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## Impact of Service Quality Dimensions on Customer Satisfaction in Commercial Bank

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### Abstract

*The ever-changing behavior of customer has indulged bank and financial institution have a sincere look at its service quality. Providing quality service ensures competitiveness and simultaneously optimizing the level of customer satisfaction. This paper examines the impact of Service Quality Dimensions on customer satisfaction. This paper examines the impact of tangibility, responsiveness, reliability, assurance and empathy on customer satisfaction in banks of Biratnagar. A sample of 127 account holders were randomly selected and data were analyzed through SPSS 26.0. Descriptive statistics, Factor analysis and Multiple regression analysis were used to evaluate the impact of SERVQUAL model on satisfaction. The findings from the paper indicate that empathy and assurance have most significant influence in satisfaction followed by reliability and responsiveness whereas tangibility has negative and no significant relationship with satisfaction.*

**Key Words:** commercial banks, customer satisfaction, financial institution, service quality dimensions

### Introduction

The longer a customer stays with an organization the more utility the customer generates (Reichheld and Sasser, 1990). Intense competition, complex nature of consumers and unforeseeable demand drives the organization to nurture its service quality. Long-term customers give financial as well as authentic feedback benefits to the organization. An organization is said to be good performer if it has maximum customer retention. A satisfied customer advocates about the organization as it meets the individual needs. The bank should focus their endeavors to improve service quality and delight their customers (Radomir *et al.*, 2010). A number of studies have

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been conducted on the impact of service quality dimensions on customer satisfaction (Khan, Raza & M, Hasnain & Fatima, Maham, 2018, Farooq, 2018, Wang *et al.*, 2020). This paper seeks to understand comprehensive the key dimensions and factors of service quality in the bank of Biratnagar and how does the identified factors impact on customer satisfaction level of banking customers.

Global competition has urged financial institution to seek the predictive factors that affect the service quality for customer satisfaction and continuously fluctuation in Business Environment leads to extra attention of the market. Quality of service as an important factor for customer satisfaction is essential for success of service firms like bank (Karim, Rashed & Chowdhury, Tabassum, 2014). This paper will provide a better insight to bank about the factors that influence the level of customer satisfaction and the understanding of customer needs of Biratnagar. This will base bank managers in identify scope for improvements and assist them to acknowledge how, when and where to invest resources as to improve service quality. In the holistic environment, customers with access to infinite source of information has turned competition intense. Every institution consistently needs to examine the quality that it is rendering to the ultimate users and negotiation in quality can downturn the entire sales history of the organization. This study seeks to study the service quality dimension of commercial banks in Biratnagar and further studies:

The main objective of this paper is to determine the influence level of Facebook on intention to purchase. This study is limited on the sample size is too small which may not represent the entire population and this study only focuses on banking sector. The study will be benefitted for marketers while making marketing policies, suggest the service quality influence on customers satisfaction.

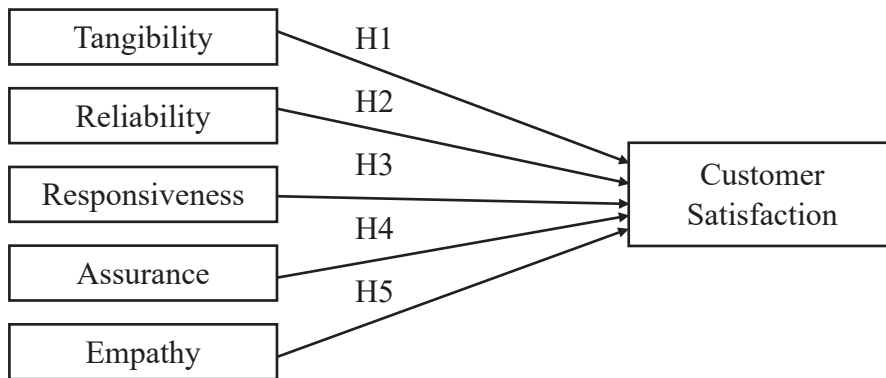
A customer satisfied with products and services of bank will likely remain loyal and will continue to do business with the bank (Famiyehet *al.*, 2018). Lately academicians and researchers boost their interest in studying the link between service quality and customer satisfaction in the area of service sectors as banking (Famiyehet *al.*, 2018, Karim, Rashed & Chowdhury, Tabassum. (2014). Tharanikaran, 2017, Razak, Chong, Lin, 2007) and they all recommend that banks should focus on service quality as an important input to customer satisfaction. According to a research conducted by Shrestha, (2018) he reveals that service dimensions is very important for the overall satisfaction of customers in Nepal. Similarly, a strong correlation was found between the service quality dimensions and customer satisfaction (Durgapal & Bhatta 2016) projecting a positive increment in service quality dimensions automatically increases customer satisfaction. Additionally, a research conducted in Kathmandu by N, Rajeswor. (2019) depicts that the positive service quality can increase asatisfactory

