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Impact of Service Quality on Customer Satisfaction: A Study on Customers of Commercial Bank of Ceylon PLC Trincomalee District

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Abstract

The present study examines the relationship between service quality and customer satisfaction through the SERVQUAL model. In this research service quality dimensions such as Tangibility, Reliability, Assurance, Responsiveness and Empathy considered as independent variables and customer satisfaction is considered as dependent variable. For the purpose of present study 56 customers were selected randomly in Trincomalee District and the primary data were collected through administrating structured questionnaire from thoseselected customers. The collected date was analyzed by inferential statistics. Pearson Correlation analysis revealed that there is a significant positive correlation between service quality and customer satisfaction. Also the study found that service quality is significantly impact on customer satisfaction. Hence maintaining high quality services in commercial bank will have excellent customer satisfaction where as low quality services will lead to a decline in customer satisfaction which also may result to loss of customers.

Keywords: customer satisfaction; service quality; SERVQUAL

1. Introduction

No organization can be successful without satisfying its customers. According to the Naebzadeh and Fatahi (2009), the surest way to achieve success and to remain in the mind of customers is only obtained by providing high quality of products and services. Excellence in service quality is a key to achieve customer satisfaction which is the primary goal of business organizations, as it helps to retain the customers for banks. Service quality is particularly essential in the banking services context because it leads to the competitive advantage through the level of customer satisfaction. Donnelly (2006) proves that Increasing levels of service quality can enhance customer satisfaction. In the customer's point of view to retain the relationship with the bank, the importance of customer satisfaction is clearly obvious. Today, the increasing awareness about the among the customers and their rights, changes in demands, and high competition in the banking industry requires constant progress in service quality from the bank to satisfy their customers. Banking industry in Sri Lanka is one of the effective foundations in the economy, plays a decisive role in the country's activities and consequently put into lot of pressures towards increase in competition. There are so many banks are serving in Trincomalee district and continuously showing their rapid growth together and contributed significantly to the economy of Sri Lanka. Due to this intensive competitive situation, it is necessary for all banks to maintain and improve service quality to the customers by providing technologically developed innovative instant service to satisfy the customers. Any lack in the services or in the quality may cause dissatisfaction among the customers and may lead to switch over to the competitors thereby causing a harmful condition to the entire bank. Owing to this, it is very important to re-examine the present quality of service delivering by the banks to confirm whether it gratifying the customers and its impact on customer satisfaction.

2. Review of the Relevant Literature

Success of a service provider depends on the high quality relationship with customers. According to (Parasuraman, 1988) Service quality is defined as the overall evaluation of a specific service firm that results from comparing that firm'sperformance with the customer's general expectations of how firm in that industry should perform. Kotler and Armstrong (2012) state that satisfaction is the post-purchase evaluation of products or services taking into consideration the expectations. Research has shown repeatedly that service quality influences on customer satisfaction. Hazlina (2011) proves, Service quality is anmagnificiant tool to measure the customer satisfaction. Empirical studies show that the quality of service offered is related to overall satisfaction of the customer. Most researchers suggest that a high level of service quality should be delivered by the service provider is thetool for achieving a high level of customer satisfaction. As the quality of services improves, the level of customer satisfaction will increases. Tam (2004) found that customer with higher perceptions of the value of the service results in turn with greater satisfaction. Dharmalingam (2011) stated that all the service quality attributes are positively correlated with customer satisfaction. Elangovan and Sabitha (2011) in their empirical study found that there is no significant difference in the level of satisfaction of the respondents belonging to different age, education and occupation except income. Vanpariya and Ganguly (2010) examined that service quality is having a positive and significant correlation with customer satisfaction.

The research study by Mesay Sata Shankar (2012) shows all service quality dimensions are positively correlated with customer satisfaction indicating quality banking service as a prerequisite for establishing and having a satisfied customers. According to the result of correlation, empathy and responsiveness are the dominant determinants of customer satisfaction. As per the study by Jamal and Anastasiadou (2009) reliability, tangibility and empathy positively related with customer satisfaction. Moreover, the result of Ravichandran (2010) indicates, responsiveness is the only significant dimension of service quality that affects the satisfaction of customers positively. Kirti Dutta and Anil Dutta (2009) observed that Customer expectations are higher than perceptions and this gap varies across the banking sector with tangibility having the highest impact on overall customer satisfaction. Sulieman (2011) found that reliability, tangibility, responsiveness and assurance have significant and positive relationship with customer satisfaction. Meanwhile empathy was found to have a significant and negative effect on customer satisfaction. Therefore the following hypotheses are proposed.

