

## Impact of Service Quality on Customer- Satisfaction; a case study of State

### Bank of India

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### Abstract

Customer satisfaction has been perceived as an integral component that determines the factors or reasons affecting customers in either staying or choosing to leave the organization by not availing its services. In order to retain the customers, organizations must evaluate the factors that can help them achieve better Customer Satisfaction. Service Quality is one such variable that affects the level of Customer Satisfaction in the banking sector (Wambugu, 2015). Service Quality can be segregated in several other elements such as reliability of the services, convenience, the staff members offering the services and others. While there is a large volume of literature on Internal Marketing and Customer Satisfaction separately, yet there are very inadequate empirical studies regarding confirmation of the impact of Service-Quality on Customer satisfaction, especially in banking sector. Therefore, the present paper is aimed at systematically analyzing the impact of Service-Quality on Customer satisfaction. The Data for the present study was collected through structured questionnaires from 50 employees and 100 customers of State Bank of India.

**Keywords:** Service Quality, Service Quality dimensions, Customer satisfaction, Customer Satisfaction Dimensions, Employees, Customers, State Bank of India (SBI).

### 1. Introduction

In the last few decades, there has been a tremendous study/research on Service Quality. The key factor behind the ever increasing prominence on Service Quality is that a high Service Quality brings highly satisfied customer that ultimately results in a better competitive position in a cut throat competition thereby resulting in larger market share and profit (Fornell, 1992). Analysing the different aspects of Service Quality can assist the banks in identifying their weak points and helping those formulating strategies for acquiring higher Customer Satisfaction. Internal Marketing and Service Quality provides an understanding on achieving the satisfaction of external customers through engaging them in a better experience

associated with the purchasing of a product or a service (Shazia, 2017). This may be achieved through employee interaction via Service Quality.

Service Quality is recognized to affect the Customer Satisfaction level and loyalty towards the organizations. Service Quality, where the employees can be empowered through internal organizational norms and practices can boost employee performance levels and motivate them to provide higher Service Quality to customers (Sohail, 2018). It is also essential to note that Customer Satisfaction is highly influenced by the perceived Service Quality. In the banking sector, Service Quality is an integral issue or a critical aspect due to its importance in affecting Customer Satisfaction and more knowledge on the association between these two components can help the management and employees in the bank to collaborate and demonstrate joint efforts to improve the Service Quality.

## **2. Review of Literature**

### **2.1 The concept of Service Quality**

The term Service Quality has been the topic of interest among many researchers and market professionals, who are well aware about its benefits. It has been understood by the businesses that competitive advantage can be gained only through better Service Quality and that's why the profit sector organizations are increasingly becoming customer oriented by providing good quality of service. The elusive concept of Service Quality has been described by Parasuraman, V. Zeithaml and L. L. Berry in 1985, Bitner, Booms and Mohr 1994; Roest and Pieters' 1997. Service Quality and Customer Satisfaction are considered as important factors in both profit and non-profit organizations.

Gonroos (1983) explained the determinants of Service Quality which have been explained as follows:

- **Reliability:** Reliability of Service Quality is associated with the consistency of execution and trustworthiness. Here it has been proposed that if the organization gives the service in the correct manner the first stance and keeps up to its promises.
- **Responsiveness:** This factor underlines that to what degree the workers are set up and ready to give service. This includes factors, for example, mailing an exchange slip quickly, getting back to a client back in shortest possible time etc.

- **Competence:** This factor is associated the knowledge and aptitudes, and furthermore explore capacity of contact staff, operational help work force that is required for providing the service.
- **Access :** This factor is associated with the approachability which means for instance if the working hours are advantageous, the location of the offices are convenient, the holding up/waiting times are short and furthermore simple access by phone.
- **Courtesy:** This factor includes affability, regard, thought, cordiality of contact work force (counter receptionists, phone administrators, etc.).
- **Communication:** This is related to keeping the client informed in a language they can comprehend and attentively listening to the client. The organization may need to make a few changes so as to incorporate outside clients.
- **Credibility:** It refers to the incorporation of various factors like reliability, trustworthiness and genuineness. It intends to the extent the organization has the customer's best interest at heart. Components that influence the credibility are the organization name, status, individual attributes and how much the hard sell is associated with clients.
- **Security:** Security implies independence from peril, hazard or uncertainty. Variables included are: physical security, money related security and secrecy.
- **Understanding the customer:** This is connected with trying to comprehend the client which includes finding out about explicit prerequisites, desires and wants and giving individualized consideration.
- **Tangibles:** They include physical facilities of the service like physical evidences, for example, physical offices, appearance of service personnel, apparatuses or tools that are utilized to give the service, physical portrayals or different clients in the service area.

## 2.2 Customer Satisfaction

Customer satisfaction may be defined as an "evaluation of the perceived discrepancy between prior expectations and the actual performance of the product" (Tse and Wilton, 1988, Oliver 1999). In other words, Satisfaction of customers with respect to products/services of a company is treated as one of the most important factors that lead to core competency and

success (Hennig-Thurau and Klee, 1997). Gustafsson, Johnson and Roos (2005) came out with the conclusion that Customer satisfaction is basically, how customer assess the performance of the product/service. Further, Customer satisfaction is the reaction and judgment of customer towards the state of satisfaction and satisfaction level respectively. Also, as per the findings of Kim, Park and Jeong (2004), Customer satisfaction is of utmost importance in present business scenario and is further supported by Deng et al., (2009), according to whom, the skill of a service provider to generate highest degree of satisfaction is essential for product/service differentiation and nurturing strong and long term relationship with customers.

