

# The impact of service quality and customer satisfaction on banking services - an overview!

Gentiana Mjaku, Ph.D. c

Department of Marketing, Faculty of Economics, University of Tetova

DOI: 10.29322/IJSRP.10.09.2020.p10597  
<http://dx.doi.org/10.29322/IJSRP.10.09.2020.p10597>

**Abstract-** Financial transactions are a part of daily life - regardless of whether done through a bank office or by method of other online channels. Banks perform services such as: including fund transfers between accounts both within the bank and different banks, bill payment, credit card payment, utilities payment and also configuring the initial set up for access to such services. So, the study focuses on the commercial banking sector.

This study is an attempt to explore the interrelationship between service quality and customer satisfaction. As an evaluation of the importance of customer satisfaction in receiving banking services. Quality customer service and satisfaction are recognized as the most important factors for bank customer acquisition and retention (Jamal, 2004; Armstrong and Seng, 2000; Lassar et al., 2000). Satisfied customers rarely file complaints and are overall more loyal to the bank.

This will be a real contribution for the banks because in this way, banks can seek guidance to improve their service quality in order to retain their customers. Previous results show that service quality has a positive and significant effect on banking services and shows that customer satisfaction has a positive and significant effect on financial performance.

**Index Terms-** Service Quality, Customer Satisfaction, Banking Services, Banking Sector.

## I. INTRODUCTION

Why is customer satisfaction research so important? Satisfied customers spend more money, refer more customers and patronize businesses longer than unsatisfied customers. This all prompts more income for organizations that can keep their clients fulfilled. Subsequently, organizations endeavoring to boost income should truly think about putting resources into a consumer loyalty and dedication research program. (Pokalsky)

Numerous nations around the globe have begun giving more consideration to estimating client or buyer fulfillment at the national level, including Africa, America, Asia and Europe. To explore the satisfaction level and the factors that affect the consumer attitude many researchers have conducted studies. Research suggests that customer dissatisfaction is still the major reason of bank customers' switch to other banks (Manrai and Manrai, 2007). This dissatisfaction could be because of a variety of reasons.

This study gives a greater understanding of the factors that are important to development of an effective banking system and meets customer needs and expectations.

The study aims to investigate the effects of service quality and customer satisfaction on banking services with customer satisfaction. New advances are being presented and there is consistently a dread of financial vulnerabilities. Furious rivalry, all the more requesting clients and the changing atmosphere have introduced an unmatched arrangement of difficulties (Lovell, 2001) for banks in the nation. Therefore, customer satisfaction is the key for many banks to survive in competition.

In other words customer satisfaction revolves around the state of mind that the customer has about a particular product. Therefore, customer satisfaction plays an important role in consumer buying behavior because a satisfied customer may repeat purchase which may eventually lead to customer retention or loyalty. It is as a result of this that service providers or marketers in general often handle customers in such a way that they can be satisfied with their services or product. (Biradawa, 2019)

Completely comprehension of the client, thinking about him/her as the need and offering quality types of assistance are as the assuring factors of success in the today's business market. Today's interpretation made of a customer is quite different to what has prevailed in the past. This implies a client is certainly not a negligible buyer of merchandise or services any more, yet he is somewhat considered as a functioning and powerful part in all business exercises. what's more, growing associations with client and attempting to fulfill him in all stages will build the proficiency and adequacy of an association in accomplishing the client.

## II. LITERATURE REVIEWS

### a. CUSTOMER SATISFACTION

The word satisfaction derives from that latin "satis" (meaning good enough, adequate) and "facio" (do or make). Decisions can be interpreted as "an attempt to accomplish something" or "make an adequate". Oxford Advanced Learner's dictionary (2000) describes satisfaction as "the good feeling that you have when you reach something or when something that you want to happen does happen"; "the act of fulfilling a need or desire"; and "an acceptable way of dealing with a complaint, a debt, an injury, etc". Customer satisfaction is a state of mind that customers have about a product or services after using that product and service offered by a company in return of customer expectations about the products. (SABIR, ET AL, 2014, 3)

Fundamentally, satisfaction is something individual. An important role has An individual's satisfaction to achieve a bank's goal. Customer satisfaction according to Oliver (1997) is the meeting between the expectations and reality of a selected product

and service. Customer satisfaction has been considered the essence of success in today's highly competitive banking industry. Prabhakaran and Satya (2003) stressed that the client is the king. Even Richard L. Oliver (1997) in his book "Satisfaction: A Behavioral Perspective on the Consumer" states that everyone understands what satisfaction is, but once asked to define it, nobody seems to know. Customer satisfaction is one of banks' goals today.

