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## **A REVIEW OF SERVICE QUALITY AND CUSTOMER SATISFACTION IN BANKING SERVICES: GLOBAL SCENARIO**

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### **Abstract**

The dynamics of service quality and satisfaction of customer on banks situated in various countries indicates that earlier studies offered no consensus over the subject, to confirm the issues and trends of these factors which regulate service quality and customer satisfaction. Now-a-days all public, private and foreign banks play a vital role in retail banking and provide lot of core banking services to all their rural and urban customers to maintain customer loyalty, retention and providing 100% customer satisfaction. But there is some evidence that few public, private and foreign banks do not give importance to their retail customer relating to maintenance of service quality and customer satisfaction. In this regard, this research paper focuses with a purpose to report the findings of existing

literature to identify decompose and define the dynamics of quality service and satisfaction of customer towards all banking services in Global scenario including India. The contribution of the study would broadly be two fold namely quality service and satisfaction of customers in banks across various countries. This literature review based study will definitely help new researchers to identify their research problems for their research study.

Keywords: **Service Quality, Customer Satisfaction, Role of Banks, Retail Banking**

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## **INTRODUCTION**

In the current banking scenario it is obvious that banks gain competitive advantage by rendering efficient service and thereby enhancing customer relationship. More emphasis on creating loyal customers is the need of the hour. It is pivotal for all players in the financial service industry to understand the needs of the customer and customize services based on their needs. This in turn will pave way for achieving customer satisfaction to a larger extent. The measurement of the same is an important factor in banking sector.

In this ICT (Information, Communication and Technology) era, the mode of direct pay, online financial services has gained value. Now a day, customers need flexible hours of operation, customization and transparency. Due to increased market competition, customers' defection rates are higher. Thus, research on service quality and satisfaction of customers in banking sector is considered important.

In this research paper, the researchers have focused on service quality and customer satisfaction literature that has been receiving significant attention over the last few years. This research paper is classified in two fold namely Quality of Service and satisfaction of customers in banks across various countries.

### **Service Quality and Customer Satisfaction with Banks situated in Foreign Countries: A Review of Literature**

The literature review on service quality and customer satisfaction with banks situated in foreign countries reflects the findings of various professionals and researchers. With a view to authenticate the study, various literatures have been reviewed to identify the research gaps.

Valued customers can be retained by improving the service quality of mobile banking [1]. Customers of foreign bank experienced most excellent service quality contrary to the customers of nationalized bank in Pakistan [2]. In general, the bank has been appraised positively by the customers, however continuous development is suggested to maintain a cut-throat edge [3]. The maximum satisfaction of customers with respect to a) receptiveness dimension - enthusiastic to assist the customers, friendly approach of employees b) reliability dimension of customers care. However, the customer satisfactions

vary according to the nature of service [4]. To enhance the customer satisfaction, the bank has to maintain a strong relationship through better service [5]. The services provided by the commercial bank to customers' below their expectation [6]. Service quality and e-banking adoption had a constructive and noteworthy association with the satisfaction of customer. The key variables with regard to 24 hours service, perfect and up to date information, quick process influenced the customers' satisfaction [7]. "Service quality" an important construct of customer satisfaction [8]. To retain the customers the bank has to improve all the dimensions of the service quality [9]. Customers' satisfaction depends upon the quality of services provided. Customers' satisfaction leads to trustworthiness [10]. Positive and significant association between the various constructs of service quality and satisfaction has been studied. Among all the constructs, assurance construct played a vital role in influencing the customers' satisfaction [11]. The customers expected higher from banks than what they actually received [12]. The electronic services provided by the bank have a positive and considerable impact on customers' satisfaction and also it had significant impact on profitability of the bank [13]. Serviceability had a positive and significant effect on customer satisfaction to accept internet banking service [14]. The factors influenced the service quality of the customer: a) timely service skill b) expertise provided by the staff c) look and feel of the environment and employee [15].

