the aviation business and to identify the link between perceived service quality and passengers satisfaction.

This study is further divided into several sections. Second section includes methods and methodology used in the study followed by results in third section. Fourth section comprises of discussion and finally last section covers conclusion for the study.

Research Method

Conceptual Framework

A conceptual framework is a tool researchers use to guide their inquiry; it is a set of ideas used to structure the research, a sort of a map. The conceptual framework for the effects of serice quality on customer satisfaction of domestic airlines in Nepal is developed based on the objective of the study and previous literature review on this area. It is the researcher's own position on the problem and gives direction to the study. It may be an adaptation of a model used in a previous study, with modifications to suit the inquiry. Beside the direction of the study, through the conceptual framework, the researcher will be able to show the relationships of the different constructs that demands investigation in the study. The model consists of the most important variables to measure the service quality gap on the services provided by the airlines. The figure below shows the dependent, independent and moderating variables of the study.

Although the definitions of service quality vary, the definitions are all formulated from the customer perspective that is, what customers perceive are important dimensions of quality (Lewis, 1989). Gronroos (1982) and Parasuraman, Zeithaml and Berry (1988) were the pioneers in the conceptualization of the service quality construct, these authors maintained that the overall perception of quality was a disconfirmation of a customer's expectation and his/her evaluation of a service. The dimensions of service quality have also been debated in the literature. For example, Gronoroos (1982) proposed technical (the tangible aspects of service delivery) and functional (the expressive performance of the service) qualities as two critical dimensions of service quality, among, tangibles, reliability, responsiveness, assurance and empathy.

Figure 1: Conceptual Framework
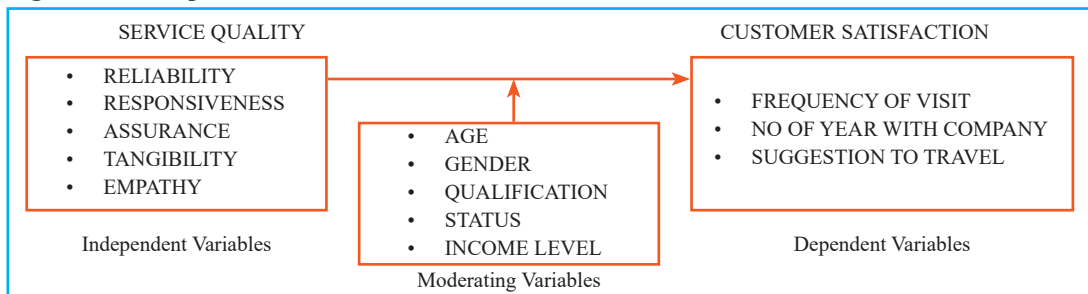
The concept of quality is very important to marketers because quality drives the development of all marketing strategies. This means that quality must also be a major focus of all marketing strategies for service. Aviation companies are established as economic stimulator for the development of the domestic and rural areas of Nepal as well as the tourism industry of Nepal by providing best network of flights in the country with the focus on rural areas. Word of mouth, personal needs and past experiences create needs and expected services. The perceived service is compared with the expected service by the customer.

Due to the increasing importance of customer orientation to a competitive advantage, airport managers emphasize passengers' perceptions and expectations of airport services quality. The service quality can be measured on the following five dimensions:

