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EFFECT OF SERVICE QUALITY ON CUSTOMER SATISFACTION: AN EMPIRICAL STUDY OF CUSTOMERS WHO HAVE BANK ACCOUNTS IN BOTH PUBLIC AND PRIVATE BANKS IN SRI LANKA

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Abstract

Along with globalization, new technologies are introduced to the banking sector in order to enhance service quality which is consequential to attract and retain rational customers. In the competitive market, banks in both public and private sectors apply different strategies to improve the quality of their services provided. However, there is a lack of recent evidence to show how the quality of these services affects customer satisfaction, leaving a significant hole in Sri Lankan literature. Therefore, this study attempted to explore the effect of service quality of commercial banks on customer satisfaction. Data were collected from 141 customers who maintain both public and private bank accounts in the Gampaha district. Convenient sampling method was used to select the sample. Data were collected through a structural questionnaire

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conducting face to face interviews and the collected data were analysed through Partial Least Square Structural Equation Model.

The study tested five hypothetical relationships between five dimensions of service quality of commercial banks and customer satisfaction. Results revealed a significant positive relationship between tangible and customer satisfaction as well as responsiveness and customer satisfaction of both public and private banks. It was also found that, assurance has a low positive relationship with customer satisfaction regarding private banks, while there was no relationship between assurance and customer satisfaction regarding public banks. Also, empathy and reliability indicated a low positive relationship between customer satisfaction regarding public banks while these two dimensions did not indicate any significant relationship with customer satisfaction regarding private banks. Therefore, this study found that customer satisfaction regarding the service quality of public banks is higher than that of private banks.

1. Introduction

Development of financial sector in a country plays a significant role in economic development (Daniel & Harrington, 2007) because it promotes through capital accumulation and technological advancement by boosting savings rate, optimizing the allocation of capital, mobilizing and pooling savings, and facilitating and encouraging foreign capital inflows (Ibboston, 2010; Ross, 1997). The banking sector, as the main aspect of the financial sector, provides very important and productive strategy to manipulate stable of that sector achieving financial inclusion, maintaining favourable asset and balancing capital and liquidity level of the economy (Silva, 2009). Commercial banks are key players in financial markets operations and act an significant role in keeping a country's economy operation smoothly (Khan & Fasih, 2014) through facilitating the depositing money, to taking loans, exchange currencies and supporting other finance intermediately activities (Morawakage & Kulathunga, 2013). In the competitive market, innovative strategies together with technology are introduced by the banking sector in order to enhance their service quality which is important to attract and retain rational customers, and finally improve their performance (Wasantha, Ali & Goash, 2015) since rational customers highly expect efficient services (Angelova & Zekiri, 2011; Markos & Sridevi, 2010). Adhikari & Das (2016) explained that the importance of service quality has been gaining momentum over the years as the improvement in service quality is likely to enhance the degree of customer satisfaction, which, in turn, helps a bank to retain its existing customer base in a highly competitive regime. Thus, researchers have identified that customer satisfaction and service quality are most important factor to achieve the goals of banking sector (Bharwana, Bashir & Mohsin, 2013; Heskett, Sasser & Schlesinger, 1997; Ramseook, Lukea, Naidoo, 2010). Satisfaction and quality have evolved along parallel tracks in the banking sector (Liljander & Strandvik, 1995).

Today, the increasing awareness among customers and their rights, changes the demand and high competition in the banking sector requires constant progress in service quality from the bank to satisfy their customers (Navaratnaseelana & Elangkumaranb, 2014). In literature, many researchers such as Chang (2015); Felix (2017); Gupta & Agarwal (2013); Kheng, Mahamad, Ramayah, & Mosahab (2010); Khan & Fasih (2014); Mehtap & Katicioglu (2005); Naeem, Fatimal & Saif (2009); Okoe, Adjei & Sarenkhoe (2013); Saghier & Nathan (2013); Tufail, Hmayon, Javed, Shabbir, & Shahid (2016) have studied the effect of service quality of banks on customer satisfaction. However, in Sri Lanka, with the heavy competition among commercial banks to attract and retain customers, they introduce different strategies to maximise customer satisfaction which is very important for banks' performances. However, dearth of empirical evidence related to the effect of service quality on customer satisfaction, particularly customers who have bank accounts in both public and private banks, averts the outline of new strategies to improve service quality to maximise the customer satisfaction. Therefore, the study attempted to explore the effect of service quality on customer satisfaction of customers who have accounts in both public and private commercial banks. The study will help to bank managers to identify what kind of factors are highly influence to improve customer satisfaction, their weaknesses and help to take remedial measures to improve customer satisfaction which leads to improve the performance of banking sector.