Positive association between customer satisfaction and their trustworthiness has been studied. The study further disclosed about the negative association between customers' satisfaction with intention of customers to change banks [16]. The service quality as well as service value played a vital role in instituting customer loyalty [17]. The researcher Shanka [18] substantiated the theory of literatures with respect to the link between dimensions of service quality and satisfaction of customers. The dimensions such as sympathy, tangibility, trustworthiness, receptiveness and assurance are essential for the satisfaction of customers towards the services provided by the private banking sector in Bangladesh [19]. The dimensions with regard to responsiveness, customization and flexibility for E-SERVQUAL model, found unable to respond the customer's need [20]. The service quality's dimension - assurance and tangible have a greater impact on the satisfaction of customers [21]. Empathy and tangible dimensions demonstrates the highest positive correlation and least positive correlation respectively towards customer satisfaction [22]. The customers of Islamic banks (U.K and Pakistan) considered assurance dimension as an important factor for customer satisfaction followed by reliability and empathy. On the other hand, the customers of Islamic Banks (UAE) considered assurance and tangible as important [23]. The factors such as quality of banking services, customer satisfaction, and the quality of bank relationship with customers have a significant effect on customer loyalty [24]. All five factors were positively related to consumer satisfaction. However reliability had only a partial support, which indicates the need to improve reliability to be more competitive in the market [25]. The dimensions such as assurance, transaction efficiency and safety have a strong constructive association with customers' satisfaction towards internet banking [26]. The tangible dimension of service quality has a direct and significant impact on internal marketing and satisfaction of customers followed by trustworthiness, receptiveness, assurance and sympathy dimension [27]. Except tangibility, all other dimensions of the service quality had a positive significant

effect on satisfaction of customers [28]. When compared to other dimensions tangibility was the least predictive of observed service quality [29]. Constructs relating to perceived quality, reliability, empathy and assurance the strongest sign of customer satisfaction [30]. The three constructs namely reliability, assurance and enabling the important forecasters of retail banking customers' satisfaction in New Zealand [31].

Businessmen and low income groups satisfied more with the service quality of the bank, whereas middle income and higher income group not much satisfied with the services provided by the Bank [32]. Customers have highest and lowest satisfaction with regard to responsiveness dimension and reliability dimension respectively [4]. Customers of retail banking sector in Vietnam are satisfied with reliability dimensions, followed by empathy, tangible, assurance and responsiveness [33]. The dimensions with regard to reliability and responsiveness need to be concentrated by Ghana Commercial Bank [34]. The dimensions developed by Parasuraman have a constructive and higher impact on the satisfaction of customers [35].

The important factors influencing the satisfaction of customers – speedy transactions with accuracy, expertise of employees, maintain secrecy and waiting time of customers to complete the transaction. The responsiveness constructs influenced the customer service quality more [36]. The customers of the bank dissatisfied with regard to upgrading physical facilities and personal attention [37]. The bank could not fulfill the expectation of customers with regard to the three dimensions namely innovation, benefits and credits and reputation of the bank. However, customers satisfied relating to other nine attributes [38]. Bank safety and guarantees considered to be the important variables which influenced the satisfaction of customers [39]. Direct association with the service quality, satisfaction of customers and corporate image has been reviewed [40]. As a mediator, customer satisfaction affects the various dimension of service quality and as a moderator affects only the empathy and reliability dimensions on customer satisfaction [41].

### **Service Quality and Customer Satisfaction with Banks situated in India: A Review of Literature**

The literature review prepared for this study on service quality and satisfaction of customers in all banks (both public and private) situated in India reflects the findings of various professionals based on their studies.

