



Assessing Service Quality and its Influence on Customer Satisfaction in Commercial Banks: Evidence from Patiala District

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The present business environment positions consumers as the primary stakeholders, with their satisfaction being a critical priority for management. Delivering high-quality service is essential for fulfilling customer expectations. This study aims to examine service quality and customer satisfaction within the rural commercial banking sector, particularly by analyzing various dimensions of service quality.

The primary objectives of the current study are to incorporate key elements of the banking context that may help in examining consumer viewpoints across varied bank characteristics. Simple statistical methods, such as descriptive analytics, correlation, and regression analysis, have been applied to explore the linkages between consumer satisfaction, overall service quality, and the diverse dimensions of service quality.

The present study surveyed 210 rural bank customers from the Patiala district of Punjab. The key finding is that the five dimensions of service quality have a significant influence on customer satisfaction and service quality in the rural banking sector. Furthermore, the study reveals that customer satisfaction significantly impacts service quality, highlighting the importance for banking institutions to deliver high-quality services to their rural clientele.

Keywords: customer satisfaction, service control, commercial bank

Introduction

The banking sector plays a crucial role in the development of any country. In rural areas, achieving financial inclusion remains a major problem. Enhancing customer satisfaction and service quality in banks is becoming more and more important in the modern era, especially in rural areas. Even while urban areas have been the focus of most academic and research work, there is still a clear lack of empirical studies that focus on smaller towns and rural areas, particularly in emerging nations like India. Therefore, the purpose of this study is to investigate how rural banks in Punjab's Patiala area gauge customer happiness.

Customer satisfaction and service quality are critical to the expansion of the fiercely competitive financial sector (Parasuraman et al., 1988). The banking industry's customer happiness and service quality have been thoroughly examined in metropolitan areas, but little attention has been paid to the rural banking sector. In order to fill this research gap, the present study aims to explore the particular potential and challenges in the rural banking sector. The unique feature of the rural banking industry; such as a stronger dependence on agriculture for income, lower literacy rates, and less exposure to technology; may have an impact on customer satisfaction and perceptions of

service quality. Banks need to have an extensive understanding of these factors in order to serve their customers in rural areas adequately and provide high-quality service.

The Patiala region offers a compelling backdrop for researching how customers perceive and evaluate service quality across a variety of business areas due to its mix of rural and urban population. The current study adopts a mixed-methods approach that combines quantitative surveys and qualitative interviews to provide a comprehensive analysis of customer satisfaction and service quality in rural banks. The SERVQUAL and BANKQUAL frameworks, which are perfect for the unique needs and characteristics of the rural banking sector in Patiala, are used in the study.

By investigating the connection between customer satisfaction and service quality factors in the rural banks of the Patiala region, this study seeks to offer valuable information to researchers, bank managers, and policymakers. The results of this study will aid in the formulation of plans and strategies for improving banking services in rural areas.

The main objectives of the current study are:

- 1 To identify and assess the critical dimensions of service quality that are essential for customers in the Patiala region.
- 2 To evaluate the relationship between customer satisfaction levels and service quality.
- 3 To analyze and compare the perceptions of service quality across the banking sector in the area.
- 4 To examine the variations between customer expectations of services and the actual service performance provided to them.

Literature Review:

The connections between service quality, customer satisfaction, and customer loyalty have been extensively investigated in the retail banking industry. Research has consistently demonstrated robust interrelationships among these factors.

The SERVQUAL framework, developed by Parasuraman and colleagues, outlines five critical dimensions of service quality: reliability, assurance, tangibles, empathy, and responsiveness. Within the retail banking sector, empirical studies have demonstrated that these attributes significantly shape customer perceptions and evaluations. The similar type of results has been also found by Ladhari et al. in 2011.

The existing literature has consistently demonstrated a direct relationship between customer satisfaction and service quality in the banking industry. For instance, Kaura et al. found that all five SERVQUAL dimensions (reliability, assurance, tangibles, empathy, and responsiveness) significantly contributed to customer satisfaction, with reliability emerging as the most influential factor. Similarly, Narteh's research corroborated the critical role of service quality as a key determinant of customer satisfaction in the retail banking context.