2. Literature and Hypotheses

Service quality is defined as customer's overall conception of the relative inferiority or greatness of the organization and its service (Bitner&Hubbert, 1994; Keiningham et al., 1995). Klaus (1985) explained that total net value of benefit perceived in the service encounter over what had been expected. According to the Parasuraman, Zeithml, Valerie, Berry & Leonard (1985), service quality adjusted using function of three characters which are consist with pre-purchase of customer expectations, perceived process quality and perceived output quality. Further, they defined service quality as a gap between customer's expectation of service and customer's perception of the service experience. In simply, service quality aim to meeting the requirements of the customer's expectation regularly (Lewis & Booms, 1983). Under customer expectation, customers think, service provider should offer excellent and unbelievable service rather than they believe (Parasuram, Zeithaml& Berry, 1988). That means customers always compare service quality of the firm via expectation of the service and perception of the way the service has been performed (Caruana, 2002; Gronroos, 1984; Lehtien&Lehtien, 1982; Lewis & Booms, 1983; Parasuraman at al., 1985). Therefore, in order to maintain standard of service quality, customer's behavioural objectives are important (Bitner, 1990; Choi, Cho, Lee & Kim, 2004; Cronin and Taylor, 1992). Interaction of customer's behavioural objectives and service quality can be explained by the 'Service Quality Theory' (Oliver, 1980).

According to Service Quality Theory introduced by Oliver (1980), if performance of the service firm does not meet customer's expectation, customers will judge that firm has 'low quality' and also, if performance of that service firm exceeds the expectation of the customers, customers will judge firm has 'high quality'. Parasuraman et al., (1991) developed service quality model including multi-dimensions to measure the service quality. Service quality scale consist with very important criteria to measure the customer's perception and quality of the service (Parasuraman et al., 1988). Service quality model indicated five dimensions to measure the service quality such as tangible, reliability, responsiveness, assurance and empathy (Brensinger& Lambert, 1990; Carman, 1990; Crompton & Mackay, 1989).

The term satisfaction is a feeling (Kotler, 2009) that extending across the entire consumption horizon (Oliver, 1980). In a simply, satisfaction determined by comparing costs which customers give up to get a service and reward which customers receive as response (Tam, 2004). Therefore, customer satisfaction is defined as an outcome of purchase and use came as a result of buyers' comparison of the reward and costs of purchase (Churchill &Surprenant, 1982). Further, customer satisfaction is defined as an emotional response, which results from a cognitive process of evaluating the service received against the costs of obtaining the service (Woodruff, Clemons, Sschumann, Gardial& Bums, 1991). In other ward, customer satisfaction is a feeling of pleasure or distress came from comparing the perceived performance or out come in relation to the expectation (Brady & Robertson, 2001; Lovelock, Patterson & Walker, 2001; Oliver, 1981). Most empirical evidences supported that customer satisfaction try to reduce the likelihood of exception and/or positively act with retention (Anderson & Sullivan, 1993), repurchase motives (Mittal, Kumar &Tsiros, 1991) and loyalty (Oliver, 2009). As well as customers' judge product or service features of business by satisfying their pleasurable consumption related activities (Oliver, 1980). Customer satisfaction identifies significant relationship between customer and service provider (Khan &Fasih, 2014). This relationship helps to business to emphasize specific customer needs and expectation at each stages (Ravald&Gronross, 1996). If company or business firm maintain highly satisfied customers, they will take experience about higher economic returns (Bolton, 1998; Munusamy, Chelliah&Mun, 2010; Yeung, Ging&Ennew, 2002).

Conceptual Research Model: The purpose of this study is to determine the customer satisfaction towards the service quality of commercial banking sectors in Sri Lanka. Dependent variable of this study was customer satisfaction and independent variable was service quality. Customer satisfaction is reflected from six items such as attitude, fulfilment of expectation, recommendation, re-purchase, satisfaction with use and switching while service quality is reflected from five dimensions such as assurance, empathy, reliability, responsiveness (Adhikari& Das, 2016; Kheng et al., 2010, Parasuraman et al., 1988, Selvakumar, 2015) and tangible (Brensinger& Lambert, 1990; Carman, 1990; Crompton & Mackay, 1989).

Assurance and Customer Satisfaction: According to Sadek, Zainal, Taher&Yahya (2010) if increase assurance dimension of banking industry through the polite and friendly staff, provisions of financial advice interior comfort, easy to access account and knowledgeable and experienced management team cause to increase satisfaction of customers. Further, Selvakumar (2015) supposed that assurance has least gap score with customer satisfaction of both public and private banks due to both banks provide importance to customers' suggestions and views, secured transition, and accurate record maintains to their customers. Proving this ideas Felix (2017) believed satisfaction of the customers in banking sectors can increase with making feel and safe transaction with them. So, trustworthy behaviour of employees and secured transaction of both public and private banks positively influence to repurchase intension of customers (Arasli, Samadi&Katircioglu, 2005; Awour, 2014; Ndubisi, 2006; Ndubisi&Wah, 2005). Further, Banerjee &Sah (2012) stated that, customers in public banks are perceive with assurance dimension because public sector banks are better to provide assurance to customers. Further, customers are preferred to items of feel in safe transaction in case of public sector banks compare with private sector banks. However, employees' behaviour instil confidence in customers and employees' knowledge to answer customers' problem provide higher satisfaction of private banks than public banks (Banerjee &Sah, 2012; Kamalini, 2016). Further, Ragavan&Mageh, (2013) explained, assurance as service quality dimension have impact on customer satisfaction because customers of private banks are prefer security & employees' eagerness to instil confidence while customers are dissatisfy if those item are lack with their banks. Private banking sector also represent significance positive effect on customer satisfaction because private banks always try to maintain highest level of satisfaction being courteous & polite with customers (Adhikari& Das, 2016). Without having assurance of the banking sector nobody can remain customers with them because customers stimulate will with assurance than other factors (Kumbhar, 2011). Hence this study assume that;

H1: Assurance has a positive impact on customer satisfaction.

