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# Ensuring customer satisfaction through service quality: An empirical study

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### Abstract

The impact of privatization and globalization on the Indian economy has made it difficult for the banking sector to hold on to existing customers while attracting new ones. Customer satisfaction level can only be built by providing quality services with quality assurance to them. Thus, the study measures five dimensions in service quality i.e. Tangibility, Reliability, Responsiveness, Empathy and Assurance (SERVQUAL) with customer satisfaction in the banking sector of Rajasthan. The research was carried out in a survey applied to 60 respondents of ICICI and PNB banks. The study finds that services opened by retail elements are significantly related and have positive impact in construction of customer satisfaction in selected Private Sector Banks.

**Keywords:** Banking sector, customer satisfaction, service quality, SERVQUAL dimensions

### Introduction

A financial system is a combination of diverse organizations, market structures, rules and regulations, money managers, analysts, liabilities etc. The financial system acts as a vital link in by channelizing savings into investments and enhancing the efficiency of resources of a country thus promoting economic growth. The banking industry is working as an intermediary between individuals, financial institutions, government and other stakeholder's who directly and indirectly get impacted by the industry.

Banks today, play a vital role in economic growth of a nation. The key for an efficient banking system greatly effects a country's progress. Modifying reforms of banking sector with their impel on efficiency, transparency as well as sustainability have shaped competition with a mix for the Indian banks. In order to attain these, our Indian banks have been compelled to interchange the objective of profit maximization. Service quality can be a basis in developing long term relationships with customers. The practice of providing services according to demands have led to innovative products and a customer approachable product. The constant demand has also led to increased burden on the banks to be highly modest in order to retain customers over the introduction of tailored products by the banks.

An overall good quality of services provided to the customers would enhance customer satisfaction. A contented customer would endure dealing with the bank in the long run. Throughout this period, there is steady transfer of good quality products and services, the client strengthens his relationship by being extra loyal to the bank. The beginning of this leads to start for the bank by evolving long term relation. This is unveiled by joint confidence and devotion.

### Review of Literature

Setyadi, B.S.B., Helmi, S., & bin Syed Mohammad, S.I. (2023) <sup>[1]</sup>. This study aims to understand and inspect the impact of Service Quality on Customer Loyalty, continued by customer satisfaction. The findings of the study have substantial impact for industries in the service sector. This indicates that rendering good quality of service is critically vital approach for attaining achievement, predominantly in relations to customer satisfaction and loyalty. It has been observed that businesses sector majorly focuses on refining the quality of services by frequently nursing, evaluating and investing in employee training and enhancement.

Khan, Lalitha & Omonaiye (2017) <sup>[2]</sup>.

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This study identifies the perception of employees of Nigerian bank near the sensibleness and effectiveness of online banking services in the Nigerian viewpoint. The results revealed that there is an immense need for capable, Trained, skilled and qualified specialists in banking sector. It has been observed that even if there are few obstructions concerning the amenities and infrastructure in the country. Personnel look after a reasonable opinion about the probable benefits of online banking.

Giannakis, Bompolis & Boutsouki (2014) [5]. This study estimates the degree of effectiveness of traditional CRM practices replicated on the customer performance, affect the possibilities of customer commitment. The results revealed that the overall customer satisfaction, customer effective dedication and the lively social media presence of the bank is to be measured as important determinants of customer's readiness to start a new sort of relationship with the banks.

Khan, B., & Rizwan, M. (2014) [8]. The paper investigates the degree up to a customer is satisfied with the perceived service quality, trust, switching costs and involvement of customers influencing loyalty in the banking sector. A significant aspect in the maintenance of competition in the service sector in customer loyalty on which a firm's performance is entirely dependent. It only increases the value of business but also allows to support costs that are lower than the one attracting new customers.

Rao (2014) [10]. The study highlights perceptions and potential role of retail banking services in the economic development of India. It is a broadly known factor for development of India. The recent Retail Banking strategies are undergoing a key transformation as banks now have started adopting mix strategies such as organic growth acquisition. This has led to a paradigm shift in the marketing strategies of the banks.

Malik, S. (2014) [13]. The study focuses on the transformation that technology has brought in the banking sector of India. In the past decades, there has been some major financial innovations India's banking structure that led to great improvements in banking services and operations. The paper also highlights that how the banks are heavily adopting the innovations bringing the benefits as well as challenges of changing banking trends.

Nayak, N, Nath, V.I.K.A.S., & Goel, N. (2014) [21]. The main aim of this research is to identify the factors contributing to user's intent to use the mobile banking services. The idea behind this research paper is to investigate the factors influencing the adoption of behavior of consumers using mobile banking services. Further, it also suggests remedies that the mobile banking providers must apply to add to their mobile banking services.