customer group which effects the overall satisfaction of the organization and hence public sector customers are satisfied. Banks have realized the need of service quality to influence the customer level of satisfaction and a requisite for survival in this global competition.

The SERVQUAL Model was originally developed by Parasuraman *et al.*, (1985) and later on was developed by Van Iwaarden *et al.*, (2003) for service sectors. The redeveloped model is used by many researchers to test service quality and identify its impact on customer satisfaction. The first developed SERVQUAL model was introduced with ten service quality dimensions. However, later on it was found that some of the dimensions were interrelated (Berry *et al.*, 1985). To overcome deficiencies in SERVQUAL model, Carman (1990) developed SERVPERF model to assess the service quality but various studies have questioned the reliability of the model. Mostly, five service quality dimensions are used to evaluate quality of service namely:

- a. Tangibility: Parasuraman *et al.*, (1985) define tangibility as physical outlook and features, personality of staffs and equipment.
- b. Reliability: Parasuraman *et al.*, (1985) identify reliability as capability of organization to serve correctly in the first interaction.
- c. Responsiveness: Parasuraman *et al.*, (1985) define responsiveness as the willingness of employees to be transparent about the service deliverance.
- d. Assurance: Parasuraman *et al.*, (1985) defines employee's knowledge, politeness and ability to inspire trust.
- e. Empathy: Parasuraman *et al.*, (1985) identify empathy as caring and personal attention aspect of organization to the customers.

A study conducted by Lau *et al.*, (2013) to measure the service quality of Hongkong based banks, the result depicted that tangibility, responsibility, reliability and assurance were more significant in contributing to customer satisfaction, while empathy was the least significant. Salleh *et al.*, (2019) reveal that the relationship between assurance and empathy are very significance on customer satisfaction while reliability, responsiveness and tangibility are not significance on customer satisfaction. Additionally, a study conducted by Najjar, Lotfollah & Bishu, Ram. (2006) suggest that reliability and responsiveness are the two most critical dimensions of service quality, and they are directly related to overall service quality. Nevertheless, few studies have been conducted in context to Nepal. This paper studies the service quality dimension of banks based in Biratnagar.



**Figure 1:** Research Framework

## Methods and Materials

Questionnaire was developed and used as an instrument for data collection. All the account holders in Biratnagar are the population of this study. A total of 160 questionnaire were distributed at a random basis to the bank account holders in Biratnagar. That data were than analyzed using SPSS version 26. Descriptive analysis, Factor analysis and Regression analysis were the performed in the data.

To investigate the SARVQUAL model, a total 23 items were generated. Of the 23 items, four items measure Tangibility, four items measure Reliability, four items measure Responsiveness, four items measure Assurance, four items measure Empathy and three items measure customer satisfaction. Items measure are taken from Parasuraman *et al.*, (1994). A five-point Likert scale was used, where 1= strongly disagree and 5= strongly agree, to identify the response of each items and some demographic items were included with different measurement scales. The final sample size was 127. All the factors are reliable at 63.4 %.

## Results and Discussion

The interpretation and presentation of the data that is collected during the study through the questionnaire are analyzed and presented in this chapter. The outcomes derived from the analysis of the data are expected to address the objective of this research study. The analysis has been framed in single sections that deals with demographic features of the respondent's, interpretation of descriptive analysis using SPSS and finally the discussion of the results obtained through the analysis.