Empathy and customer satisfaction: Empathy means taking care of the customers by giving individual attention to them (Blery et al., 2009) and also empathy includes convenient & flexible working hours & location (Gupta & Agarwal, 2013). Customers may remain unsatisfied with the service quality if gap is left in empathy (Iglesias & Guillen, 2004). That means, customers are highly satisfied with flexible service hours and personal attention to them regarding banking activities (Mohammad, Muzaffar&Hussain, 2011). Especially, private banks customers prefer to transact their banks due to this individualized attention to them (Adikari& Das, 2016). Moreover, customers as human, prefer to get attention from others. Like that, customers in banking sector are highly satisfied to take attention from employees because they can solve their all transaction and other financial problem arises regarding banking sector discuss with bank employees (Ragavan&Magen, 2013). Considering that situation, private banks provide more attention to customers (Karim & Chowdhury, 2014; Ragavan&Magen, 2013). Customers of public banks are highly dissatisfy due to inconvenient location operating hours & lack of individual attention towards customers (Kamlani, 2016). Further, Kamlani (2016) understood that banks are able to satisfy their customers if banks take action to improve empathy dimension. Nautiyal&Tanushree (2014) supposed customer satisfaction of both public and private sector is influenced by factors such as banks' ability to handling problem & operating hours. And also Al-Marrie, Moneim, Baheeg& Mohamed (2007) believed that customers contended and in the long run serves as an important predictor in improving the financial performance of the organization. Hence, empathy can be identified as mediator between service quality and customer satisfaction (Juneja, Ahamad& Kumar, 2011; Karatepe, 2011). So, positive employees activities of the banking sectors highly associated to increase customer satisfaction while negative association causes to dissatisfaction of the customers (Bedi, 2010) Hence, many researcher empirically investigated the role of empathy in service quality and its impact on customer satisfaction in both public and private banks (Wieseke, Geigenmuller& Kraus, 2012). Therefore, this study assume that;

H2: Empathy has a positive impact on customer satisfaction.

Reliability and Customer Satisfaction: Reliability was determined by the accuracy of bank statements, on-time performance services, service delivery and service provisions. So reliability considered as most important factor in convincing customers to retain in banking services (Yang & Fang, 2004). Nguyen &Leblance (2001) consider reliability as reputation that can be the most reliable indicator of service quality which could be related to customers past experience. So, if banks provide more reliable and supportive services that fulfil the demand and expectation of customers, customer will be more confidence to the banks (Mohammad, Muzaffar and Hussain, 2011). Banerjee &Sah (2012) stated that private bank services gap is lowest in reliability dimensions and it may implies that customers feel these banks to be sincere & keep their promises. According to Zeithml&Bitner (1990) service providers' apologies start to wear thon when company is careless in performing the services, when it makes frequent mistakes & when it is casual about keeping it service promises. Hence, it is quintessential to provide excellence service at the first time, exhibit sincere effort in solving problems & provide error free record & constantly fulfil promises to prevent customers from defecting to other banks (Banerjee &Sah, 2012). Further, Kamlani (2016) concluded that, reliability of both private banks and public banks represent positive significance relationship implying customers, feel both public and private banks have better ability to perform the promised services dependably and accurately. Reliability area such as customer guidance & customer support, produce better path to stimulate customers towards banking sector (Gupta & Agarwal, 2013). Considering the banks performance to do activities and services right & first private banks get preference of the customers than public banks (Morawakage, 2013; SivesanRajendran, &Anantharaman, 2012). However, Hennayake (2017) said reliability is the most influential factor than other factors to enhance the customer satisfaction of the public banks also. The literature reveals an increased degree of positive relationship between reliability and customer satisfaction where face to face dealing with customers and employees. Hence, this study also assume;

H3: Reliability has a positive impact on customer satisfaction.

Responsiveness and Customer Satisfaction: Responsiveness is a firm's willingness to assist its customers by providing fast and efficient service performance (Gupta & Agarwal, 2013). Further, it is reached that willingness or readiness of employees to provide the required customer service without any inconvenience at any time will strongly influence the level of customer satisfaction (Parasuraman et al., 1988). Timely respondent to the customers of both public and private banks help to enhance the positive thinking of the customer's mind (Osman, Ali, Zainudin, Owan, &Jusoff, 2013). To fulfil the customer wants and help to customers filling the form act as an alarm of the banks (Armanu, Hadiwidjojo, Misbach&Surachman, 2013). And also responsiveness factor such as promptness in service delivery, willingness of employees to help customers, Banks's performance, timely delivery of bank statements have power to absorb dialectical customers towards both public and private banking sectors (Karim & Chowdhury, 2014). Customers' perceive that employees in the private sector banks exhibit higher willingness to help customers & provide prompt service than their public banks. Hence, service gap of public banks is highest than private banks (Banerjee &Sah, 2012). Mengi, (2009) stated, because employees of the public banks not provide services at prompt time, they can't attract customers well. Moreover, Felix (2017); Mehetap&Katicioglu (2005); Mulat (2017); Saghier& Nathan (2013); Selverkumar (2015); Tufail et al. (2013) presented positive significance impact of responsiveness dimension on customer satisfaction of both public and private banking sector. Employees' reaction towards customers of private banks provides high priority to attract customers and increase the fund gaining highest profitability (Kumbhar, 2011). In the responsiveness dimension it is conclude that customers in both public and private banking sector increase their satisfaction when banks increase individual attention to the employees (Kumar, Kee&Manshor, 2009). Knowledge & helpfulness of the public banks employee would help to satisfaction of the customers (Karim et al., 2014). Hence, this study assume that;