Loyalty and Customer Satisfaction:

The relationship between customer loyalty and satisfaction is well-established. Baumann et al. found that satisfied banking customers are more likely to maintain their accounts and recommend the bank to others. However, Farquhar and Panther argue that customer satisfaction alone may be insufficient to ensure loyalty in highly competitive markets.

The study findings suggest that loyalty and service quality are linked through both direct and indirect relationships. Specifically, Kheng et al. determined that certain service quality dimensions, such as reliability, empathy, and assurance, directly influenced customer loyalty.

Meanwhile, other dimensions like responsiveness and tangibles had an indirect impact on loyalty, mediated through customer satisfaction.

Interrelations:

The existing literature suggests a multifaceted interplay among these factors. Zameer et al. developed a model where service quality impacts both customer satisfaction and loyalty, with satisfaction also mediating the link between quality and loyalty. Similarly, Kant and Jaiswal's work highlighted the pivotal role of customer satisfaction as a crucial mediator in this relationship. This literature review offers a comprehensive overview of key findings on the associations between loyalty, service quality attributes, and customer satisfaction in the banking industry.

Customer satisfaction

Customer satisfaction refers to the extent to which a customer's perceived performance of a product or service meets their initial expectations. This concept is further elaborated by explaining that satisfaction levels are determined by comparing the perceived performance of a product or service against the customer's initial expectations. When the performance of banks falls short of these expectations, dissatisfaction occurs. Conversely, satisfaction is achieved when performance meets expectations, while exceeding expectations results in high satisfaction or delight.

The extant literature suggests that service quality precedes customer satisfaction, although these constructs may be cumulative or transaction-specific. Numerous empirical investigations have corroborated this viewpoint, establishing that the quality of service provided influences levels of customer satisfaction.

Oliver's definition characterizes customer satisfaction as the customer's assessment of how well a product or service meets their requirements and expectations. Failure to meet these criteria leads to dissatisfaction. Oliver also notes that satisfaction has both lower and upper boundaries. While under-fulfillment of expectations causes dissatisfaction, over-fulfillment can potentially decrease satisfaction if a customer receives "too much of a good thing." However, customers tend to focus more on the lower threshold, often disregarding the upper limit. The outcomes of customer satisfaction may encompass repurchase intentions, positive word-of-mouth, and complaint behavior.

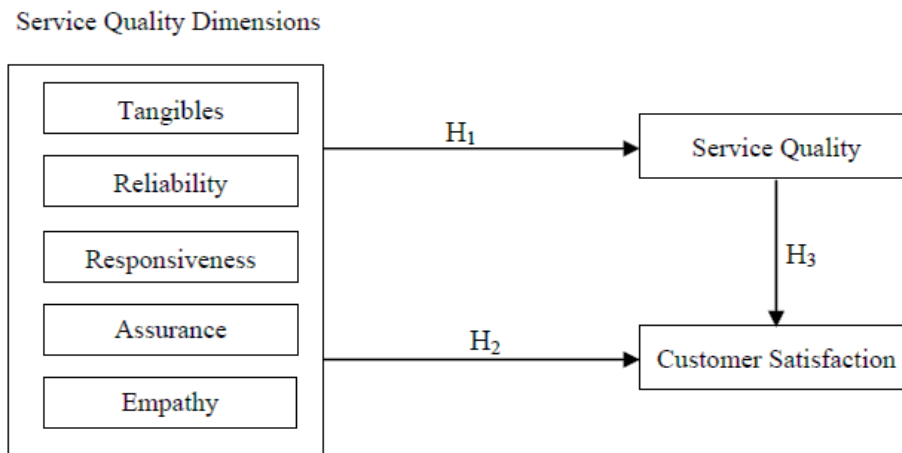
Association between Quality of Service and Satisfaction of Customer

Recent studies have intensified academic focus on the relationship between service quality and customer satisfaction. Research by Dutta, Kirti, and Anil Dutta revealed that customer expectations often exceed their perceptions, with this gap varying across the banking sector. They found that tangible service elements had the most significant impact on customer satisfaction. Dharmalingam and Kannan's 2011 study indicated a direct association between all service quality attributes and customer satisfaction. That same year, Professor Gopalkrishnan and colleagues determined that both service quality and customer satisfaction directly and positively influenced customers' loyalty intentions. Of these two factors, customer satisfaction emerged as the stronger predictor of customer retention.