Budale, D, & Mane, D. (2013) [22]. Banks are trying to make improvements in their relationships with the customers thereby retaining their existing customers and also creating effective marketing mechanism. There are more chances of customers switching banks if provided with more benefits and facilities according to their needs. Many banking institutions are using predictive analytics to meet the needs of customers.

Dabone, Addiyah & Petershie (2013) [15]. The main underlying principle of this learning is to recognize factors touching customers' choice of retail banking in Ghana. The article found that profession and shelter deposits were vital factors that customers in the municipality look for while building retail banking decisions. Also there were

recommendations that the banks lack in providing services to their clients.

Gupta, A., & Gupta, M. (2013) [23]. In this paper researcher has been tried to examine the developments regarding ICT based payments and settlement systems in the Indian banking structure and analyze it. Major focus of this thing is to enhance payment and settlement system based on secondary data bases.

Meena, R. (2013) [20]. The main rationale behind this study is to create awareness within internal and external sub systems amid target groups. Its aim is to attain sustainable development to impart with green banking. Additionally, an attempt was made to lean down effective behaviors for green banking. Thus, without any further delay, an appropriate business model must be adopted for green banking to achieve sustainable banking.

### Theoretical Framework

The theoretical context is presented in figure 1.

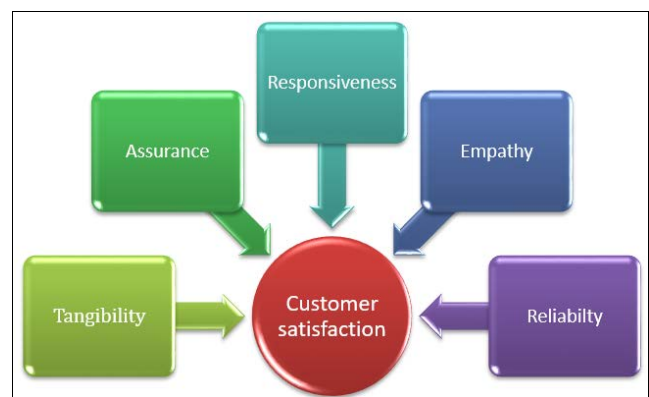


Fig 1: Conceptual Framework

### Tangibility and Customer Satisfaction

Tangibility can include aspect of factors associated to the advent of the physical facilities, equipment's and supplies that might be affected and sensed. Ambience is also involved in the scientific aspect in the banking. Customers shift from one bank to another. Majorly the purpose behind this is that banks don't give consideration towards the tangibility. Customer satisfaction as well as retaining depends majorly on tangibility. Banks must work on both tangibility and intangibility. That would boost customer satisfaction and aid in building stretched dealings with the customers.

### Reliability and Customer Satisfaction

Reliability states the confidence with which services are provided correctly and consistency as assured. They choose those firms that fulfill possibilities effectively. It was found that delivery of services aptly might lead to higher level of satisfaction is an important aspect. Implementation of new know-hows can provide and force the companies to offer consistent services. This strategy will make the customers further fulfilled.

### Responsiveness and Customer Satisfaction

Responsiveness focuses on swiftness and quality of willingness through which services are delivered to people. The process in which service providers react quickly to resolve customer problem positively within a given period is called responsiveness (Blery, et. al., 2009) [24]. It is highly

mandatory for a firm to make customers satisfied while understanding their needs. This dimension of service quality is perceived through the people aspect of service quality. However, information technology advancement like emails, webpage and customer service interface improves the responsiveness of service delivery firm (Kaura, *et al.*, 2012) [25].

### Empathy and Customer Satisfaction

Empathy is the act of directly reaching the customers. It states factors demonstrating that employees are helpful, approachable and complex to the needs. Therefore, it is necessary for the banks to be vicarious with the customers having complaints and issues. Empathy positively marks customer satisfaction. No empathy in the behavior of employees' firms will not be able to improve their financial health. Accordingly, every customer needs individual attention as they have miscellaneous needs.

### Assurance and Customer Satisfaction

Assurance comprises all features such as confidence, trust and security that the service commitment is fulfilled. They indirectly provide assurance of solving varied problems by rendering services when an employee spreads courtesy. The positive association among trust and customer satisfaction might lead to advanced customer satisfaction levels. It helps in surveying customers with the satisfaction levels.

