

Impact of Service Quality on Customer Satisfaction in United Bank of India: An Empirical Study

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Abstract

In the new millennium, one of the important challenges faced by majority of banking organizations of any country which is following the principles of market economy is to come up to the expectations of the customers, be it on the front of fund based business or fee based business. Interestingly it has been an established fact that the customers' expectations cannot be addressed to their full expectations and satisfaction by a bank unless due attention is given to improve the service quality of the bank. Probably, the biggest challenge of any public sector bank of India in the age of intensified competition is to retain the existing customers by delivering quality service to the maximum possible extent after understanding the ever changing priorities and aspirations of its customers.

The opening up of the economy and ever changing business environment in general and the banking sector in particular virtually compelled public sector banks to give up their elephantine indifference to the aspirations and priorities of customers and United Bank of India is no exception to this. It is through improving the service quality, a bank attempts to satisfy its customers and compete with its competitors as well as develop its image in the minds of existing and potential customers.

Keeping in mind the importance of service quality for enhancing the satisfaction of customers, it has been decided to study the impact of different service quality dimensions on customer satisfaction. The paper makes an attempt to assess the impact of service quality dimensions on satisfaction of customers of United Bank of India within Cachar district of Assam. Statistical tools namely, mean, standard deviation, Cronbach's

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Alpha, and Multiple regression technique have been applied for analysis and interpretation of data. The study concludes that reliability, tangibility and responsiveness dimensions of service quality have significant impact on satisfaction of bank customers.

Key Words: *Satisfaction, Tangibility, Responsiveness, Assurance, Reliability*

JEL Classification: M31

Prologue

The political philosophy of the Government of a country generally plays a significant role in deciding the type of economic system to be followed and it, in turn, dictates the nature and type of relationship between the buyers and the sellers of that country. It is not out of context to point out that if the buyers are stronger than the sellers in the market in terms of their bargaining power, the sellers will experience a lot of competition among themselves and thereby sellers will naturally provide the opportunity to buyers to choose from a wide range of products and services (Adhikari and Paul, 2015).

The entry of private sector banks in different cities and towns of India with their arsenal of marketing skills has gradually eroding the market share of public sector banks in India and United Bank of India (UBI) is no exception this. All public sector banks are expected to review their policies in the context of the changing environment. Otherwise sooner or later many of the public sector banks will become silent spectators and will have to be satisfied with that portion of the market for which private sector banks are not interested for some strategic reasons (Adhikari and Paul, 2014). Although the government of India zealously guarded the public sector banks since bank nationalization, elephantine indifference of United Bank of India or any public sector bank towards the aspirations and priorities of customers will no more work in a buyers' market. On the contrary, service quality probably will constitute the most essential plank in the competitive regime in order to vie for the market share of business. Thus, in order to survive in the today's market of fierce competition, delivery of quality services to the customers is a necessary condition for the banks operating in India.

Service Quality and Customer Satisfaction

Service quality is defined as the difference between customers' expectation of service and their perceptions of service performance. It can also be defined as a global judgment or attitude related to the superiority of a service (Parasuraman, Zeithaml and Berry, 1985; Gronroos, 1984). It is all about the responsiveness of

an organization to meet the customers' expectations (Bhattacharjee, 2006). Service quality helps companies to attract more and better customers to the business. When service is good, a company gains a higher market share and the ability to charge more for services than its competitors (Zeithaml and Bitner, 1996). Service quality enables an organization for establishing and sustaining satisfying relationships with its customers (Spreng and Machoy, 1996). In the highly intensified competitive business environment, service quality is considered to be a competitive weapon for a bank. Further, it ensures customer satisfaction, which in turn helps a bank to enhance its profitability performance.