Research by Jackie and Tam indicates a positive correlation between customers' perceived service value and their level of satisfaction. Furthermore, Montes, Mar, and Fernandez found that employees' experiences and attitudes, as internal customers, substantially impact external customers' perceptions, attitudes, and behavioral intentions. These insights align with the conceptual framework developed by Zeithaml and Bitner, which illustrates the interconnected nature of customer satisfaction, perceived value, and employee attitudes in shaping the overall customer experience and fostering loyalty.

These findings align with the conceptual framework developed by Zeithaml and Bitner (2003), which illustrates the interconnected nature of customer satisfaction, perceived value, and employee attitudes in shaping overall customer experience and loyalty.

Figure 1



Source: Agbar, 2011

Variable Definition

The key attributes are consumer satisfaction and quality of service from consumers’ side. The endogenous variable is satisfaction of customer whereas exogenous variables are service quality and its dimensions.

Table 1

Study Variable

Association	Response/Outcome variable	Explanatory/Predictor variable	Hypothesis
Service quality and service quality dimensions	Service quality	Service quality dimensions	H1
Consumer satisfaction and service quality dimensions	Consumer satisfaction	Service quality dimensions	H2
Service quality and consumer satisfaction	Consumer satisfaction	Service quality	H3

H1: There is a significant positive correlation between service quality and service quality dimensions factors and perceived customer satisfaction.

H2: Customer satisfaction and service quality dimensions factors are significantly positively correlated with perceived customer satisfaction.

H3: Overall service quality demonstrates a significant positive correlation with perceived customer satisfaction.

Data base and Methodology

Data Collection

This study utilized a holistic approach to data gathering and analysis. Primary information was obtained through a comprehensive questionnaire administered to 210 consumers of state-owned commercial banks in the Patiala district. Personal interviews were conducted to ensure accurate completion of the 32 close-ended question survey. All constructs were measured using 5-point Likert scales (i.e, ranges from 1 to 5) to evaluate the association between service quality and customer satisfaction. To supplement the primary data, secondary information was collected from prior research studies, journal publications, and relevant websites concentrating on service quality and consumer satisfaction.

Methodology

The methodology employed both descriptive and inferential statistical techniques for data analysis. Descriptive statistics, such as charts, percentages, means, and standard deviations, were utilized to summarize and present the data. For the inferential analysis, the study leveraged correlation and coefficient methods, with data processing conducted using SPSS software.

Realibility Testing

To verify the robustness of our measurement tools, the study conducted a reliability analysis using Cronbach's alpha coefficient. This assessment evaluated the internal consistency of each construct in our investigation. As Hair et al. explain, internal consistency is predicated on the principle that individual items or indicators within a scale should measure the same construct, resulting in high intercorrelations. Building on this, Fujun et al. utilized SPSS version 20 software. Specifically, Pearson Correlation technique and Regression analysis were employed to test hypotheses and assess the relationships between service quality and customer satisfaction. This comprehensive methodology, integrating structured quantitative data collection with rigorous statistical analysis, facilitated a thorough examination of the relationship between various service quality factors and consumer satisfaction in the banking sector.