### Research Gap

The research gives a treasure of knowledge and information regarding studies on challenges and working prospects faced by banking sector in India. The literature review shows practice of numerous parameters of measuring the influence of service quality on customer satisfaction in banks. Though, the association among professed service quality and the levels of satisfaction the customers towards banking has not been studied in selected private banks. The study hence proves to examine the association among professed (SERVQUAL) dimensions and customer satisfaction level in the banking sector.

### Objectives of the Study

- To determine the factors affecting service quality in the banking sector.
- To study the relationship between service quality variables and customer satisfaction in the banking sector.

### Hypothesis of the Study

The following hypothesis has been formulated and tested

**H0<sub>1</sub>:** There is no significant relationship between service quality variables and customer satisfaction in the banking sector.

### Research Methodology

#### Sample Unit

Sampling unit was the customers of 2 private sector banks i.e. ICICI and PNB having an account in any branch location in Jaipur.

#### Sample Size

60 Randomly Selected Respondents

#### Sampling Procedure

Convenient Simple Random Sampling Method

#### Research Design

The study is an empirical analysis of "Ensuring Customer Satisfaction through Service Quality". For primary data collection, Questionnaires are used on five-point Likert scale for assessing customer satisfaction.

The research and statistical tools employed in this study are Exploratory Factor Analysis (EFA) and Correlation Analysis. Data reliability was tested by using Cronbach's alpha value. SPSS 22 was used for statistical analysis. Correlation analysis was employed to find the significant relationship which will determine the overall relationship of service quality variables with customer satisfaction level.

**Objective 1:** To determine the factors affecting Service Quality in Banking Sector.

#### Exploratory Factor Analysis (EFA)

With the help of Bartlett's and Kaiser-Meyer-Olkin (KMO) sampling adequacy can be tested.

**Table 1:** KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.715
Bartlett's Test of Sphericity	Approx. Chi-Square	698.028
	DF	231
	Sig.	.000

Source: Output of IBM-SPSS 22

Bartlett's test statistics was found significant at 0.000 levels. It indicates the presence of non-zero correlations matrix. Further, KMO measures sampling adequacy which turns out to be 0.715. Although, both the tests met the minimum criteria for carrying out factor analysis in the dataset.

**Table 2:** Communalities

Communalities		
	Initial	Extraction
1	1.000	.797
2	1.000	.675
3	1.000	.737
4	1.000	.769
5	1.000	.744
6	1.000	.712
7	1.000	.659
8	1.000	.835
9	1.000	.667
10	1.000	.776

11	1.000	.799
12	1.000	.831
13	1.000	.709
14	1.000	.855
15	1.000	.820
16	1.000	.875
17	1.000	.764
18	1.000	.787
19	1.000	.726
20	1.000	.808
21	1.000	.921
22	1.000	.762

Source: Output of IBM-SPSS 22

**Table 3: Total Variance Explained**

Components	Total Variance Explained								
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.388	29.037	29.037	6.388	29.037	29.037	3.686	16.753	16.753
2	2.941	13.366	42.403	2.941	13.366	42.403	3.008	13.671	30.424
3	2.398	10.902	53.304	2.398	10.902	53.304	2.509	11.405	41.829
4	1.414	6.428	59.733	1.414	6.428	59.733	2.450	11.138	52.967
5	1.325	6.021	65.754	1.325	6.021	65.754	2.126	9.663	62.630
6	0.962	5.458	71.212						
7	0.909	4.959	76.170						
8	.869	4.539	80.710						
9	.680	3.092	83.802						
10	.629	2.859	86.661						
11	.597	2.712	89.373						
12	.538	2.446	91.819						
13	.372	1.693	93.512						
14	.329	1.496	95.009						
15	.291	1.324	96.332						
16	.205	.931	97.263						
17	.180	.818	98.081						
18	.155	.702	98.783						
19	.108	.489	99.272						
20	.081	.370	99.642						
21	.052	.235	99.877						
22	.027	.123	100.000						

Source: Output of IBM-SPSS 22

SPSS extracted 5 factors based on Kaiser’s criterion. It was accurate when the communalities are greater than 0.60.

Present data sample size is 60. There are 22 variables extraction of which 5 factors are justified.

**Table 4: Results of the Factor Analysis (Rotated Component Matrix)**

	Rotated Component Matrix <sup>a</sup>				
	Component				
	1	2	3	4	5
1	.821				
2	.424				
3	.689				
4	.681				
5	.500				
6		.828			
7		.465			
8		.638			
9		.632			
10			.523		
11			.880		
12			.556		
13			.777		
14			.804		
15				.654	
16				.916	
17				.695	

18				.725	
19					.786
20					.862
21					.775
22					.616

Source: Output of IBM-SPSS 22

All the five statements are as follow:

- Factor one shows association with Assurance.
- Second factor consists of four statements representing Empathy.
- Five statements under factor 3 represent Reliability.
- Four statements under factor 4 signify Responsiveness.
- Four statements under factor 5 signify Tangibility.