In order to retain the valued customer, it required to enhance the customer satisfaction [42]. The study explained the concept of customer satisfaction, beginning from basic principles. Assurance services in Government Banks better when compared to Private Banks. However the level of customer satisfaction in private banks is more than government banks [43]. The nationalised bank have to improve employee behaviour, ambience infrastructure, whereas the private and nationalised banks have to concentrate in the areas such as lower charges, more accessibility and good communication [44]. The perception of customers towards the service of private banking sector is good when compared to the customers of public sector bank [45]. The constructs such as customer's service, easiness to use self-service technology and reliability have a constructive impact

on the satisfaction of customers and faithfulness [46]. Constructs such as reliability, responsiveness, fulfillment, privacy and security have a significant association towards the customer satisfaction in internet banking [47]. Out of the five dimensions, responsiveness found to be significant in predicting overall satisfaction with regard to banking service [42]. The customers satisfied with the quality of staff dimension, whereas, maintaining accounts and handling of enquires dimensions did not meet their expectations [48]. Empathy dimension of the service quality showed the highest significant relationship with customer satisfaction followed by assurance dimension [49]. Among the five dimensions the bank has to concentrate on reliability dimension [50]. A positive correlation with customer satisfaction was displayed by all the five dimensions of the service quality [51]. Among the five constructs reliability accountable for customers' satisfaction followed by responsiveness, empathy and tangibility [52]. All the constructs of the service quality positively and significantly correlated with customers' satisfaction [53]. Banks should concentrate on the following dimensions to satisfy the customers: a) Enjoyment b) Customization c) Design and d) Functionality [54].

## **RESEARCH IMPLICATIONS**

Service quality and customer satisfaction provided a useful tool for the banking services across the world. The findings of this study have a wide array of potential implications for rural and urban customers, bankers, government and academicians. The findings also have profound implications for customers for investing their money in foreign banks, public and private sector banks. The findings of the study also extend directions to bank managers to extent their fullest service to all customers irrespective of age, community, geography and customer needs to be integrated with unsystematic factors. There are three significant implications for academic practitioners, bank managers and researchers – that it would be valuable to re-examine the findings of this review using a larger sample over an extended period. The presence of service quality and customer satisfaction in banks may vary in other banking services contexts including technology service, mobile banking service, E-banking and digital divide service and so forth. Over and above, the examination of service quality and satisfaction of customers towards banking services provided by all banks across different phases of banking financial services and financial inclusion is a pivotal area of research.

## **CONCLUSION**

Extensive review of the literature suggests that service quality and customer satisfaction in banks can be investigated further to find out what method that banks follow over sample period for different service quality and customer satisfaction. Though there have been a number of studies that have found the presence of service quality and customer satisfaction inconsistency and attributed different reasons for service quality and customer satisfaction of foreign and public banks however no study have been able to resolve this issue. Hence, it can be an existing idea to address the issue of service quality and customer satisfaction of public and private banks situated in foreign countries anomaly through analysing the public and private sector banks situated in India.

## **LIMITATIONS OF THE STUDY AND SCOPE FOR FUTURE RESEARCH**

Despite sincere efforts, the study has certain inherent limitations. The study is descriptive in nature and data was collected from many sources such as academic journals, magazines, websites and annual reports. This paper explained a theoretical backdrop to the concept of quality service in banks and customers' satisfaction. There is, therefore, dire need to empirically validate the relationships between quality service and satisfaction of customers in various contexts.

The presence and extent of service quality and customer satisfaction examination in different countries has been pursued by the researcher. Previous studies reveal that the service quality and satisfaction of customers are studied jointly and not separately. Service quality and satisfaction of customers towards foreign and nationalised banks can be studied separately in future studies. Again, satisfaction of customers' depends upon quality of service and whether satisfaction of customers' leads to loyalty should be tested in future studies. There is woeful shortage of potential explanation of service quality in foreign banks. Different scholars have tried to explain service quality and customer satisfaction with the help of financial inclusion, customer retention, customer awareness on modern banking services, mobile cash transfer and macro-financial variables. However, there is no unanimity on the possible source of service quality and customer satisfaction. Many researchers examined the time-varying, volatility behaviour of rural and urban banking customers and to the best of my knowledge; it has never been attempted in the Indian banking sector. Hereby, the researchers conclude that there is a dearth of literature in emerging service quality and customer satisfaction in banking sector that can be used as a trigger to examine diversified attributes of service quality and customer satisfaction, especially in the banking sector context.

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