Regression model

$$OSQ = \alpha + \beta_1 TAN + \beta_2 REL + \beta_3 RES + \beta_4 ASS + \beta_5 EMP + E \dots\dots\dots (1)$$

$$SAT = \alpha + \beta_1 TAN + \beta_2 REL + \beta_3 RES + \beta_4 ASS + \beta_5 EMP + E \dots\dots\dots (2)$$

$$SAT = \alpha + \beta_1 OSQ + E \dots\dots\dots (3)$$

Where, OSQ = Overall Service Quality, TAN = Tangibility; REL = Reliability, RES = Responsiveness; ASS = Assurance; EMP = Empathy; α = Constant; β_i = Co-efficient or slope of regression model; E = Error term; and SAT = Customer Satisfaction.

Reliability Testing

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Table 1

Cronbach's alpha coefficient

Variable	Cronbach's alpha
Reliability	.789
Responsiveness	.801
Empathy	.766
Assurance	.901
Tangibility	.756
Perceived customer satisfaction	.729
Overall Service Quality	.762

Results Analysis

Correlation Analysis

The correlation coefficient was calculated for the finding out the association between Service quality and consumer satisfaction in rural banking of Patiala district of Punjab.

Table 2 Correlation Coefficient

Variable	customer satisfaction	Overall Service Quality
Reliability	.410**	.510**
Responsiveness	** .305	** .289
Empathy	.580**	.520**
Assurance	** .365	** .314
Tangibility	.380**	.269**

** Correlation is significant at the 0.01 level (2-tailed).

Table 2 presents the correlation coefficients between human-related factors and non-human related factors. Both categories of factors exhibit positive and significant correlations with customer satisfaction and overall service quality in the Patiala District. All p-values are less than .01, and the correlations between service quality and satisfaction dimensions are statistically significant. The high positive correlation of 0.580 between empathy and satisfaction suggests that banks provide attentive care to their customers and address their specific needs. Customers perceive that their interests are genuinely considered.

Regression Analysis

To gain a comprehensive understanding of the relationship between service quality and customer satisfaction, the study employed a regression analysis. This powerful statistical method effectively quantifies the impact of service quality on customer satisfaction and clarifies how different aspects of service quality interact with and influence overall satisfaction levels. Through this regression analysis, we can confidently determine the strength and direction of these relationships, providing compelling insights into the key factors that drive customer satisfaction in our study.

Table-3

	Model 1	Model 2		Model 3
Explanatory Variable	B	β	Explanatory Variable	B
Constant	3.465	2.165	Constant	0.569
Reliability	0.176	0.242	Overall Service Quality	0.889
Responsiveness	-0.023	-0.003		
Empathy	0.158	0.248		
Assurance	-0.012	0.112		
Tangibility	0.341	0.251		
R ²	0.456	0.386		0.785
p-value	0.000	0.000		0.000
f-value	27.28	32.75		386.745

The regression analysis results are presented for three models. Model 1 indicates that the independent variables of reliability, empathy, and tangibility are positively and significantly related to the dependent variable of overall service quality, while responsiveness and assurance are negatively related. The F-value of 27.28 is significant at the 5% level, and the independent variables explain 45.6% of the variation in the dependent variable, leading to the non-rejection of H1.

Model 2 shows that the independent variables of reliability, responsiveness, empathy, and tangibility are positively and significantly related to the dependent variable of customer satisfaction, while assurance is negatively related. The F-value of 32.75 is significant at the 5% level, and the independent variables account for 38.6% of the variation in the dependent variable, resulting in the non-rejection of H2.

For Model 3, the F-value of 386.745 and the p-value of 0.000 are both significant at the 5% level. The R-squared value of 0.785 or 78.5% indicates that the variation in customer satisfaction is largely explained by the variation in overall service quality, leading to the non-rejection of H3.

Conclusion

The findings indicate that consumer satisfaction and overall service quality are strongly correlated with the dimensions of empathy, responsiveness, and reliability. Specifically, the reliability, responsiveness, assurance, and empathy aspects of service quality have a more significant impact on customer satisfaction than the non-human related factors. Furthermore, the study concludes that the SERVQUAL dimensions are influential determinants of service quality and customer satisfaction, demonstrating that service quality has a substantial impact on overall customer satisfaction.

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