**Reliability Analysis**

Cronbach’s coefficient alpha was applied for testing reliability.

**Table 5:** Reliability Statistics

Reliability Statistics		
Parameters	Cronbach’s Alpha	No of items
Assurance	0.740	4
Empathy	0.736	5
Reliability	0.771	5
Responsiveness	0.737	4
Tangibility	0.804	4
Customer satisfaction	0.846	28

Source: Output of IBM-SPSS 22

We can analyze that all the parameters of Cronbach’s Alpha is more than 0.700 which indicates that there is a high level of internal consistency for our scale.

**Data Analysis**

In order to investigate data and purpose of the study several statistical methods and tests were applied.

**Objective 2:** To study the relationship between service

**Table 11:** Correlation Analysis

		Assurance	Empathy	Reliability	Reliability	Tangibility
Customer Satisfaction	Pearson Correlation	.699**	.680**	.541	.514	.790**
	Sig. (2 tailed)	.000	.000	.009	.010	.000
	N	60	60	60	60	60

Source: Output of IBM-SPSS 22

**Interpretation**

Table specifies that there is a significant relationship among all the identified variables of Service Quality and Customer Satisfaction.

The results showed that Tangibility has highest  $r = 0.790$  and  $p = 0.000$  indicating a statistically significant positive correlation between Tangibility and Customer Satisfaction. Assurance has  $r = 0.699$  and  $p \text{ value} = 0.000 < 0.05$  at 5% level of significance, indicating a statistically significant positive correlation between Assurance and Customer Satisfaction.

Empathy has  $r = 0.680$  and  $p = 0.000 < 0.05$  at 5% level of significance, indicating a statistically significant positive correlation between Empathy and Customer Satisfaction.

Reliability has  $r = 0.541$  and  $p = 0.009 < 0.05$  at 5% level of significance, indicating a statistically significant positive correlation between Reliability and Customer Satisfaction.

quality variables and customer satisfaction in Banking Sector.

**H02:** There is no significant relationship between service quality variables and customer satisfaction in Banking Sector.

**Table 10:** Descriptive Statistics

Descriptive Statistics			
Parameters	Mean	Std. Deviation	N
Assurance	4.0660	.53487	60
Empathy	3.7950	.58857	60
Reliability	3.8300	.57695	60
Responsiveness	3.6900	.64288	60
Tangibility	4.3550	.55666	60
Customer satisfaction	3.6645	.39876	60

Source: Output of IBM-SPSS 22

Descriptive Analysis is a process of using statistical techniques to transform raw data into a set of factors describing a situation. This would make it easy to recognize and interpret. The analysis makes the data meaningful via frequency distribution and percentage value. Descriptive statistics summarizes the data which represent the entire population.

**Correlation Analysis**

When we would like to analyze how one variable is related to another correlation analysis is used. In the study, correlation analysis has been used to examine the extent of relation among Overall Satisfaction and Overall Service Quality.

Responsiveness has  $r = 0.514$  and  $p = 0.010 < 0.05$  at 5% level of significance, indicating a statistically significant positive correlation between Responsiveness and Customer Satisfaction.

**Findings**

The study leads to the conclusion that there is a statistically significant impact of all the identified variables of (SERVQUAL) Service Quality on Customer Satisfaction. It is said that if private sector retail banking boosts the quality of services, the ratio of customer satisfaction level can also be uplifted consequently because there is Positive Correlation.

**Conclusion**

Banks in India, especially private sector banks play a significant role to enhance the services. To encounter the

needs, demands and challenges of today's dynamic business and banking domain, focus on customers is critical important and is a basic necessity. The objective of the study was to discover the relationship of SERVQUAL dimensions with customer satisfaction. Study discloses that all the recognized variables of service quality i.e. Assurance, Empathy, Reliability, Responsiveness and Tangibility have statistically and significantly low and positive correlation with customer satisfaction. It revealed that Tangibility, Assurance and Empathy showed high Pearson Correlation value with significant effects. It shows that customers in Private Sector Banks are extremely satisfied in relations to Tangibility, Assurance and Empathy. Reliability and Responsiveness showed low Pearson correlation value. The study helps in building long term profitable relationship thereby forming a better understanding, offering optimal products and services in accordance with the needs and achieving life time value for customers.

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