- *Reliability:* The ability to perform the promised service dependably and accurately service is performed right at the first time, the company keeps its promises in accuracy in billing, in keeping records correctly and in performing the services at the designated time.
- *Tangibles:* The appearance of physical facilities, equipment, personnel and communication materials. This variable was approached by assessing physical factors such as airline uniforms and appearance of personnel, food and beverage materials associated with services such as in flight pillows and magazines and equipment such as air conditioners, furniture and communication devices.
- *Responsiveness:* The willingness to help passengers and provide promptness service, timeliness of service mailing a transaction slips immediately, setting up appointments quickly. Responsiveness is associated with how personnel to passengers are related. In this case it is according to how quickly the service was conveyed, how busy or long the staff takes to respond to requests and how special requests such as wheel chair and meals were dealt with and the level of responsiveness was determined. Reliability factor can measure how much passengers can trust the airlines. This was addressed by ensuring that airline utilities and equipment were assessed. Also included are how airline resolves complaints and deal with compensations, provision of services in time as promised and advertised and provision of safe and secure airplane and waiting lounge.
- *Assurance:* The knowledge and courtesy of employees and their ability to convey trust and confidence. The assurance variable was measured to see if the personnel were well trained, competent and experienced in their job, if customers felt comfortable and confident in dealing with airline by keeping error free records and of personnel were able, willing and knowledgeable to give information for hotels and other outside services. Finally the factor was to measure of the website was easy way to access and use.
- *Empathy:* The caring, individualized attention provided to the passenger. It is also the extent to which caring individualized service is given. SERVQUAL authors identified five gaps that may cause customers to experience poor service quality.

Customer satisfaction is one of the objectives of marketing activity linking the process of purchasing and consumption with post purchase phenomena. Satisfying customers is an important element in marketing concept (Kotler & Armstrong, 2004) as it affects future consumer purchase behaviour, profitability and shareholder value (Chitty, Ward, & Chua, 2007).

More recently, consumer satisfaction paradigm research has gone beyond cognitively toned formulations to recognize the affective nature of satisfaction with Tse and Wilton (1988) defining it as "consumer's response to the evaluation of the perceived discrepancy between prior expectation and the actual performance of the product as perceived after its consumption". While other variations of the definition of customer satisfaction have been presented by scholars, most of the definitions agree that satisfaction is a complex human process involving cognitive, affective and other undiscovered psychological and physiological dynamics (Bhattacharya & Singh, 2008).

Theories such as Expectation-Disconfirmation, Equity Theory, and Comparison-Level Theory attempt to explain customer satisfaction (Skogl&Siguaw, 2004) and Expectancy Disconfirmation Theory is arguably the most influential and has received the widest acceptance Ekinci, Massey, & Dawes (2008). Expectancy-Disconfirmation Theory examines the formation of expectations and the disconfirmation of those expectations through performance comparison. Expectations reflect a pre-consumption perception associated with goods and services, whereas performance is the basis of the customer's perception of goods and services. Disconfirmation arises from the discrepancy between prior expectation and actual performance of the goods and services. This disconfirmation concept occupies a central position as a crucial intervening variable in the Expectancy - Disconfirmation paradigm (Gale, 1994). If an airline customer perceives the quality of service that he or she buys exceeds their needs, wants, and expectations, his or her satisfaction toward the airline will be high (positive disconfirmation). Alternatively, if he or she perceives that the quality of service does not meet his or her needs, wants, and expectations, then, his or her satisfaction toward airline will be low (negative disconfirmation). Customer satisfaction research in various services contexts can be classified into two categories. The first category is research that measures the level of guest satisfaction and identifies the shortfall of the service delivery, e.g. Gu and Ryan (2008), Ryan and Huimin (2007), and Barsky and Nash (2003). These tend to be more for managerial purposes as they are diagnostic in nature. The second category is research that examines customer satisfaction in a multivariate model including its antecedent factors such as service quality, perceived value, brand image, as well as its consequences such as customer loyalty Li &Petrick, (2008) Namkung& Jang, (2007). Overall, researchers agree that service quality and perceived value (including price) are important determinants of customer satisfaction.

Study Area and Data

Survey was used as research instrument for the study. Five point Likert type scale, Dichotomous, multiple-choice scale, and other demographic nominal information were used for the study. Also, reliability for the study was examined on the basis of the number of questions under different variables and its cronbach's Alphas value.The study used the descriptive research design where it tries to identify the effects of service quality on customer satisfaction of domestic Airlines. Mixed research approach was used because it incorporates elements of both qualitative and quantitative approaches. Both primary and secondary data were used for the purpose of study. This study aims to investigate and to analyze the effects of service quality on customer satisfaction of domestic airlines in Nepal. In order to achieve objectives of the study, the target population for this study was identified as customers who had travelled through domestic airlines in Nepal till the date of survey.