### Descriptive statistics

This section includes the demographic characteristics of the respondents, its analysis and interpretation of the data collected through questionnaires. The

demographic characteristic under this study comprises gender, age, marital status, education status, occupation and income level.

**Table 1:** Demographic Characteristics of Respondents

Demography	Characteristics	Frequency	Percent
Gender	Male	90	70.9
	Female	37	29.1
Age	15 to 25	31	24.4
	26 to 35	66	52.0
	35 and above	30	23.6
Marital Status	Married	68	53.5
	Unmarried	59	46.5
Education Status	Up to Intermediate	16	12.6
	Bachelors	44	34.6
	Master and above	67	52.8
Occupation	Student	24	18.9
	Self-employed	25	19.7
	Employed	75	59.1
	Unemployed	3	2.4
Income	Less than 15,000	30	23.6
	15,001 to 30,000	11	8.7
	30,001 to 45,000	27	21.3
	45,001 to 60,000	29	22.8
	60,001 and above	30	23.6

Source: Survey questionnaire

Table 1 indicates that 70.9 percent are male and remaining 29.1 percent are female. The table indicates 24.4 percent of the respondent are below 25, 52 percent of the respondents fall within the age of 26-35 while 23.6 percent fall in age group above 35. Therefore, it indicates that greater number of respondents falls within 26-35 age group. 53.5 % are married and remaining 46.5 % are unmarried. The table shows majority of respondent are masters and above degree holders (52.8%) followed by bachelors (34.6%) and (12.6) respondents have degree below bachelors. Accordingly, majority of the respondents are of employed (59.1%) and income level of two group less than 15,000 and 60,001 above stands highest (23.6%).

### Factor analysis

Factor analysis table of five service quality dimensions (factor 1 to factor 5) have explained percentage variance and factor loadings satisfying the cut-off point 0.5. All the factors were considered as significant and chosen for interpretation, with Assurance having the highest Eigenvalue of 2.312 with an explained variance of 92.249 % and empathy having lowest Eigenvalue of 1.614 with an explained variance of 85.747%. However, one (total four) item having factor loading less than 0.40 under tangibility, reliability, responsiveness and empathy respectively was excluded due to insignificance and all items were retained considering the fact that all the variables had factor loading more than 0.40.

**Table 2:** Factor analysis result for 16 items representing the 5 service quality dimensions of the bank.

<b>Scale items/ Factor</b>	
Tangibility	Factor 1
The bank has Modern equipment.	0.895
Visually appealing facilities.	0.889
Employees have a neat, professional appearance.	0.647
Eigen value	2.032
Variance Explained	93.100
The Kaiser-Meyer-Olkin measure of sampling adequacy	0.616
The Barlett's test of sphericity (significance level)	0.000
<b>Reliability</b>	
	<b>Factor 2</b>
Dependability in handling customers' service problems.	0.838
Performing services right the first time.	0.757
Providing services as the promised time.	0.741
Eigen value	1.865
Variance Explained	88.208
The Kaiser-Meyer-Olkin measure of sampling adequacy	0.643
The Barlett's test of sphericity (significance level)	0.000
<b>Responsiveness</b>	
	<b>Factor 3</b>
Keeps me informed about when services will be performed.	0.641
Prompt service to customers.	0.659
Willingness to help customers.	0.807
Eigen value	1.647
Variance Explained	89.524
The Kaiser-Meyer-Olkin measure of sampling adequacy	0.437
The Barlett's test of sphericity (significance level)	0.000

<b>Assurance</b>	<b>Factor 4</b>
I have confidence on the bank.	0.853
Making customers feel safe in their transactions.	0.849
Employees are consistently courteous.	0.506
Employees have the knowledge to answer customer questions.	0.779
Eigen value	2.312
Variance Explained	92.249
The Kaiser-Meyer-Olkin measure of sampling adequacy	0.695
The Barlett's test of sphericity (significance level)	0.000