H4: Responsiveness has a positive impact on customer satisfaction.

Tangibility and Customer Satisfaction: Tangible represent physical aspect of the services and all tools and equipment used to provisions of services (Hennayake, 2017). According to Ladhari, Ladhar& Morales (2011) idea of tangibles role in banking sector is a key tool to achieve customers' attention. All the customers in both public and private sector visually attract to all technological things provision by banking sectors because tangible and intangible service are equally important to the success of the organization (Tax & Brown, 1998). Customers in the private sector banks invest more trust with physical facilities & more attractive decors around the banks (Banerjee &Sah, 2012). According to previous researchers public sector banks are lagging behind in use of modern technology and techno survey staff than private sectors. These lack of modern technology would cause to dissatisfaction of the customers (Virk &Mahal, 2012). However, as service quality dimension tangible has higher explanatory power with customer satisfaction of both public and private banks representing attractiveness of the physical aspects of the customers (Morawakage, 2013). If both public and private banks introduce modern furniture, equipment and machineries to all branches it would cause to take more attention of the customers (Malik, 2011). In order to achieve success banking sector banks should develop customer oriented services with attractive transaction environment which leads to long term bonding with their customers (Banerjee &Sah, 2012). Modern looking equipment introduced by public banks will help to enhance the capacity of the customers (Kamlani, 2016). Several innovative services such as IT base services, ATM services of banking sector can change market drastically and realize large customer centric (Bedi, 2010). So, this study assume;

H5: Tangible has a positive impact on customer satisfaction.

3. Materials and Methods

In order to achieve tests the hypotheses, the study used primary data. Data was collected from customers who have bank accounts in both public and private banks. This study limited to the Gampaha district in Western province of Sri Lanka where the majority of population lived and is the main commercial province in Sri Lanka. Data was collected from one hundred and forty one (141) customers who maintain bank accounts both Bank of Ceylon (BOC) which is a public bank and some other private banks, because the customers who have bank accounts both private and public bank, can easily compare the effect of service quality on customer satisfaction between public and private banks. Customers who visited Bank of Ceylon for transactions, were selected by researchers inquiring customers whether they have bank accounts in private bank in addition to the BOC. Thus, convenient sampling method has been adopted as data collection method to this study.

A structural questionnaire was used to gather data. The study employed two step procedure to develop the questionnaire. Initially a pool of items of each dimensions was generated reviewing empirical literature and items were carefully selected. Items were more relevant to measure the particular dimension of the constructs. Thus, the questionnaire items were designed systematically based on literature published in cited journals. Then, a pilot survey was conducted prior to the main questionnaire survey in order to verify whether the questions are understood; whether instructions are clear; whether the order of the questions is appropriate and the questions are uninspiring etc. This helped to increase the validity and the reliability of the study. Data were collected for the questionnaire conducting face to face interviews.

Service quality variable has five dimensions such as assurance, empathy, reliability, responsiveness and tangible. Researchers fragmented those five dimensions into main two parts as human related and non-human related factor because previous researchers such as, Agus, Barker & Kandampully (2007), Hennayake (2017) also adopted this fragmentation. Therefore, assurance, empathy, reliability and responsiveness was the human related service quality dimensions while tangible was non–human related dimension of this study.

As human related service quality dimensions assurance, empathy, reliability & responsiveness adopted by previous researchers such as Adhikari & Das (2016); Banerjee & Sah (2012); Gupta & Agarwal (2013); Hennayake (2017); Kamlani (2016); Karim et al. (2014); Khan & Fasih (2014); Mehetap & Katircioglu (2005); Morawakage et al. (2013); Ragavan & Mageh (2013) while tangible as non- human related service quality was adopted by Adhikari & Das (2016); Banerjee & Sah (2012); Karim (2014); Khan & Fasih (2014); Morawakage (2013); Naeem, Fatima & Nathan (2013); Selvakumar (2015); Tufail et al. (2012). Researchers used six dimensions such as attitude, fulfilment of expectation, switching, recommendation, and satisfaction with use and re-purchase to measure dependent variable which were adopted by Morawakage et al. (2013) for their studies.All five indicators such as assurance, empathy, reliability, responsiveness and tangible which includes in the service quality model were measured using five point likert scale because previous researchers such as Karim et al. (2014); Khan & Fasih (2014); Morawakage et al. (2013); Naeem, Fatima & Saif (2009); Saghier & Nathan (2013); Selvakumar (2015); Ragavan & Mageh (2013) also adopted five point likert scale to measure the five dimensions of the independent variable.