This study was conducted at Tribhuvan International airport which is situated at Kathmandu and one and only international airport of Nepal. The questionnaires were distributed in the Tribhuvan International Airport- Domestic Terminal. 150 questionnaires were filled by the respondents in 15 days, each day about 10 questionnaires were filled by the respondents. The respondents were the passengers waiting in the departure hall who were not much in hurry and were willing to fill the questionnaire. The respondents were the passengers from Buddha airlines, Yeti airlines, Shree airlines, Saurya airlines and Nepal airlines. A 5-item survey was developed and distributed to 300 airlines passengers. Out of 300 distributed questionnaires 203 questionnaires were returned which account 67.8% response rate.

Data Analysis

Data was analyzed through regression. T-test was performed to compare the mean of two groups like gender, workplace and so on. ANOVA was used to compare impact of three or more than three variables. Multiple regressions was used to find the effects of independent variables to dependent variables. The regression equations are:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e_1 \dots\dots\dots\dots\dots\dots (1)$$

Where Y = Customer Satisfaction, X_1 = Tangibility, X_2 = Reliability, X_3 = Assurance, X_4 = Empathy, X_5 = Responsiveness, β_0 = Constant coefficient, β_1-β_5 = coefficient of x and e_1 = Undefined variable.

Reliability Test

Reliability consist the degree to which the test is free from measurement errors. It includes the consistency, stability (kerlinger, 1986). In this study, the reliability was tested through conbach's alpha. The reliability of variables was examined on the basis of the number of questions under different variables and its cronbach's Alphas value. The following table shows the reliability levels for the category of questions asked to respondent.

Table 1: Reliability Test

No.	Field	Cronbach's Alpha
1.	Tangibility	0.650
2.	Reliability	0.636
3.	Assurance	0.725
4.	Empathy	0.699
5.	Responsiveness	0.605
6.	All Question	0.858

Source: Field Study

The above table shows the values of Cronbach's Alphas for each field of the questionnaire and the entire questionnaire. It is found that Cronbach's Alphas were in the range from 0.605 to 0.725. This range is considered high and the result ensures the reliability of each field of the questionnaire. Cronbach's Alpha equals to 0.858 for all the questionnaire of each of the field which indicates excellent reliability of the entire questionnaire.

Data Analysis and Results

Demographic Status

The demographic profile of the respondents shows that majority of the respondent, 74 out of 203 (36.5%) are of age group 30-40 which means the people of this age group tends to travel more via flight where 73.9% were male and 26.1% were female respondents. This reveals that there are more male domestic airlines customers compared to female. 42.9% respondents have completed their bachelor degree and they possess certain knowledge about service being provided by airline companies which then make airline companies to pay proper attention in maintaining quality service. It was found that majority of passengers (35.5%) who uses domestic airline services have monthly income from 20,000-40,000 and 35.5% were self-employed. The general reason why they used flights for travelling was for business purpose as mentioned by 42.9% respondents. 37.9% respondents revealed that they choose Buddha Airlines while travelling which was mostly chosen airlines for domestic travel by passengers.

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Table 2: Demographic Distribution

Attributes	Distribution	Frequency	Percentage (%)
Gender	Male	150	73.9
	Female	53	26.1
Age	20-30 years	54	26.6
	30-40 years	74	36.5
	40-50 years	44	21.7
	Above 50 years	31	15.3
Qualification	High School	11	5.4
	Intermediate	21	10.3
	Bachelor	87	42.9
	Master & Above	84	41.4
Occupation	Managerial	51	25.1
	Non-Managerial	38	18.7
	Self Employment	72	35.5
	Student	30	14.8
	Others	12	5.9
Income	Less than Rs. 20,000	22	10.8
	Rs. 20,000-40,000	72	35.5
	Rs. 40,000-60,000	54	26.6
	Rs. 60,000-80,000	38	18.7
	Above Rs. 80,000	17	8.4
Family Type	Joint Family	76	37.4
	Nuclear Family	127	62.6
Main Reasons to take Trip	Visiting Purpose	55	27.1
	Business Purpose	87	42.9
	Health Purpose	9	4.4
	Others	52	25.2
Mostly used Airlines	Buddha Airlines	77	37.9
	Yeti Airlines	37	18.2
	Saurya Airlines	23	11.3
	Nepal Airlines	31	15.3
	Others	35	17.2

