



## Customer Satisfaction in Banks: The Role of Service Quality

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### ABSTRACT

*This study explores the critical relationship between service quality and customer satisfaction in the banking sector. The banking industry, as a cornerstone of economic development, serves as a vital intermediary, facilitating financial transactions and supporting economic activities. Customer satisfaction is paramount for the success and stability of banks, influencing long-term loyalty and reputation. The focus is on understanding service quality through the lens of the SERVQUAL model, emphasizing five key dimensions: Tangibles, Reliability, Responsiveness, Assurance, and Empathy. These dimensions play a pivotal role in shaping customer experiences and, consequently, overall satisfaction. The review of literature highlights research endeavors examining the intricate connection between service quality and customer satisfaction in various banking contexts. Notably, studies emphasize the importance of continuous service improvement and the identification of gaps in meeting customer expectations. In the research methodology, a quantitative approach is adopted, employing a convenience sampling method to assess customer perceptions of service quality in Sangli city. A structured questionnaire is used to gather data from 500 participants, focusing on the dimensions outlined in the SERVQUAL model. The interpretation of data reveals a generally positive sentiment in overall satisfaction, ranging from 60% to 70%. However, specific dimensions such as tangibility, reliability, and empathy indicate areas for improvement. The findings suggest opportunities for the bank to refine and enhance its services to achieve maximum customer satisfaction. In conclusion, this study underscores the significance of understanding and meeting customer expectations in the banking industry. Recommendations include targeted strategies to improve tangible aspects, reliability, responsiveness, assurance, and empathy. Continuous commitment to service quality and transparent communication of improvements are crucial for building trust, loyalty, and sustained customer satisfaction in the competitive banking landscape.*

**Key Words:** Banks, Expectations, Customers, Service Quality

### I. INTRODUCTION

The banking industry plays a pivotal role in the global economy by facilitating financial transactions, providing a safe haven for deposits, and serving as a critical intermediary between borrowers and lenders. It is the backbone of economic development, acting as a catalyst for growth and stability. Banks act as intermediaries between those with excess funds (savers) and those in need of funds (borrowers). This role facilitates the efficient allocation of capital and supports economic activities. Banks provide essential services for the transfer of funds, enabling individuals and businesses to make transactions securely and efficiently. This underpins everyday economic activities. Banks assume various risks, such as credit risk and liquidity risk, which contributes to stability in the financial system. Effective risk management by banks is crucial for economic resilience. Central banks, often working in coordination with commercial banks, implement monetary policies that influence interest rates and money supply. This, in turn, affects inflation, employment, and overall economic stability. Banks play a key role in promoting financial inclusion by offering services to diverse segments of the population, fostering economic participation and reducing income inequality.

### II. ROLE OF BANKS IN CUSTOMER SATISFACTION

Customer satisfaction is a fundamental metric that reflects the success of businesses, including those in the banking sector. It refers to the extent to which customers' expectations are met or exceeded by the products or services provided. Satisfied customers are more likely to remain loyal to a bank, continuing to use its services and products. This loyalty contributes to the long-term success and stability of the bank. Positive customer experiences enhance a bank's reputation and build trust. Trust is a critical factor in financial relationships, influencing customer decisions to entrust the bank with their savings and investments. In a highly competitive industry, customer satisfaction can be a key differentiator. Banks that consistently meet or exceed customer expectations are better positioned to attract and retain customers. Satisfied customers are more likely to recommend a bank to others, leading to positive word-of-mouth marketing. This can significantly contribute to customer acquisition and brand growth.

Meeting customer expectations often aligns with regulatory requirements, contributing to compliance with industry standards and enhancing the bank's overall operational integrity. In essence, understanding and enhancing customer satisfaction are critical for the sustained success of banks, not only in attracting and retaining customers but also in maintaining a positive reputation and contributing to the overall health of the banking industry.

## Service Quality



Fig 1.1 Determinants of service quality (Parasuraman, Zeithaml, Berry, 1985).

Every organization aims to enhance its profitability by cultivating loyal customers who make recurring purchases. Understanding the five Service Quality Dimensions is crucial in achieving this goal, as these dimensions contribute to a more sophisticated and satisfying service experience. In the banking industry, the SERVQUAL and SERVPERF models are extensively employed to assess service quality.

According to the SERVQUAL model introduced by Parasuraman et al. (1988), service quality can be measured by identifying the gaps between customers' expectations and their actual experiences during the service execution. The model is built on five factors that form the foundation for measuring service quality:

A. **Tangibles:** This dimension encompasses the physical aspects of service provision, including the workforce, facilities, personnel, and equipment, such as ATMs, E-banking, Net banking, and mobile banking. Tangibles involve creating firsthand impressions on clients, which can contribute to future revenue generation.

B. **Reliability:** This factor assesses the service provider's ability to consistently and accurately deliver the promised service while adhering to agreed-upon conditions.