To foresee furious rivalry in service industry, Banks must offer types of assistance which meet clients' prerequisites and fulfillment. Therefore, a processing of quality of service offered to meet customer satisfaction is required. Clients' have the opportunity to survey whether the services offered by banks give them the normal fulfillment or not.

Various organizations in order to assess customer satisfaction with their products and services have applied the ACSI model in their marketing. A key point of the model to measure customer satisfaction with a variety of products and services, as well as the ability to compare results is the ability to use similar types of questions. Which means that the results can be applied in order to ascertain customer satisfaction and as a resource to create the ability to compete at the micro level as well as at the macro level - by industry sectors to include the country as a whole. The model can also be used to analyse factors affecting consumer behaviours, which can be applied to develop and improve the effectiveness of an organisation. (Unyathanakorn & Rompho, 2014, 51)

Source of the idea is identified with the advertising idea that benefit is created through fulfillment of client needs and needs. (SABIR, ET AL, 2014, 3) We have a number of studies supporting the fact that we have a link between customer satisfaction and bank performance (Jham and Khan, 2008). Customer satisfaction has been studied by a number of researchers in the retail banking industry. The vast majority of the scientists found that service quality is the predecessor of consumer satisfaction (Bedi, 2010; Kassim and Abdullah, 2010; Kumar et al., 2010; Yee et al., 2010; Kumar et al., 2009; Naeem and Saif, 2009; Balaji, 2009; Parasuraman et al., 1988).

Organizations at that point need to adjust their activities and endeavors to fulfill and hold clients, conceding to the significance of clients in driving execution (Johnson et al., 2000). As markets shrink, organizations are scrambling to support consumers satisfaction and keep their present clients as opposed to dedicating extra assets to pursue likely new clients. This is on the grounds that it costs five to eight fold the amount of to get new clients than to clutch old ones is vital to understanding the drive toward benchmarking and following consumer satisfaction (Cacippo, 2000).

Customer satisfaction can be corresponded with a number of factors. In a study conducted by Colgate (1997), he has found out that customer service is the most important factor that influences satisfaction rates or levels. Also of significance are tuning in to the necessities of clients and worth.

In addition to service quality, also one of the factors that affect satisfaction, and customer loyalty is institution image (Beneke et al. 2011). Client input or estimations of consumer satisfaction can help recognize atrisk clients, representatives and accomplices before they are lost. Consumer satisfaction estimations can likewise give important bits of knowledge into

new items or services your clients need, putting one's organization ahead of the competition (David, 2006).

Customer satisfaction leads to product repurchase that ultimately leads to brand loyalty. In mid 1970's consumer satisfaction developed as an authentic field of study. The first study of agriculture's Index of Consumer satisfaction to report direct information on consumer satisfaction was U.S department. (Pfaff 1972). As a rule, if the clients are happy with the given products or services, the likelihood that they utilize the services s again increases (East, 1997). Additionally, fulfilled clients will most likely speak excitedly about their purchasing or the use of a particular service; this will prompt positive publicizing (File and Prince, 1992; Richens, 1983) Then again, disappointed clients will most presumably switch to an alternate brand; this will prompt negative publicizing (Nasserzadeh et al. 2008).

#### b. SERVICE QUALITY

Since the day that the job of the service in regular day to day existence got clear, the services quality issue was considered as the principle highlight of rivalry among organizations with the goal that given the quality of services, the organization can become different from its competitors and this results in achieving competitive advantage. Gronroos (2000) defined service as, "A service is a process consisting of a series of more or less intangible activities that normally take place in interactions between the customer and service employees or physical resources or goods and/ or systems of service provider, which are provided as solutions to customer problems".

Parasuraman, Berry and Zeithaml (1988) who emphasize that service quality is the customer's perception of the service expected with the service received. A few authors have connected the quality of service with customer satisfaction (Dauda and Lee 2016; Ali and Filieri 2015; Jun, Yang, and Kim 2004). Lovelock and Wright (2005: 96) further state that customers assess their level of satisfaction or dissatisfaction after using services.