The study divided data set into two based on answers related to public bank and answers related to private bank and analysed separately using Partial Least Square - Structural Equation Modelling (PLS-SEM) because the study attempted to evaluate the differences between service quality and customer satisfaction of both public and private banks. PLS-SEM helps to examine the interrelationship between multiple independent and dependent variables and facilitates the evaluation of relationships between more than one construct simultaneously. Measurement model is evaluated employing reliability and validity tests and the efficiency of the structural model was evaluated by multi-collinearity issues, R2, effect size (f2) and predictive relevance (Q2). The smartPLS (version2) software was used to analyse data.

4. Results and Discussions

Based on PLS-SEM measurement model, the study initially evaluated six latent variables which consist with one dependent latent variable (customer satisfaction) and five independent variables (assurance, empathy, reliability, responsiveness and tangible). First, the study evaluates the reliability and validity of each dependent and independent latent variables dividing data set into two as answers related to public bank and answers related to private bank. The study used six constructs to reflect the dependent variables such as, attitude, fulfilment of expectation, recommendation, repurchase, satisfaction and switching while five variables such as assurance, empathy, reliability, responsiveness and tangible were used to evaluate indicator reliability. Table 1 shows the standardised factor loadings which were above than the minimum threshold criterion 0.7 confirming the indicator reliability of first order reflective constructs. In addition, Table 1 further shows that all the factor loadings were statistically significant at 0.05 significance level.

Table1: Analysis of the Indicator Reliability

	Public Banks		**Private Banks**	
	Loading	T-statistics	Loading	T-statistics
Attitude				
Satisfy to say positive things about my bank to other people	0.921	58.372	0.892	38.30
Satisfy absolutely delighted with my banks services	0.924	74.986	0.912	68.05
Fulfilment of expectation				
Always delivers excellent overall service	0.725	13.314	0.799	19.19
The services offered by the bank are of high quality	0.811	22.430	0.787	20.43
Costs of maintaining account with the bank is low compared to other banks	0.785	21.492	-	-
Bank charges on domestic banking are low	0.771	18.650	-	-

compared to others				
Overall opinion about my bank is Good	0.741	17.592	0.826	19.51
Recommendation				
Satisfy to recommend the bank to others	0.936	79.847	0.926	58.00
Like to encourage colleagues to do transaction with bank	0.933	65.506	0.919	49.29
Satisfaction with use				
Satisfied with new innovations and creativity made by bank.	0.827	26.591	0.800	15.71
Bank does good job of satisfying my needs and all things being equal, I really intend to continue using it in the future	0.898	46.990	0.849	31.11
Satisfied with the services delivered by my bank	0.822	23.148	0.811	21.56
Feel very pleased with services offered by the bank	0.800	20.400	0.788	19.18
Switching				
Satisfy to remain as a customer of the bank	0.853	26.165	0.837	24.35
Satisfied with financial services rendered by bank	0.807	28.568	0.802	19.19
I do not like to switch to any other bank	0.737	13.120	0.853	34.91
Assurance				
Activities and behaviours of employees instil confidence in customers	0.791	16.928	0.850	34.036
Customers feel safe in transactions with the bank (account maintain, cash withdrawal, transfer deposit, ATM pin code)	0.721	12.063	-	-
The employees are consistently courteous & polite with customers	0.759	22.275	0.827	19.865
The employees have knowledge to answer	0.754	11.472	0.834	21.686

customers ‘questions				
Empathy				
The employees give off their personal attention	0.759	19.706	0.879	34.258
The bank employees give Customer’s individual attention	0.745	16.514	0.842	23.114
My bank provider has operating hours and location convenient to all its customers	0.737	13.707	-	-
The employees of my bank understand my specific needs	0.838	25.622	-	-
Reliability				
When customers have a problem, the bank shows sincere interest solving it	0.770	24.817	0.786	17.465
My bank delivers its services Promptly at the time it promises to do so (cash deposit, cash withdrawal ,bank statement	0.766	16.499	0.789	14.120
My bank always performs the service right the first time	0.814	27.274	0.857	30.993
My bank persist on error free Proceeding	0.7531	19.351	-	-
Responsiveness				
The bank employees give me a prompt & quick service	0.837	32.751	0.838	29.492
The bank employees are always willing to help me	0.906	56.363	0.830	22.000
The bank employees are never too busy to respond to my requests	0.811	22.381	0.832	29.574
Tangible				
Employees of the branches are professionally dressed	0.808	18.291	0.747	9.360
Bank will have modern looking equipment (Computers, fast ICT Facilities)	0.851	26.119	0.741	8.874

The physical facilities an admirable banks will be visually pleasing	0.862	34.317	0.838	22.166
The ATM'S of this banks are technologically well-equipped	0.853	29.625	0.843	27.864
Computers, ATM Machines, teller station, brochures statements associated with the service will be visually attractive in an excellent bank	0.798	19.591	0.816	21.778
The ATM'S of this banks are adequate in numbers	0.754	14.745	-	-

Source: Survey data, 2017.