C. **Responsiveness:** Referring to the speed with which a business aids its clients in receiving exceptional, accurate, and prompt service, responsiveness is crucial in shaping positive opinions about service quality. Prompt and high-quality service enhances customer satisfaction and makes them feel privileged.

D. **Assurance:** This dimension focuses on the staff's ability to instill trust and confidence in customers. It includes qualities such as competence, courtesy, honesty, and effective customer interaction. Dissatisfaction with staff may lead customers to choose competitors.

E. **Empathy:** Empathy involves providing individualized attention that makes customers feel appreciated and special. It includes approachability, communication, understanding customer needs, and accessibility. Businesses that demonstrate empathy have a higher chance of retaining customers.

In summary, understanding and effectively implementing these Service Quality Dimensions, as outlined by the SERVQUAL model, are crucial for businesses, especially in the banking sector, to ensure customer satisfaction, loyalty, and long-term profitability.

## III. REVIEW OF LITERATURE

Nachimuthu and Muthukrishnaveni (2019) in their research article titled "Service Quality and Customer Satisfaction of Public and Private Sector Banks in Selected Cities of Tamilnadu," investigated the relationship between service quality and the public-private sector dichotomy in banking. The study delved into the banking sector in Zimbabwe, examining strategies employed to achieve customer satisfaction. Factors such as assurance, empathy, reliability, responsiveness, and tangibility were scrutinized, with the associated t-values supporting the acceptance of hypotheses. The analysis identified five service quality dimensions crucial for enhancing banking services. Notably, the study highlighted that public sector banks exhibited more gaps than their private counterparts. In conclusion, the research emphasizes the continuous improvement of services as a key factor for the success of banks and the augmentation of customer satisfaction.

Lemma, Mihert (2018) in their research article examining the service quality of banks in Abyssinia, Ethiopia, Lemma and Mihert assessed the impact of service quality on customer satisfaction. The study, conducted with 342 respondents from the Bank of Abyssinia in Addis Ababa, uncovered high levels of customer satisfaction across various service quality dimensions. Additionally, the correlation results indicated a positive relationship between these service quality dimensions and customer satisfaction.

Kiran et al. (2020) in their research article titled The study investigated customer satisfaction with online banking services provided by public sector banks, focusing on identifying gaps in customer perceptions. Two hundred customers utilizing online services from nationalized banks, including SBI, Indian Bank, Canara Bank, Indian Overseas Bank, and Punjab National Bank in Tiruchirapalli district, were part of the research. The findings underscore

the significance of security services, well-designed websites, user-friendliness, reliability, confidence, competency, and efficiency in influencing customer satisfaction. The author emphasized the continuous updating of these features as crucial for establishing trust in customers' minds regarding online banking systems.

**IV. OBJECTIVE OF THE STUDY**

To evaluate and measure the levels of satisfaction among customers utilizing online banking services offered by public sector banks.

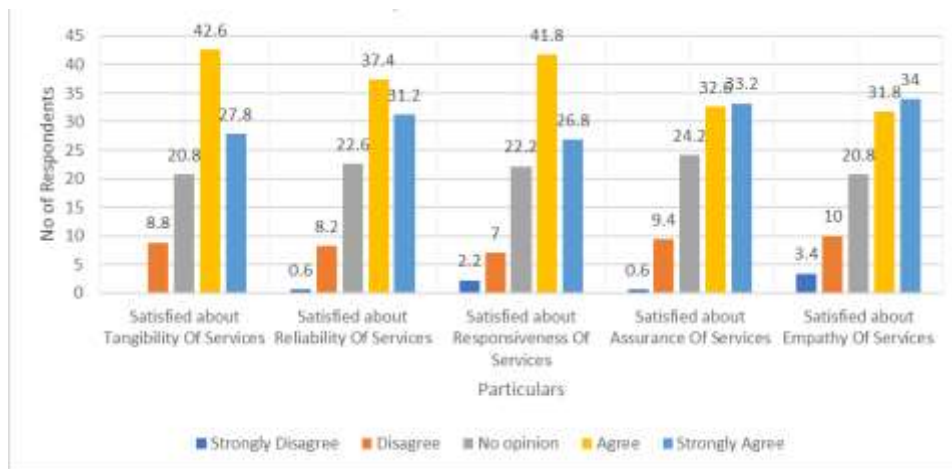
**V. RESEARCH METHODOLOGY**

This study utilizes a quantitative research design, specifically employing a convenience sampling method. Surveys will be the primary data collection method. A structured questionnaire will be distributed to the selected 500 participants in Sangli city to gather information on their perceptions of service quality.