Customer satisfaction is defined as a person's feeling of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations (Kotler, 2000). It is the evaluation a customer makes to a certain exchange, which reflects the relation of the customers' expectation and their real perception to the services they receive (Oliver, 1981). Satisfaction is a cumulative judgment based on collective encounters with a service provider over a period of time. Satisfaction judgments are more affective and emotional reactions to an experience or collection of experiences. To put it in simple words, "Satisfaction is a sense of contentment that arises from an actual experience in relation to an expected experience" (Hernon and Whitman, 2001). Therefore, it is a measure of how services delivered by an organization meet or exceed customer expectation. In other words, satisfaction is a function of the customer's belief that he/she has been treated fairly (Keith, 1991).

Customer satisfaction can help a bank build long-term relationship with its customers and this can only be done with the delivery of quality services by a bank. In the globalized regime of cut-throat competition, deliverance of quality services is considered to be an important activity for determining the degree of customer satisfaction in the banking business.

Review of Literature

The review of literature forms the basis for selecting the service quality dimensions influencing customer satisfaction. Adhikari and Paul (2014) revealed that the perception of customers was highest with reliability dimension followed by responsiveness, assurance, tangibility and empathy dimensions of service quality. Saghier and Nathan (2013) found that among the dimensions of service quality, empathy, reliability, responsiveness and assurance were significantly affecting the satisfaction of customers. Ghost and Gnanadhas (2011) observed that assurance dimension showed the highest impact and tangibility dimension showed the lowest impact on customer satisfaction. Siddique, Karim and Rahman (2011) found that

among the ten dimensions of service quality, reliability, credibility and tangibility were found to be significantly affecting the service quality of foreign banks. On the other hand, dimensions, such as, reliability, communication, credibility, security and tangibility were found to be significantly affecting the service quality of domestic banks. Similarly, Adhikari and Paul (2013) inferred that responsiveness and assurance dimensions of service quality had significantly affected the satisfaction of customers. Dinh and Pickler (2012) revealed that all five dimensions were significant determinants of customer satisfaction in banks of Vietnam. Adhikari and Paul (2015) found that all five dimensions of service quality, namely, reliability, tangibility, responsiveness, assurance and empathy had positive influence on satisfaction of bank customers.

It is observed from the review of literature that service quality dimensions play a convincing role regarding satisfaction of bank customers. Therefore, reliability, tangibility, responsiveness, assurance and empathy dimensions have been considered for the present survey.

Objectives of the Study

1. To assess the perception of customers about service quality dimensions in United Bank of India within Cachar district of Assam.
2. To study the impact of service quality dimensions on customer satisfaction in United Bank of India within Cachar district of Assam.

Hypotheses of the Study

The broad hypothesis of the study is as follows:

There is no significant impact of service quality dimensions on customer satisfaction in United Bank of India within Cachar district of Assam.

The study considers five dimensions of service quality and hence it is desirable to form the sub – hypotheses in order to test the impact of service quality on customer satisfaction. Thus, specific sub-hypotheses are as follows:

- 1) There is no significant impact of reliability dimension of service quality on customer satisfaction.
- 2) There is no significant impact of tangibility dimension of service quality on customer satisfaction.
- 3) There is no significant impact of responsiveness dimension of service quality on customer satisfaction.
- 4) There is no significant impact of assurance dimension of service quality on customer satisfaction.

- 5) There is no significant impact of empathy dimension of service quality on customer satisfaction.

Data Source and Methodology

The present study is based on primary data. The population of the study covers the customers of United Bank of India within Cachar district of Assam. A structured schedule has been designed covering different components of five dimensions of service quality, namely, reliability, tangibility, responsiveness, assurance and empathy. The sample size for the present study is 105 customers selected from five branches of United Bank of India operating in Cachar district of Assam in Silchar town of Assam. A bipolar scale ranging from Strongly Disagree (1) to Strongly Agree (5) has been used to assess the perception of customers. Researchers made personal visits to selected branches of the bank for collection of data and in order to gather quality responses from the respondents, researchers tried to describe and explain the meaning of the text and/or language of the questions in the schedule, whenever useful and necessary. Cronbach's alpha has been calculated to judge the internal consistency among the items of the service quality as well as the items of customer satisfaction in the schedule. In order to arrive at the findings of the study, mean and standard deviation have been used. Multiple regression technique has also been applied in order to analyze the impact of service quality dimensions on customer satisfaction.