Cronin and Steven (1992) stated that service quality is the actual performance of services provided to customers. Like any other industries, the banking industry focuses on earning profit through ensuring expected level of customer satisfaction and retention. In order to do so, proper attention must be given to the service quality.

Fogli (2006) defined term service quality as "a global judgment or attitude relating to particular service; the customer's overall impression of the relative inferiority or superiority of the organization and its services". The connection between services quality and consumer satisfaction has been submitted to exceptional investigation by leading service quality specialists (Bitner and Hubbert, 1994; Bolton and Drew, 1994), just as the connections between quality, consumer satisfaction, client maintenance and gainfulness (Storbacka et al., 1994).

Thus, as a core competitive strategy banks need to concentrate on service quality (Chaoprasert and Elsey, 2004). One of the ways to improve quality of service is by fulfilling customers' expectations.

Kotler and Keller (2009: 143) characterize client focused quality and state quality is the entirety of highlights and attributes of an item or service that relies upon their capacity to satisfy expressed or inferred needs. We can say that the seller has conveyed quality when the item or service has met or surpassed client desires.

Quality of Service is “Quality customer service is the assessment of the merits or feature of a product or service”. Characterized as clients' appraisal on advantages or uniqueness of an item (Zeithaml, 2008:89).

The service quality factors recognized by Parasuraman et al., (1994) are reliability, responsiveness, competence, accessibility, courtesy, communication, credibility, security, understanding and tangibility. Alfred and Addam (2001) investigated attitudes with fifteen service quality variables. In the current examination, the service quality in retail banking is studied using factors drawn from the reviews (Cronin and Taylor 1992; Zillur Rahman, 2005; Verma and Vohna 2000; Mushtag A Bhat, 2005)

While, according Zeithaml and Bitner (2008:112), service consists of five dimensions: Reliability, Assurance, tangibility, Responsiveness and Empathy.

1. Reliability is the ability to perform the services certainly and correctly. While responsive is the capacity to support clients and give quick services.
2. Assurance serves to increase customer confidence from service providers, who meet customer requirements.
3. While tangible dimension is physical appearance of service providers such as buildings, equipment layout, interior and exterior, and physical appearance of service providers' personnel.
4. Empathy, is specialist co-ops' capacity to focus on clients.

Service quality has several indicators:

- a) Ability to perform the promised services
- b) Knowledge and politeness
- c) Care for customers
- d) Willingness to help customers
- e) Appearance of physical facilities

One of the reasons of the switching of clients starting with one bank then onto the next bank is on the grounds that clients aren't happy with the manner in which the bank takes care of issues or handles issues. For researchers, Service quality is one of the most attractive areas over the last decade in the retail banking sector (Avkiran, 1994; Stafford, 1996; Johnston and Jeffrey, 1996; Angur et al., 1999; Lassar et al., 2000; Bahia and Nantel, 2000; Sureshchandar et al., 2002; Gounaris et al., 2003; Choudhury, 2008).

Service quality is considered as one of the critical success factors that influence the competitiveness of an organization. A bank by providing high quality service, can make a difference from competitors. (MISTRY, 2013, 133).

### III. DISCUSSIONS AND CONCLUSIONS

Providing different products by different banks so as to hold existing clients and pulling in new clients and at last increasing a more prominent portion of the banking market is considered as the key priorities of banks. Therefore, is considered as the key priorities to identify the strengths and weaknesses in the customers.

The overall findings on the factors affecting customer satisfaction with banking services show that customer expectations towards the quality and value of the service have an effect on their satisfaction and loyalty. the services quality in the

banks and respect to its appraisal isn't just a strategy, yet in addition the nature of prevalent assistance is actually the qualification perspective among effective and inefficient banks (Khorshidi et al, 2014).

Today the consideration regarding consumer satisfaction and disappointment is getting greater. The parties most directly related to customer satisfaction or dissatisfaction are consumer marketers, consumers, and consumer behavior researchers. More tight rivalry, where an ever increasing number of makers are occupied with satisfying the requirements and needs of shoppers, makes each organization place a direction on consumer satisfaction as the essential objective.

The concept of service quality and customer satisfaction is related to one another. Service quality is related to customer perceptions of quality based on long-term cognitive evaluation of corporate service delivery, while customer satisfaction is the customer's short-term emotional reaction to a particular service experience.