**Interpretation**

**Table No 4.1 Customer’s experience Overall Satisfaction about Services**

Particulars		Strongly Disagree	Disagree	No opinion	Agree	Strongly Agree	Total
Satisfied about Tangibility Of Services	Frequency	0	44	104	213	139	500
	Percent	0	8.8	20.8	42.6	27.8	100.0
Satisfied about Reliability Of Services	Frequency	3	41	113	187	156	500
	Percent	.6	8.2	22.6	37.4	31.2	100.0
Satisfied about Responsiveness Of Services	Frequency	11	35	111	209	134	500
	Percent	2.2	7.0	22.2	41.8	26.8	100.0
Satisfied about Assurance Of Services	Frequency	3	47	121	163	166	500
	Percent	.6	9.4	24.2	32.6	33.2	100.0
Satisfied about Empathy Of Services	Frequency	17	50	104	159	170	500
	Percent	3.4	10.0	20.8	31.8	34.0	100.0



**Chart No. 4.1 Customer’s experience Overall Satisfaction about Services**

Upon querying respondents about their overall satisfaction with services, it was noted that the positive opinion percentage ranged from 60% to 70%. Regarding the tangibility of services, 43% agreed and 28% strongly agreed, 21% had no opinion, and 9% disagreed. Similarly, for the reliability of services, 37% agreed and 31% strongly agreed, with 23% expressing no opinion and 8% in disagreement. In terms of service responsiveness, 42% agreed, and 27% strongly agreed, with 23% having no opinion and 8% in disagreement. Opinions about the assurance of service revealed that 42% agreed, 27% strongly agreed, 22% had no opinion, 7% disagreed, and 2% strongly disagreed. Concerning empathy in service, it was observed that 32% agreed, 34% strongly agreed, 21% had no opinion, and 10% disagreed, with 3% strongly disagreeing. Overall, while service satisfaction levels are generally good, there remains room for improvement to achieve maximum customer satisfaction.

### **Findings**

The respondents' overall satisfaction with services ranged from 60% to 70%. This indicates a generally positive sentiment among the surveyed individuals.

- Tangibility of Services, 43% of respondents agreed, and 28% strongly agreed with the tangibility of services, 21% had no specific opinion on service tangibility, 9% expressed disagreement with the tangibility of services.
- Reliability of Services, 37% agreed, and 31% strongly agreed with the reliability of services. 23% had no specific opinion on service reliability, 8% expressed disagreement with the reliability of services.
- Responsiveness of Services, 42% agreed, and 27% strongly agreed with the responsiveness of services, 23% had no specific opinion on service responsiveness, 8% expressed disagreement with the responsiveness of services.
- Assurance of Services, 42% agreed, and 27% strongly agreed with the assurance of services, 22% had no specific opinion on service assurance, 7% expressed disagreement, while 2% strongly disagreed with the assurance of services.
- Empathy in Services, 32% agreed, and 34% strongly agreed with the empathy in services, 21% had no specific opinion on service empathy, 10% expressed disagreement, while 3% strongly disagreed with the empathy in services.
- Overall Service Evaluation, The findings suggest that while the overall service satisfaction is relatively positive, there are areas for improvement, particularly in aspects such as tangibility, reliability, and empathy.
- The presence of respondents expressing disagreement or having no specific opinion in various dimensions indicates opportunities for the bank to enhance and fine-tune its services to achieve maximum customer satisfaction.

In conclusion, these findings provide insights into specific areas where the bank can focus its efforts to improve customer satisfaction, ensuring a more positive and well-rounded service experience for its customers.

### **Suggestions**

- Enhance the tangible aspects of service delivery, ensuring that facilities, personnel, and equipment contribute positively to customer experiences.
- Implement measures to enhance the reliability of services, reducing downtime and ensuring a consistent and dependable customer experience.
- Streamline customer service channels, reduce response times, and ensure a prompt and effective resolution of customer inquiries and issues.
- Invest in staff training to ensure competence and courtesy, and transparently communicate the bank's commitment to service quality.
- Train staff to be more attuned to customer needs, fostering a culture of empathy and personalized service.
- Emphasize the importance of ongoing evaluation, feedback mechanisms, and continuous improvement to stay aligned with evolving customer expectations.
- Communicate improvements made based on customer feedback, demonstrating the bank's dedication to meeting customer needs.

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## **VI. CONCLUSION**

The study provides valuable insights into customer satisfaction and perceptions of service quality in the banking sector. The overall satisfaction level, ranging from 60% to 70%, indicates a generally content customer base. However, a more granular examination of service quality dimensions reveals specific areas that warrant attention and improvement. The tangibility of services, as reported by respondents, suggests opportunities for enhancement, with 43% in agreement and 28% strongly agreeing. Similarly, reliability, responsiveness, assurance, and empathy exhibit varying levels of satisfaction and disagreement among customers. Notably, the presence of respondents expressing disagreement or having no specific opinion underscores the need for the bank to focus on refining these aspects of service delivery.

In conclusion, while the overall service satisfaction is positive, there exists an opportunity for the bank to proactively address specific dimensions, ensuring a more comprehensive and satisfying customer experience. Continuous commitment to service quality and a customer-centric approach will contribute to building trust, loyalty, and long-term satisfaction among the bank's clientele.

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