Scope of the Study

1. The scope of the present study is confined to the customers of United Bank of India within Cachar district of Assam.
2. Service quality of the bank has been assessed by obtaining the perception of customers about five service quality dimensions only.

Limitations of the Study

1. The study is largely dependent upon the perception of the customers which is not static and is likely to change over a period of time due to the influence and interaction of host of factors.
2. The validity of findings of the study is confined to the components of each of the five service quality dimensions selected for the study.

Analysis and Interpretation

The data collected through field survey with the help of survey instrument is normally evaluated to assess the reliability of the instrument before making any kind of analysis. The reliability test has been applied in the present study to examine the internal consistency of the components of service quality dimensions in the schedule. In order to determine the reliability of the construct, Cronbach's alpha has been used. Cronbach's alpha is the most widely used measurement tool with a generally agreed lower limit of 0.70 (Nunnally, 1978; Hair, et.al., 1998). Since the value of Cronbach's alpha is 0.925, which is much higher than 0.70, so, it may not be unjustified to conclude that there is a good internal consistency among the items of service quality in the schedule. Further the value of Cronbach's alpha of 0.772 for the items of customer satisfaction is also higher than 0.70, this suggest that there is a good internal consistency among the items of the customer satisfaction used in the schedule.

Table 1: Perception of Customers on Select Dimensions of Service Quality

Dimensions	Mean	Std. Deviation
Reliability	3.62	.743
Tangibility	3.63	.786
Responsiveness	3.42	.756
Assurance	3.91	.817
Empathy	3.05	.757
Customer Satisfaction	3.27	.827

Source: Field Survey

Table 1 reveals that the mean score for customer satisfaction is 3.27 with a standard deviation of 0.827. Table 1 also illustrates the perception of bank customers on select dimensions of service quality. The mean values in the above table imply that the customer perceptions about service quality dimensions in United Bank of India within Cachar district of Assam are by and large favourable, though not very optimistic. The mean score of customer perception is the highest with respect to assurance dimension (3.91). However, the perception of bank customers is the lowest regarding empathy dimension of service quality (3.05).

The standard deviations of customer perception with respect to different dimensions of service quality have been computed to study the consistency /variation in their responses. The value of standard deviation with respect to reliability dimension is the lowest which implies that the perception of the customers is more concentrated about this dimension. On the contrary, since the value of the standard deviation with respect to the assurance dimension is the

highest, it denotes that the tilt of the views of the respondents is bent more about this dimension.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.841 ^a	.707	.692	.45907

a. Predictors: (Constant), Reliability, Tangibility, Responsiveness, Assurance and Empathy

b. Dependent Variable: Customer Satisfaction.

The value of R^2 in table 2 suggests that around 70.70% of the variation in the degree of customer satisfaction has been explained by explanatory variables used in the study. The value of adjusted R^2 also indicates that 69.20% of the variation in the degree of customer satisfaction is explained by predictors, i.e. the five select service quality dimensions. Thus, the dimensions of service quality selected for the study could explain a very large amount of variation in customer satisfaction in United Bank of India within Cachar district of Assam.

Table 3: Result of ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	50.250	5	10.050	47.688	.000 ^a
	Residual	20.864	99	.211		
	Total	71.113	104			

a. Predictors: (Constant), Reliability, Tangibility, Responsiveness, Assurance and Empathy

b. Dependent Variable: Customer Satisfaction

The F statistics (47.688) with a corresponding p- value of 0.000 implies that the regression model is highly significant which implies that the data are well suited in explaining the impact of select service quality dimensions on customer satisfaction in United Bank of India within Cachar district of Assam. Thus, the overall predictability of the model is good.