Descriptive Statistics

The overall descriptive study result is presented in Table 2. The result reveals that the respondents positively respond and show the effect of service quality on customer satisfaction of domestic airlines. The statement employees are professionally dressed has highest mean value i.e. (4.1281), Similarly the statement airlines is reliable and safe to travel contain the mean value of 3.99, likewise the statement

the airlines has high safety and security contain the mean value of 3.8966, similarly the statement staff are easy to deal contain the mean value of 3.8768 and the statement airlines has high level of cleanliness during its flight has a mean value of 3.8474.

Similarly, there are some statements towards which respondents showed their disagreements and are least positively agreed and agreed with the matters. The statement airlines provide timely flight performance have least mean value i.e. 2.7438, likewise the statement handling delay flight are satisfactory has a mean value of 2.9133, similarly the statement action for missing baggage is fast has a mean value of 2.9557, likewise the statement airlines provide prior information for delay of flight has a mean value of 3.0746 and the statement employees of airlines are co-operative with delayed passenger is 3.2906. These are some criteria that must be fulfilled by airlines to satisfy their domestic passenger

Table 3: Descriptive Statistics

	N	Min	Max	Mean	Std. Dev
The airline is reliable and safe to travel	203	2	5	3.99	.764
Airline has comfortable seats, magazine and music	203	1.00	5.00	3.4680	.92955
Airlines has high level of cleanliness during its flight	203	1.00	5.00	3.8473	.70453
Airlines provide clear information regarding policies timing and offer	203	1.00	5.00	3.2562	1.05933
Employees are professionally dressed	203	1.00	5.00	4.1281	.95095
The aircraft has high safety and security	203	2.00	5.00	3.8966	.82302
The luggage is provided on time	203	1.00	5.00	3.7192	.97746
Staff are easy to deal	203	1.00	5.00	3.8768	.76405
Airlines provide timely flight performance	203	1.00	5.00	2.7438	1.07786
The website of airlines provide right information regarding flight timing and other information	203	1.00	5.00	3.2069	1.06080
Staff solve customer problem on time	203	2.00	5.00	3.6355	.63333
The promise service was delivered by airlines	203	1.00	5.00	3.4778	.71286
Employees are polite and courteous	203	1.00	5.00	3.8621	.92313
Airlines employees are friendly to assist the passengers	203	1.00	5.00	3.7537	.82560
Staffs are interested in problem solving anytime	203	1.00	5.00	3.3990	.87507
Airlines provides prior information for delay of flight	203	1.00	5.00	3.0246	.97716
Action for missing baggage is fast	203	1.00	5.00	2.9557	.94555
Employees of airlines are cooperative with delayed passenger	203	1.00	5.00	3.2906	.92236
Individual attention toward passenger is good	203	1.00	5.00	3.4286	.82568
Handling delay flight are satisfactory	203	1.00	5.00	2.9113	.95545
Communication is always clear	203	1.00	5.00	3.4581	1.00097
Baggage handling service are satisfactory	203	1.00	5.00	3.5025	.85234
Valid N (list wise)	203				
Overall customer satisfaction	**203**	**1.33**	**4.00**	**2.2266**	**.41704**

ANOVA Test

This section provides overview of ANOVA test conducted in the restudy among different variables used in the study.

Table 4: ANOVA Result

Tangibility and Customer Satisfaction					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	7.559	14	.540	3.681	.000
Within Groups	27.573	188	.147		
Total	35.132	202			
Reliability and Customer Satisfaction					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	8.553	14	.611	4.321	.000
Within Groups	26.579	188	.141		
Total	35.132	202			
Empathy and Customer Satisfaction					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5.725	13	.440	2.831	.000
Within Groups	29.407	189	.156		
Total	35.132	202			
Responsiveness and Customer Satisfaction					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	10.641	9	1.182	9.317	.000
Within Groups	24.491	193	.127		
Total	35.132	202			

The ANOVA result shows that there is significant relationship between tangibility and customer satisfaction, reliability and customer satisfaction, empathy and customer satisfaction and responsiveness and customer satisfaction. As p-value for all the observation is 0.000 which is less than 0.05. It denoted that, there is significant relationship between the two variables. Further, our study shows the significant relationship between assurance and customer satisfaction.