H_1:   There is a significant positive relationship between service quality and customer satisfaction.
H_{1a}:   There is a significant positive correlation between tangibility and customer satisfaction
H_{1b}:   There is a significant positive correlation between Reliability and customer satisfaction
H_{1c}:   There is a significant positive correlation between Responsiveness and customer satisfaction
H_{1d}:   There is a significant positive correlation between Assurance and customer satisfaction
H_{1e}:   There is a significant positive correlation between Empathy and customer satisfaction

H_2:   Service quality is significantly impact on customer satisfaction.
H_{2a}:   Tangibility has significantly impact on customer satisfaction.
H_{2b}:   Reliability has significantly impact on customer satisfaction.
H_{2c}:   Responsiveness has significantly impact on customer satisfaction.
H_{2d}:   Assurance has significantly impact on customer satisfaction.
H_{2e}:   Empathy has significantly impact on customer satisfaction.

3. Methods

The most widely used models in measuring service quality are the SERVQUAL (service quality can be measured by identifying the gaps between customers' expectations of the service to be rendered and their percep-

tions of the actual performance of the service) developed and modified by Parasuraman (1988) and SERV-PERF (performance is only measure of service quality) by Cronin and Taylor (1992). For the present study the researcher uses SERVQUAL model. The model is based on five dimensions of service quality. Those are Tangibility, Reliability, Assurance, Responsiveness and Empathy.

The primary data were collected through administrating structured questionnaire from selected customers. The structured questionnaire was already tested by Mesay Sata Shanka (2012). The questionnaire consists four questions for Tangibility, Five questions for Reliability, four questions for Assurance, five questions for Responsiveness and four questions for Empathy and one for Customer satisfaction with relevant personal information. The collected date were analyzed by inferential statistics. Pearson correlation used to find the relationship between service quality and customer satisfaction and the linear regression was used to find the significant impact of those variables. Overall scale reliability was checked by cronbach's alpha reliability test.
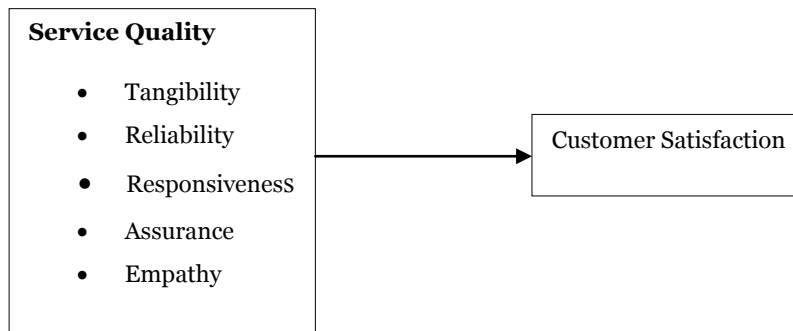

Figure 1: Conceptual Model

4. Data Analysis

Reliability of data is a vital question for all types of study. It was mentioned earlier that the primary data were collected through questioner. This step was undertaken to obtain reliable data and information. Therefore, these data may be considered as reliable for the purpose of this study. However, the reliability value of our surveyed data was 0.937 for service quality and customer satisfaction. If we compare our reliability value with the standard value alpha of 0.7 advocated by Cronbach (1951) we find it to be quite satisfactory. Further the scales used by us are highly reliable for data analysis.

Table 1:Item-Total Statistics

Independent variable	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha
Tangibility	20.14	4.579	0.781	0.935
Reliability	20.39	4.427	0.963	0.904
Assurance	20.58	4.69	0.839	0.923
Responsiveness	20.26	5.856	0.929	0.931
Empathy	20.31	5.741	0.706	0.939
Customer satisfaction	19.9	4.913	0.908	0.913

Cronbach alpha is a measure for the internal consistency of the items that also cover the specific factor. The reliability of the data calculated and summarized in the table 1 for service quality and job satisfaction. The table shows the reliability of data with the service quality of tangibility, reliability, assurance, responsiveness and empathy. The service quality scores Cronbach Alpha values as 0.935 for tangibility, 0.904 for reliability, 0.923 for assurance, 0.931 for responsiveness and 0.931 for empathy 0.939. This shows the well fit of ques-

tionnaire's data with the variables.