Table 4: Result of Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t value	p value
	B	Std. Error	Beta		
(Constant)	-.496	.253		-1.958	.053
Reliability	.226	.095	.203	2.379	.019
Tangibility	.223	.082	.212	2.711	.008
Responsiveness	.374	.098	.342	3.807	.000
Assurance	.138	.090	.136	1.531	.129
Empathy	.103	.077	.094	1.342	.183

a. Predictors: (Constant), Reliability, Tangibility, Responsiveness, Assurance and Empathy

b. Dependent Variable: Customer Satisfaction.

Table 4 discloses the regression results of the explanatory variables. The table shows that all the select service quality dimensions have positive influence on satisfaction of customers under study since all the five predictors have positive b values. The b values indicate that the impact of responsiveness dimension on customer satisfaction is the highest if the effects of other dimensions are held constant. Similarly, it is observed from the table that influence of empathy dimension on customer satisfaction is the lowest out of the five predictors. The result of corresponding t value and p value make it clear that out of five predictors, only three predictors i.e. reliability, tangibility and responsiveness are making significant contribution to the model at 5 % level of significance.

Table 5: Collinearity Statistics

Service Quality Dimensions	Tolerance	VIF
Reliability	.405	2.467
Tangibility	.484	2.064
Responsiveness	.368	2.718
Assurance	.374	2.675
Empathy	.599	1.671

Source: Field Survey

The study examines the problem of multicollinearity to observe the individual influence of service quality dimensions (independent variables) on customer satisfaction by using Variance Inflation Factor (VIF) and the tolerance value and is presented in table 5.

Variance Inflation Factor is a popular measure of multicollinearity and it is generally held that the value of VIF higher than ten (10) is likely to cause a multicollinearity problem (Mason et.al., 1989; Kennedy, 1992). In the present study the values range between 1.671 and 2.718 (i.e. less than 10) and thus suggests the absence of multicollinearity problem. The tolerance value more than 0.10 may be used as a criterion for considering the influence of explanatory variables in the regression model being free from the problem of multicollinearity (Mason et.al., 1989; Kennedy, 1992). Here, the computed tolerance value ranges between 0.368 and 0.599 (i.e. more than 0.10) which implies that the regression model is free from the problem of multicollinearity of the explanatory variables.

Summary of Major Findings

1. The mean scores of select service quality dimensions indicate that the perception of customers of United Bank of India within Cachar district of Assam is by and large favourable. Customers have recorded most favourable perception about service quality dimensions with respect to assurance dimension followed by tangibility, reliability, responsiveness and empathy dimensions. Least variation in the customers' perception has been observed with respect to reliability dimension while highest variation has been noticed with respect to assurance dimension.
2. The value of R^2 (0.707) suggests that 70.70% of the variation in the level of customer satisfaction has been explained by the explanatory variables, i.e. the select dimensions of service quality.
3. All the select dimensions of service quality have positive impact on customer satisfaction under study. The impact of service quality dimensions on customer satisfaction is found to be highest with responsiveness dimension followed by reliability, tangibility, assurance and empathy dimension. There exists significant impact of reliability, tangibility and responsiveness dimensions of service quality on satisfaction of customers of United Bank of India within Cachar district of Assam.

Epilogue

In the era of increasingly complex and dynamic business environment, deliverance of quality services will enable a bank not only to retain its existing customers' base but also attract more and more potential customers. Delivery of quality services further helps a bank in making long term trustworthy relationship with its customers. The study reveals that all the select dimensions of service quality have positive influence on satisfaction of customers of United Bank of India within Cachar district of Assam. However, out of five dimensions, only three dimensions, namely, reliability, tangibility and responsiveness have significant contribution towards the satisfaction of bank customers. Therefore, the bank is expected to improve the services related to different dimensions of service quality in order to ensure higher degree of satisfaction of its customer because customer is generally considered as the monarch in a competitive environment.

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