<b>Empathy</b>	<b>Factor 5</b>
Employees who deal with customers in caring fashion.	0.781
Having the customer's best interest at heart.	0.772
Convenient business hours.	0.637
Eigen value	1.614
Variance Explained	85.747
The Kaiser-Meyer-Olkin measure of sampling adequacy	0.656
The Barlett's test of sphericity (significance level)	0.000

**Multiple regression**

As the sample size used for the study is not large, it is considered to use regression analysis to test the hypothesis. The adjusted R square is 54.3 % which depicts that independent variable define dependent variable by 54.3%. The table shows that there is no case of Multicollinearity as VIF is less than 10.

**Table 3:** Multiple Regression Analysis

Models	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	VIF
	B	Std. Error	Beta			
(Constant)	1.350	0.612		-0.146	0.884	
Reliability	0.047	0.100	0.038	0.476	0.635	1.100
Responsiveness	0.065	0.161	0.039	0.406	0.686	1.587
Assurance	0.220	0.106	0.184	2.076	0.040	1.352
Empathy	0.718	0.158	0.477	4.553	0.000	1.886
Tangibility	-0.007	0.107	-0.007	-0.063	0.950	1.849

Dependent Variable: Satisfaction  
Adjusted R Square: .543

The coefficients value shows that Empathy (H5) with 71.8% and Assurance (H4) with 22% are the better predictor of satisfaction. Empathy (H5) with p-value 0.000 less than 0.005 suggests that bank cares about them and have best interest in the heart. Assurance (H4) with p-value 0.040 less than 0.005 suggest that bank's employees are courteous and employees have full knowledge to their questions. Empathy and Assurance are significantly correlated to customers satisfaction.

However, Reliability (H1) and Responsiveness (H2) are the least predicting variable for satisfaction. H1 and H2 have p-value 0.635 and 0.686 that is more than 0.005 suggest, H1 and H2 don't have significant relationship with satisfaction, whereas Tangibility (H5) with coefficient value of -0.007 is a negative predictor of satisfaction. H5 p-value is 0.950 which suggest a no significant relationship with the dependent variable i.e. satisfaction. Therefore, based on above result, the following equation can be formulated:

$$Y = b_0 + b_1X_1 + b_2X_2 + \dots + b_nX_n$$

$$S = 1.350 + 0.718(E) + 0.22(A)$$

Where S= Satisfaction, E = Empathy and A = Assurance

## Findings

The result from this paper shows that among the five service quality dimensions, Empathy ( $r = 0.718$  and p-value 0.000) followed by Assurance ( $r = 0.220$  and p-value 0.040), have the most positive and significant impact on customer satisfaction, and are better predictor of satisfaction according to the regression analysis. Hence, the manager should give prime focus to these variables. Reliability ( $r = 0.047$ ) and Responsiveness ( $r = 0.065$ ) have least impact on satisfaction and have no significant relationship with dependent variable. Whereas, Tangibility ( $r = -0.007$ ) is a negative predictor and has no significant relationship with satisfaction.

## Conclusion

There are various empirical studies that reveal Empathy (Bahadur, Waseem & Aziz, Saira & Zulfiqar, Salman, 2018) and Assurance (Alabboodi, Anas, 2019) aspects of service quality of the financial institution that impacts the level of satisfaction and hence prime focus should be rendered. To attain greater customer satisfaction, the banks of Biratnagar should be more focused on these exploratory factors. The customers of the banks are happy with the bank's operation hour and the staff's caring nature. Moreover, they show confidence on the bank they are doing business with followed by the employee's ability to tackle and handle their queries. Bank management should modify their policy in context of processing period. Time taken is more than expected and promised. A regular in touch strategy should be implemented



by the banks and prompt service should be a important concern to gain customer satisfaction. This empirical finding can be used by policymaker, bank managers and various stakeholders to reorganize strategies for more customer-oriented mechanism. Future researchers can check individually bank service quality dimensions. Moreover, SERVQUAL model can be used to examine the service quality dimensions on other scope like customer loyalty and customer retention.

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