Regression Analysis

The stepwise regression analysis result of variables that may affect service quality and customer satisfaction on domestic airlines of Nepal is presented in table (5).

Table 5: Regression Analysis

	B	Std. Error	Beta	T	Sig.
(Constant)	2.884	.226		12.746	.000
Tangibility	-.183	.070	-.232	-2.598	.010
Reliability	-.001	.066	-.002	-.022	.0212
Assurance	-.093	.055	-.157	-1.706	.030
Empathy	.228	.058	.339	3.926	.000
Responsiveness	-.105	.049	-.168	-2.144	.021

The regressions model equation can bewritten as:

$$Y = 2.884 - 0.183x_1 - 0.01x_2 - 0.93x_3 + 0.228x_4 - 0.105x_5 + e_1$$

The variable Tangibility ($\beta 1$-0.183, $p<0.05$) explain that every single unit enhancement in Tangibility bought -0.183 decrease in customer satisfaction making other variable constant. Similarly, reliability ($\beta 2$-0.01, $p<0.05$) shows every single unit enhancement in reliability bought 0.01 decrease in customer satisfaction making other variable constant. Likewise, the assurance ($\beta 3$-0.093,<0.05) indicates every single unit enhancement in assurance bought 0.093 decrease in customer satisfaction keeping other variable constant. Responsiveness ($\beta 5$-0.105, $p<0.05$) also shows every single unit increase in responsiveness cause negative and significant change in customer satisfaction holding other variable constant. On the other hand empathy ($\beta 4$-0.0228, $p<0.05$) is only the single variable that brought 0.0228 increase in customer satisfaction.

From the result it can be analyzed that service quality can be considered as indispensible part for any organizations and industries these days (Ekiz et al., 2006). Suresh et al. (2017) revealed that customers are more satisfied with tangible services followed by responsiveness, reliability, empathy and assurance in Indian domestic airlines industry. While assessing the results from Nepali customers it was found that they rely upon reliability of the service provided by airlines companies like timely flights, proper information. Similarly, Jiang et al. (2017) stated that airlines passengers in China give priority to flights having good safety records but they also consider flight fares as one of the important aspects. Whereas, Farooq (2018) mentioned that for effective service quality airlines industry must focus on all the dimensions that are important but special emphasis should be given to personnel service and image of the airlines which would help in enhancing customer satisfaction. Findings of this study revealed that security and timely flight enhance customer satisfaction for passengers of domestic airlines in Nepal. These findings are a bit different from findings of previous studies in different nations as they show flight fares are prioritized highly while looking for service quality but in case of Nepal flight rates come in later preference of customers. So, airlines in Nepal should start focusing on providing proper and timely information, security and safety and on time flights in order to gain competitive advantage in the market.

Conclusion

The study concludes that most influencing factor for the selection of the airlines for the passengers was security followed by flight time. If flights would take off as scheduled than that would increase customer satisfaction. Likewise, the difference in service quality is found out in mainly two dimensions, reliability and assurance dimensions. Service gaps are found in reliability as many passengers felt that the airlines does not provide on time flight departure and arrivals. In assurance dimension it is found that employees are not interested in problem solving of the customers. So these are the two main areas where the airline companies should focus on upgrading their service quality so that the service quality gaps thus found could be mitigated.Orientation and training programs should be organized for the new employees in an organization. As customer service providers play vital role in creating the impression among the customers. The service industry is based on the way customers are treated. The value for customer service should be in core values and culture of an organization so that the staffs in customer service should always act taking care of it.

Conflict of Interest

There is no conflict of interest while preparing this article.

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