As indicated by Olsen and Dover (cited in Zeithaml, et al., 1993), client desires or desires are the convictions of clients before trying or buying a product or service. In any case, the conceptualization and operationalization of client desires stays a controversial issue, particularly with respect to the qualities of explicit desires guidelines, the quantity of norms utilized, and the source of expectations. Each consumer may have a few diverse pre-utilization desires. Moreover, various shoppers may likewise apply various sorts of expectations for various circumstances.

Quality of service has a huge impact to consumer satisfaction (Ratanavara et al. 2015; Ali and Raza, 2015), In this manner, considering the services quality is vital so as to diminish the costs, proper profitability and customers' satisfaction (Hosseini et al, 2010). The effect that occurs is mediated by partial customer satisfaction either by simple or multiple mediation. Thus, in this case the quality of service is one key determinant of success in creating customer satisfaction which then affects customer loyalty (Kuo et al. 2011).

It should be noted that customer satisfaction is affected by a few factors that one of the most significant of these elements incorporates the quality of product or service in reality, the customer satisfaction has a close relationship with providing quality or service.

At present in a competitive market, institutions endeavor to hold clients by relying on their satisfaction and loyalty, so a definitive objective of the institutions is to prevail with regards to acquiring and keeping up client repurchase expectations and eventually money related execution (Egblopleali and Aimin; 2011).

### REFERENCES

- [1] Armstrong, R.W. and Seng, T.B. (2000), “Corporate-customer satisfaction in the banking industry of Singapore”, *International Journal of Bank Marketing*, 18 (3), 97- 111.
- [2] Beneke, J., Adams, E., Demetriou, O., Solomons, R. 2011. An exploratory study of the relationship between store image, trust, satisfaction and loyalty in a franchise setting. *Southern African Business Review* 15 (2): 59-74.
- [3] Biradawa, K. (2019). Assessment of Customers' Satisfaction with E-Banking System in the North-Eastern Region of Nigeria. *European Journal of Business and Management*, 11(23), 1-6.