Table 2: Correlation analysis

Independent variable	Dependent Variable	R	Sig
Tangibility	Customer Satisfaction	0.754	0.000
Reliability	Customer Satisfaction	0.854	0.000
Assurance	Customer Satisfaction	0.803	0.000
Responsiveness	Customer Satisfaction	0.814	0.000
Empathy	Customer Satisfaction	0.873	0.000
Service Quality	Customer Satisfaction	0.908	0.000

The service quality is positively associated with customer satisfaction of customers of commercial bank of Ceylon PLC in Trincomalee district. Pearson correlation for service quality and customer satisfaction is 0.908. This means there is a strong positive relationship between service quality and customer satisfaction and significant at 1% level. Further tangibility, reliability, assurance, responsiveness and empathy are positively associated with customer satisfaction of customers of commercial bank of Ceylon PLC in Trincomalee district.

The results revealed that the correlation between the service quality and customer satisfaction is strong positive correlation which point out that the service quality can positively affecte the customer satisfaction. As per the 'Significant' test results, it is clear that the correlation is significant at the 0.01 level (2-tailed) of customers of commercial bank PLC in Trincomalee district. Therefore, hypothesis H_1 is accepted. Hence, there is a significant positive relationship between service quality and customer satisfaction.

Table 3: Regression Analysis

	Hypotheses	Accepted/Rejected
H_{1a}	There is a significant positive correlation between tangibility and customer satisfaction	Accepted
H_{1b}	There is a significant positive correlation between Reliability and customer satisfaction	Accepted
H_{1c}	There is a significant positive correlation between assurance and customer satisfaction	Accepted
H_{1d}	There is a significant positive correlation between responsiveness and customer satisfaction	Accepted
H_{1e}	There is a significant positive correlation between empathy and customer satisfaction	Accepted

According to F-test (R^2= .922, $F(5,66)$=143.464, $p<.001$),indicate that the customer satisfaction can be explained by tangibility, reliability, assurance, responsiveness and empathy and the overall fitness of the model is satisfactory. This shows that 92% variance in service quality is attributed by tangibility, reliability, assurance, responsiveness and empathy. 8% of the variation is explained by other factors determining the service quality.

In table 4, standardized co-efficient explain that the dimensions of service quality are influencing the customer satisfaction. Since the independent variables are of different nature and have different units of measure so Standardized Coefficients was considered. The beta value (2.334) with sig value = 0.002 shows that there is significeant impact between tangibility and customer satisfaction because the P-value 0.002 > 0.05. It was found that the empathy also is significantly impact on customer satisfaction. Besides they were unable to notice any significant impact between reliability, assurance and responsiveness with customer satisfaction.

Table 4: Regression Coefficients

Model	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	-0.044	0.291	-0.153	0.879
Tangibility	1.794	0.543	3.301	0.002
Reliability	-2.352	0.94	-2.502	0.015
Assurance	1.242	0.507	2.451	0.017
Responsiveness	-0.243	0.088	-2.763	0.008
Empathy	0.638	0.093	6.828	0.000
a. Dependent Variable: customer satisfaction				

ANOVA results concerning the impact of service quality on customer satisfaction. Service quality found to be F=143.46, p>0.001, indicating statistical significance. The results show that service quality impact on customer satisfaction. Therefore, H_2 is accepted.

Table 5: Hypotheses testing of significant impact between the variables

	Hypotheses	Accepted/Rejected
H_{1a}	There is a significant positive correlation between tangibility and customer satisfaction	Accepted
H_{1b}	There is a significant positive correlation between Reliability and customer satisfaction	Accepted
H_{1c}	There is a significant positive correlation between assurance and customer satisfaction	Accepted
H_{1d}	There is a significant positive correlation between responsiveness and customer satisfaction	Accepted
H_{1e}	There is a significant positive correlation between empathy and customer satisfaction	Accepted

It is seen that there is a strong positive relationship between service quality and customer satisfaction. This implies that as the quality services attributes are suitably chosen and practiced, customers will notably become satisfied. Hence maintaining high quality services in commercial bank will have excellent customer satisfaction where as low quality services will lead to a decline in customer satisfaction which also may result to loss of customers.

5. Conclusions and Implications

From the above research findings, the researcher presumed the following conclusion; From the customers' point of view, the major determinants of quality services in commercial bank empathy and tangibility however there are other determinants like reliability, responsiveness and assurance. The research purpose was to analyze whether quality of services is provided in commercial bank and how it has influenced on customer's satisfaction. The research also established that there is a clear significant relationship between services quality and customer satisfaction. The researcher concluded that quality service is an important factor when one is to retain customers. The increase in the customer satisfaction in commercial bank is due to increase in quality services provided. In relation to the finding, the researchers came up with recommendation of there should be improved communication between the management and customers in order to improve on the quality service so as to satisfy their customers' needs. Further the researcher only considered commercial bank in Trincomalee district, there is need for further research on other branches in other parts of the country

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