Researchers have also found out that Customer- Satisfaction can help the brands to build long term and profitable relationships with their customers (Eshghi, Haughton and Topi, 2007). Despite being a costly affair to create satisfied as well as loyal customers, it results into more profitable returns in long run for the company (Anderson, Fornell and Mazvancheryl, 2004). Hence, business houses should strive to improve the quality of services and accordingly charge suitable/fair price to generate customer satisfaction that would in turn help the firm in customer retention (Gustafsson, Johnson and Roos, 2005).

## 2.3 Service Quality and Customer Satisfaction

Although there is abundant research work done on the study of relationship between Service Quality and Customer Satisfaction, there are also volumes of literature available on relationship between Employee Satisfaction and Service Quality, yet there is very limited/no empirical evidence on the direct impact of Service Quality on Customer Satisfaction. Thus, the present paper aims at studying the impact of Service Quality on Customer Satisfaction in State Bank of India by getting responses from the Employees and Customers of the bank.

## 3. Research Methodology

### 3.1 Sample

The population for the present study was the employees of State bank of India. In the survey, the identity of the respondents has been kept closed.

A total of 60 and 120 survey questionnaires were send/mailed out to employees and customers respectively of State bank of India in select states of Northern India. Out of the 60 and 120 questionnaires mailed/send/posted, a total of 53 and 107 questionnaires were

received back after follow-ups, respectively from the above said employees and customers. About 3 questionnaires in case of employees and 7 in case of customers were dropped out due to mostly missing/omitted values. On the whole the response rate was thus 83 percent, which was considered quite acceptable for the present study.

According to the above literature and in order to find out the impact of Service Quality on Customer Satisfaction in State Bank of India, hypothesis has been formulated as follows:

***Hypothesis (H). Service Quality is significantly related to Customer Satisfaction***

#### **4. Data Analysis**

The constructs in the present study have been formulated by using scales taken from previous studies. Also, some changes have also been done as per the requirements of the study. Five-point Likert scale with anchors strongly agree (=5) and strongly disagree (=1) have been used. Further, the questionnaire pertaining to the measurement of Service Quality was developed as per the SERVQUAL model and other related studies. The constructs developed by Parasuraman, Zeithaml and Berry, (1985), Parasuraman and Berry (1988), Kang and James (2004), Parasuraman, Zeithaml and Malhotra (2005), Li and Suomi (2009), Carlsson (2010), Li and Suomi (2009), Kabir and Carlsson (2010), Culiberg and Rojšek (2010), E L Samen and Alshurideh (2012), Ong (2012), El Saghier and Nathan (2013), Yarimoglu (2014), Yarimoglu (2014), Serafimovikj et al., (2017) etc. were used as they provide reliable questions for measuring all the dimensions of Service Quality. Service Quality dimensions developed out of the said studies are Tangibles, Responsiveness, Reliability, Assurance and Empathy. Furthermore, the constructs that enabled the measurement of Customer Satisfaction were adopted from previous studies of Deng and Dart (1994), Homburg and Rudolph (2001), Keiningham et al., (2007), Angelova and Zekiri (2011), Kumbhar (2011), Rana, Osman and Islam (2014), Lončarić, Lončarić and Markovic (2015) etc. and included dimensions Products and Services, Employee Knowledge of Products or Services, Order/Transaction Handling, Complaint Handling etc.

For the purpose of data analysis, the statistical program SPSS for Windows Version 21.0 has been used. In order to make out the association and impact between/on Service Quality and Customer Satisfaction, Correlation studies and regression analysis have been used.

#### 4.1 Descriptive statistics analysis

The relationship between Service Quality and Customer Satisfaction is determined by a correlation coefficient of 0.712 indicating a significant positive relationship between the constructs. Thereafter, linear regression has been used to study the effect of Service Quality on Customer Satisfaction.

The results of the regression analysis showed that Service Quality explain a significant amount of variance in Customer Satisfaction  $\{R^2 = 0.507, \text{Adjusted } R^2 = 0.506, p < .001\}$ . Thus, the model summary is statistically significant and Service Quality account for approximately 50.7% of the variance in Customer Satisfaction. Further, the results shows that for a one unit increase in Internal Marketing practices, 1.944 units increase in Customer Satisfaction can be expected. In all, the results show a significant impact of Internal Marketing practices on Customer Satisfaction.

**Table 4.1: Regression Analysis of Service Quality on Customer Satisfaction**

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.712 <sup>a</sup>	.507	.506	.900	
a. Predictors: (Constant), SERVICE QUALITY					
Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	6.135	.448		13.689	.000
SERVICEQUALITY	1.944	.073	.712	26.724	.000
a. Dependent Variable: CUSTOMER SATISFACTION					

Thus, analysis supports hypothesis of the study i.e. *Service Quality is significantly related to Customer Satisfaction.*

#### 5. Discussion and Managerial Implications

This study is intended to find out the impact of Service Quality in State Bank of India on Customer satisfaction.

**H1.** There exists a relationship between Service Quality and Customer Satisfaction.

The conclusions of the results of the study as drawn from the data provided above is that Service Quality has direct relationship with Customer Satisfaction in State Bank of India.

## **6. Limitation and scope for future research**

There can possibly be no research that is free from all kind of limitations. Similarly, there exist some limitations in present study which needs to be identified and addressed by future research. As the conclusions of the results of the study have shown that Service Quality has direct impact on Customer Satisfaction in State Bank of India, a future research can be undertaken in some other sectors to establish/confirm the said relationship/impact. Further, the present paper has adopted only a sample size of 50 and 100 for employees and customers respectively, whereas the future research can undertake a large sample size so as to generalize the result for larger population. Also, the present study has been conducted in State Bank of India only whereas other researchers can undertake a comparative study between two or more banks.

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