- [4] Chaoprasert, C., & Elseey, B. (2004) Service quality improvement in Thai retail banking and its management implications. *ABAC Journal*, 24 (1), 47-66.
- [5] Colgate, M. (1997) "Personal bankers and relationships marketing: A New Zealand Case study" *Journal of Financial services marketing*, 2910, 84-96.
- [6] Cronin J. Joseph, Jr., & Steren A. Taylor. (1992). *Measuring Service Quality: A reexamination and Extension*, *Journal of Marketing*, 56 (July): 53-68
- [7] Dauda, S. Y., and Lee, J. 2016. Quality of service and customer satisfaction: a conjoint analysis for the Nigerian bank customers. *International Journal of Bank Marketing* 34 (6): 841-867, <https://doi.org/10.1108/IJBM04-2015-0062>.
- [8] David, M. (2006). "Customer satisfaction and loyalty for the global enterprise", *Customersat Inc.*, retrieved on July 10, 2008 from [http://www.translate.com/technology/multilingual\\_standard/customersat\\_global\\_customer\\_satisfaction.htm](http://www.translate.com/technology/multilingual_standard/customersat_global_customer_satisfaction.htm)
- [9] Egblopeali, A. Y. and Aimin, W. (2011). Reosurvey on Effects of Corporate Image, Customer Satisfaction and Switching Cost on Customer Loyalty in Togolese Telecommunication Companies, *Proceedings of the 7th International Conference on Innovation & Management*.
- [10] Fogli, L. (2006). *Customer Service Delivery*. San Francisco: Jossey-Bass
- [11] Gronroos, C. (2000). *Service Management and Marketing: A Customer Relationship Management Approach*. (2nd ed.). West Sussex: John Wiley & Sons, Ltd
- [12] Hosseini, M. Ahmadinejad, M. Ghaderi, S. (2010). Studying and assessment of the services quality and its relation with customers satisfaction, case study: Tejarat bank, commercial studying, No.42, pages 88-97.
- [13] Jham V. and Khan KM. (2008). "Determinants of performance in retail banking: perspectives of customer satisfaction and relationship marketing", retrieved on July 11, 2008 from
- [14] <http://www.thefreelibrary.com/Determinants+of+performance+in+retail+banking:+perspectives+of+...-a0180402934>
- [15] Johnson MD., Gustafsson A. (2000). "Improving Customer Satisfaction, Loyalty, and Profit: An Integrated Measurement and Management System, San Francisco: Jossey-Bass, 2.
- [16] Khorshidi, Gh. Naghash, A. Mohammadian, M. (2014), assessment and analysis of the services quality gap according to the hierarchy service quality model in keshavarzi bank, *journal of economic researches*, volume 14, No.1, pages 151-168.
- [17] Kotler, Philip dan Gary Armstrong, (2003), *Dasar-Dasar Pemasaran*, Jilid 1, Edisi Sembilan, Indeks Gramedia, Jakarta.
- [18] Kumar, M., Kee, F.T. and Charles, V. (2010), "Comparative evaluation of critical factors in delivering service quality of banks: an application of dominance analysis in modified SERVQUAL model", *International Journal of Quality & Reliability Management*, 27 (3), 351-77.
- [19] Kumar, M., Kee, F.T. and Manshor, A.T. (2009), "Determining the relative importance of critical factors in delivering service quality of banks: an application of dominance analysis in SERVQUAL model", *Managing Service Quality*, 19 (2), 211-28.
- [20] Kuo, T.N., Chang, K.C., Cheng, Y.S. and Lai, C.H. 2011. The impact of service quality, customer satisfaction and loyalty in the restaurant industry: moderating effect of perceived value quality and reliability. *IEEE International Conference on 14-17, September 2011*. 551 – 555.
- [21] Lassar, W.M., Manolis, C. and Winsor, R.D. (2000), "Service quality perspectives and satisfaction in private banking", *The Journal of Services Marketing*, 14 (3), 244-271.
- [22] Lovelock, C. (2001), "Loyalty in private retail banking: an empirical study", *IUP Journal of Management Research*, 9 (4), 21-38.
- [23] Manrai, L.A. and Manrai, A.K. (2007), "A field study of customers' switching behaviour for bank services", *Journal of Retailing and Consumer Services*, 14, 208-215.
- [24] MISTRY, D. H. (2013, July). *MEASURING CUSTOMER SATISFACTION IN BANKING SECTOR: WITH SPECIAL REFERENCE TO BANKS OF SURAT CITY*. *Asia Pacific Journal of Marketing & Management Review*, 2(7), 132-140.
- [25] Naeem, H. and Saif, I. (2009), "Service quality and its impact on customer satisfaction: an empirical evidence from the Pakistani banking sector", *The International Business and Economics Research Journal*, 8 (12), 99.
- [26] Oliver, R. 1997. *Satisfaction: A Behavioural Perspective on the Consumer*. New York, McGraw Hill.
- [27] Parasuraman, A., Berry, L.L. and Zeithaml, V.A. 1988. *SERVQUAL: a multiple-item scale for measuring consumer perceptions of service quality*. *Journal of Retailing* 64 (1): 12-40.
- [28] Prabhakaran, S. and Satya, S. (2003), "An insight into service attributes in banking sector", *Journal of Services Research*, 3 (1), 157-69.
- [29] Ratanavaraha, V., Jomnonkwo, S., Khampirat, B., Watthanaklang, D. and Iamtrakul, P. 2015. The complex relationship between school policy, service quality, satisfaction, and loyalty for educational tour bus services: A multilevel modeling approach. *Transport Policy* 45: 116–126.
- [30] SABIR, R. I., GHAFOR, O., AKHTAR, N., HAFEEZ, I., & REHMAN, A. U. (2014, June). *Factors Affecting Customer Satisfaction in Banking Sector of Pakistan*. *International Review of Management and Business Research*, 3(2), 1014-1025.
- [31] Unyathanakorn, K., & Rompho, N. (2014). *Factors Affecting Customer Satisfaction in Online Banking Service*. *Journal of Marketing Development and Competitiveness*, 8(2), 50-60.

#### AUTHORS

**First Author** – Gentiana Mjaku, Ph.D. Candidate, University of Tetova, [genta.mjaku@live.com](mailto:genta.mjaku@live.com)

**Correspondence Author** – Gentiana Mjaku, Ph.D. Candidate, University of Tetova, [genta.mjaku@live.com](mailto:genta.mjaku@live.com)+38345498156