Table 2 exhibits that the Cronbach's α was higher than the required value of 0.7 and composite reliability was higher than the recommended 0.7 value of all constructs. Table 2 further shows that higher value of AVE confirm the convergent validity of the constructs. Square root of AVE value which is larger than the other correlation value among the latent variables (construct) is confirm the discriminant validity (Fornell & Larcker, 1981). The square root of AVE construct values are larger than other correlation value among the construct. Therefore, researchers confirmed the discriminant validity of the constructs.

Table 2: Composite Reliability and Convergent Validity

	Composite Reliability				**Convergent Validity**	
	Public Banks		**Private Banks**		**Public Banks**	**Private Banks**
	CR	CA	CR	CA	AVE	AVE
Attitude	0.919	0.826	0.898	0.773	0.851	0.815
Fulfilment of expectation	0.877	0.825	0.846	0.728	0.789	0.647
Recommendation	0.932	0.855	0.919	0.826	0.874	0.851
Satisfaction with use	0.904	0.857	0.886	0.828	0.702	0.660
Switching	0.842	0.720	0.870	0.777	0.741	0.691
Assurance	0.843	0.751	0.875	0.787	0.713	0.701

Empathy	0.854	0.772	0.851	0.653	0.694	0.741
Reliability	0.858	0.780	0.852	0.742	0.603	0.659
Responsiveness	0.888	0.811	0.878	0.814	0.727	0.644
Tangible	0.925	0.903	0.897	0.858	0.775	0.637

Source: Survey data, 2017

According to the Hair et al. (2014), structural model to test the hypotheses follow main five steps such as assesses multi-collinearity issues, assesses the significance and relevance of the path coefficient, as well as assesse the R2 and f2 and also finally asses the predictive relevance Q2. According to this study, researcher followed these five steps as major steps to test the hypothesis between dependent and independent variables. The study checked collinearity issues prior to the structural model. Variance Inflation Factor (VIF) is used to test the relationship between the dependent variables (co-linearity). Multiple regression in SPSS are used to generate VIF and Tolerance values for collinearity checking. VIF values for public banks show minimal collinearity, ranging from 2.060 to 4.427. These values are significantly less than the recommended threshold value of 5.00. The tolerance levels range from 0.226 to 0.485 exceeding 0.20. In addition, VIF values for private banks show minimal collinearity, ranging from 2.486 to 3.148. These values are significantly less than the recommended threshold value of 5.00. The tolerance levels range from 0.318 to 0.402 exceeding 0.20. This indicates an absence of multi-collinearity between the independent constructs and the dependent constructs in the structural model.

Table 3 explains the suitability of the variables with the model according to the path coefficient of those explanatory variables. The selected variables should be tally with the model under 0.05 significant level. The independent variables were regressed with the dependent variable for public banks and private banks separately. Beta (β) in the table 3 represents the degree to which extent dependent variable can be affected by a certain independent variable while other independent variables remain constant regarding public and private banks separately. The value of R^2 of public banks is 0.73. That means, customer satisfactions is explained 73 percentage by five service quality constructs of public banks. Moreover, 27 percentage variation of customer's satisfaction is not explained by these five dimension of service quality. The R^2 for private banks is 0.75. That means, customer satisfaction is explained 75 percentage by five dimensions of service quality regarding private banks in the model. Furthermore, 25 percentage variation of customer's satisfaction is not explained by these five dimension of service quality.

Considering the f^2 values, assurance of public banks is 0.63 while that of in private banks is 1. That means assurance represents the large effect size. This empathy represents small effect size for customer satisfaction regarding public banks representing 0.11 value of f^2 while private banks represents large effect size for customer satisfaction indicating 0.44 value. The value of f^2 of reliability is 0.63 for public banks and 0.96 for private banks. f^2 value of reliability as 0.33 for public banks representing medium effect size for customer satisfaction while f^2 value is 2.04 values of reliability for private banks. f^2 value for tangible is 0.27 for public banks that of is 0.11 in private banks. Predictive relevance (Q^2) of customer satisfaction for public banks is 0.556 while predictive relevance of customer satisfaction for private banks is 0.58. Both value are display substantial higher expletenery power.

Table 3: Path Coefficients and their Significant

Public Banks					
	H1 Assurance -> customer satisfaction	**H2** Empathy -> customer satisfaction	**H3** Reliability -> customer satisfaction	**H4** Responsiveness -> customer satisfaction	**H5** Tangible -> customer satisfaction
Path coefficient (β)	0.031	0.290**	0.190**	0.169**	0.273**
T- value	0.395	3.150	3.042	2.801	3.009
Result	**Not supported**	**Supported**	**Supported**	**Supported**	**Supported**
Private Banks					
Path coefficient (β)	0.171**	-0.094	0.036	0.531**	0.296**
T- value	2.156	1.451	0.468	7.695	3.473
Result	**Supported**	**Not supported**	**Not supported**	**Supported**	**Supported**

Source: Survey data, 2017.
** P > 0.05

According to table 3, β coefficient of assurance is 0.031 which is lower than significance path coefficient value of 0.10 also t statistics lower than 1.96 at 0.05 significance level (t statistics = 0.395) and it can be concluded as there is no significance relationship between assurance and customer satisfaction regarding public banks. However, table 3 represents, path coefficient (β value) of assurance of private banks is 0.171 and t statistics of private banks is 2.156 which indicates the positive impact of the assurance to increase the customer satisfaction. That means, when assurance increase by 1 percent, customer satisfaction increase by 17.134 percent. Hence it is suggested that there is positive relationship between assurance and customer satisfaction regarding private banks. Researchers found that, these results of the assurance is not supported to prove hypothesis H1 regarding public bank. But hypothesis H1 is strongly supported considering the private banks. According to this study, assurance is not represent significance relationship with customer satisfaction (β = 0.031) for public banks. That means, knowledge, courtesy and ability of the public banks and its employees inspire trust and confidence of customers are not affected to satisfaction of them. However, assurance represents low positive significance relationship with customer satisfaction (β = 2.15) for private banks. That means, knowledge, courtesy and ability of the private banks and its employees to inspire trust and confidence of customers are help to increase the satisfaction of them. Although there is lack of similar previous study in the literature, some studies have provided similar findings. Morawakage (2017) also founded that assurance of public banks were not statistically significance related to the customer satisfaction in Sri Lanka. Hennayake (2017) explained that public banking sector in Sri Lanka has moderate positive significance relationship between assurance and customer satisfaction. And also Mehtap and Katicioglu (2005) stated that Greek Cypriot customers' assurance for banking sector is not represent any significance relationship towards customer satisfaction. Tufail et al. (2013) found that both public and private banking sector in Pakistan provides strong positive relationship between assurance and customer satisfaction.

Hypothesis H2 represents the positive relationship between empathy and customer satisfaction. Table 3 represents, when empathy increased by one percent customer satisfaction increased by 29.087 percent (β = 0.290) establishing the significance positive relationship between empathy and customer satisfaction regarding public banks. However, considering the private banks, path coefficient (β value) of empathy is -0.094 which is lower than standardized path coefficient value and t – statistics represents 1.451 at 0.05 level of significance which is lower than 1.96 at 0.05

significance level. It can be concluded that there is no significance relationship of empathy on customer satisfaction considering the private banks. Hence, hypothesis H2 prove by the survey result regarding public banks while regarding private banks, hypothesis H2 is not prove. Empathy of public banks has low positive significance relationship with customer satisfaction (β= 0.29) while empathy of private banks has no significance relationship with customer satisfaction (β = -0.094). Hennayake (2017) and Morawakage (2017) identified that empathy of public banks has moderate positive relationship with customer satisfaction. Ethiopian customers (Mulat, 2017), Indian customers (Selvakumar, 2015) and Pakistan customers (Tufail et al., 2013) give their highest satisfaction through increase the highest level of empathy. By using this variable researcher tried to study the caring individualized attention that firm provides its customers. Further, this study realized that Malaysian banking sector moderately give the individualized attention to satisfy their customers (Kheng et al., 2010).

According to the empirical studies, researcher established the positive relationship between reliability and customer satisfaction. Path coefficient value (β value) of reliability regarding public banks is 0.190. It represent the reliability has impact on the customer satisfaction by 19.07 percent. That means, when β value of reliability increased by 1 percent, it give positive impact to increase customer satisfaction by 19.07 percent. It is suggested that the significance positive relationship between reliability and customer satisfaction regarding public banks. When consider the private banks, Path coefficient (β value) of reliability is 0.036 and value of t statistics is 0.468 at 0.05 significance level which existing below the standardized path coefficient value and standardized t- statistics value at 0.05 significance level. Hence, there are no significance relationship can be identified between reliability and customer satisfaction for private banks. Thus, H3 hypothesis is highly satisfied regarding public banks and also hypothesis H3 is not satisfied regarding private banks. Especially Hennayake (2017) and Sivesan (2012) identified that, this reliability factor is the most influential factor to improve customer satisfaction regarding public banks in rural sector. However, reliability factor not influence to customer satisfaction in urban sector (Morawakage et al., 2013). Moreover, private banks in both urban and rural sector has positive significance relationship with customer satisfaction (Morawakageet el al., 2013; Sivesan. 2012). Further researcher of this study identified that customers in both Ethiopian (Mulat, 2017) and Pakistan (Tufail et al., 2010) banking industries also give highest attention to keep promises of doing something by a certain time, showing sincere interest in solving customers' problem, performing the highest service right the first time and providing service as promise time in order to satisfy the banking industry. And also Malaysian banking industry identified the reliability has moderate positive relationship with customer satisfaction. This finding is further supported by the previous researcher including Bellini, Lunardi & Henrique (2005) and Nguyen & Leblanc (2001).

Path coefficient value of responsiveness represents significance positive relationship with customer satisfaction representing larger value than 0.10 of path coefficient and t statistics is greater than 1.96 at 0.05 significance level according to table 3. That mean, increase of responsiveness by 1 percent has impact to increased customer satisfaction by 16.937 percent regarding public banks. And also private banks represent significance positive relationship between responsiveness and customer satisfaction representing 0.531 of path coefficient value. That mean, when responsible increased by one percent, it give positive impact to increase customer satisfaction by 53.16 percent regarding private banks representing significance positive relationship. Therefore, this study confirmed the hypothetical relationship denoted by H4 regarding both public and private banks separately. And researcher further founded that, responsiveness of private banks has highest positive impact on customer satisfaction rather than public banks. Another dimension to measure the service quality is responsiveness. Both public and private banks in Sri Lanka identified that responsiveness has significance positive relationship (β= 0.16) and (β= 0.53) with customer satisfaction respectively. This positive impact of responsiveness towards customer satisfaction is supported by the previous researchers Hennayake, (2017) and Sivesan, (2012) in Sri Lanka. However, Morawakage, (2013) identified that responsiveness factor of public banks in Sri Lanka not provide any impact to change customer satisfaction. Number of previous researchers supported to the finding of this study (Baghla and Garai, 2016; Felxi, 2017; Gupta & Agarwal, 2013; Mulat, 2017; Taufail et al., 2013) reflecting the importance of willingness and readiness of employees to provides quick service to customers to enhance the satisfaction of them. Further, Selvakumar (2015) analysed service quality of banking industry in Coimbatore and he founded that, banking sector employees in Coimbatore, do not always provide prompt and exact service to their customers to enhance responsiveness and customers not perfectly satisfy with the employees activities.

According to table 3, this study evaluated that tangible has positive influence on the improvement of customer satisfaction on the basis of positive path coefficient (β= 0.273) and t statistics. (3.009) regarding public banks. And private banks also represent the positive relationship between tangible and customer satisfaction (β = 0.296 and T- statistics =3.473) regarding private banks. It explains that when tangible increase by one percent, service quality of public banks increase by 27.380 percent and service quality of private banks increase by 29.696 percent. Thus, this survey result highly confirm the hypothetical relationship denoted by H5 regarding both public and private banks separately. The last dimension of the service quality is the tangible. According to this study researcher found the positive significance relationship of tangible to enhance the customer satisfaction of both public and private banking sector representing the path coefficient value (β = 027) and (β = 0.29) separately. From this dimension researcher examined the appearance of physical facilities, equipment, and communication materials in the banks. Specially ATM facilities, TV, Print machine and brochures statements etc. Confirming this theoretical relationship Hennayake (2017) and Morawakage (2013) identified that customers in both public and private banks in Sri Lanka are satisfied with the physical aspects, tools and equipment provided by the banking sector. Supporting to this idea, previous researchers (Mehtap & Katiciogli, 2005; Mulat, 2017; Tufail et al., 2013) identified the positive impact of tangible to enhance the customer satisfaction in the banking sector. Moving previous researches further researcher identified that tangibles have no significance impact on customer satisfaction in Malaysian banking industry (Yang et al., 2004). Because the customers in Malaysian did not see the tangible as important factor to their satisfaction. This result is contrary to the findings by Sureshchandar et al. (2003).

5.Conclusion

The Sri Lankan commercial banks compete with each other giving same kind of better service to their valued customers. Therefore, quality of the services is considered as key component among the banks in order to provide better service to the customers. In a competitive market situation banks in both public and private sector in Sri Lanka, apply different and important strategies to improve the quality of their services. Hence, these different qualities affect to different level of customer satisfaction. The result of this study reveals that, responsiveness and tangible dimensions of both public and private banks have significance lowest positive impact on customer satisfaction. This significance positive relationship of responsiveness on customer satisfaction realize that both public and private banks are willing to help their customers at times when the customers need service of the banks. Further, this result revels that both public and private banks in Sri Lanka provides favourable reaction to solve customers' problems timely. And also positive relationship of tangible on customers' satisfaction realized that customers of both public and private banks are highly satisfied with modern equipment and technological services provided by banks. Further, it indicates that customer satisfaction of both public and private banks is affected by factors such as physical premises of the banks, how employees dress, promotional scheme offered by banks and use of technology up-to date equipment by banks. Moreover, this study shows that empathy and reliability dimensions with regard to public banks have lowest significance positive relationship with customer satisfaction. However, those two variables are statistically insignificance to determine the customer satisfaction regarding to private banks. So this result implies that, public banks has flexible operating hours to work and established convenient locations to works. And also public banks has introduced different loan schemes to the customers, understanding their purpose. Further, it represents public banks' ability to deliver service as promised and speed of handling the problem weather the banks has customers' best interest at heart and weather the banks offer products that are best suited for customers. As well as accuracy of service provided of public banks helped to enhance the customer satisfaction.

The management needs to improve quality services so as to satisfy customers' needs. The banks needs to pay much attention on the customer complaints in order to satisfy customers' expectation. The management of the banks should regularly run research activities in order to keep a regular track of customer satisfaction level. Regular research should also be conducted to find out customer expectation about various service aspects. These findings are important to enable bank managers to have better understanding of customer's perception of service quality of banking and consequently of how improve their satisfaction with respect to aspect of service quality. Owing to the increasing competition in both public and private bank sector, customer service is an important part and bank managers should be rethinking how to improve customer satisfaction with respect to service quality.

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