IMPACT OF SERVICE QUALITY ON CUSTOMER SATISFACTION OF BANKING SECTOR EMPLOYEES: A STUDY OF LAHORE, PUNJAB

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ABSTRACT

Customer satisfaction and service quality both are most widely studied constructs. Organizations are working hard to provide the quality of service to their customers in order to attain their satisfaction and loyalty. This study was destined to find the impact of service quality on customer satisfaction in banking sector employees of Lahore region. This study was a cross-sectional study and questionnaire used was adopted from empirical studies. Finding showed that there exists a significant positive relationship between service quality and customer satisfaction. Study revealed that the respondents have responded in disagreement to the quality of services provided to the customers, which in turn, definitely affected the customer satisfaction. Poor quality of service is being provided to customers who show a poor customer satisfaction. Data was analyzed using reliability statistics, correlation and regression analysis. Future recommendations were also presented in this study.

Key words: *Service Quality, Customer Satisfaction, Banking Sector, Lahore, Punjab.*

Introduction

Overview

SERVQUAL can be utilized by traditional bank operators in order to calculate customer satisfaction. Service quality is currently more dynamic decisive issues in marketing concept. It will help in order to Control the actual aggressive placement and therefore can determine income (Bawa, 2012). Many researchers have done research on this concept in the banking industry. Many people apply SERVQUAL model in order to calculate the service quality.

This study was intended to investigate the association between the service quality and customer satisfaction. Naeem et al. (2011)'s research described that satisfaction of customers can be obtained through the quality of service provided by the organization.

Banking industry being an important corporate sector of Pakistan, gives the facilities to public for starting the new business, housing, study and the other benefits along with savings. Without banking sector no country can meet financial needs. It controls the inflation and deflation of the country.

Many techniques are used to check the customer satisfaction in different sectors. One phenomenon says that satisfied employees can create the customers satisfaction. A satisfied customer may be retained for a long time which can ultimately improves the whole performance of the firms. A satisfied customer can become source of positive word-of-mouth.

Definition of Terms

Customer Satisfaction: Customer satisfaction is dependent on the price. Besides costs, the quality of goods and services also create the satisfaction (Jamal

& Naser, 2002). According to Crosby (1979) goods and services satisfy the customer and also reduce the failure cost.

Service Quality: Service quality is "multi-dimensional concept" but there exists a disagreement to the possible conceptualization in addition to operationalization (Pantouvakis & Bouranta, 2013). The interactive feature is that it is "related to the nature of interactions between the service firms and its customer and the process by which the core service is delivered" (Bell et al., 2005).

Objective of Study

The main purpose of the study is to find the association between the service quality (provided the banking sector) and customer satisfaction.

Research Questions

How service quality impacts the satisfaction of customers in employees?

Justification of Research

It is imperative for the organization to increase its profits by customer satisfaction. Customer satisfaction can be achieved via quality of services provided to customers. It will not only enhance their satisfaction but also bring their loyalty to the organization.

Significance of Study

The research result will help guide the future researcher to research the new avenues. In addition, this study will give an insight of service quality in determining the customer satisfaction in regional context of Pakistan.

Literature Review

Service Quality Management

Service quality can be used to define differentiation between two service provider's services and to win strategic competitive advantage. The service quality provides a key determinant of whole Satisfaction, which leads to customer retention and loyalty (Ennew & Binks,

1999). It is cleared from the study of Ennew & Binks (1999) that customer loyalty and satisfaction can be achieved if customers are provided with the best quality of services. Similarly, it is considered one of the most significant factors of customer loyalty in service industries (Fullerton, 2005). The quality of transactions services delivered to customers can improve the performance of the bank and customer relationship into a long-term, close and trustworthy. Negi (2009) explained that today customer perception about quality of services provided by the organization had attained enhanced consideration, because of its particular contribution to trade industry competitiveness. It can be concluded that quality of services provided by organizations is imperative construct to be comprehended by meaningful interpretation to calculate customer satisfaction. This makes essential improvements in this dimension.

Customer Satisfaction

The researcher Voon et al. (2011) has measured the relationships among service quality of service provided by the organization and satisfaction of their customers. Quality of services perceived by customer is established to be optimistically related to satisfaction of customers. Other researchers instituted that satisfaction of customers intervene in the affect of quality of service on behavioural intentions. Service quality is considered to be the major determinant of satisfaction of customers. Quality services are helpful to satisfy and help retain customers

Kasim & Minai (2009) were of the view that there are many young customers who prefer online and easy facilities available in banks. Researchers established that service quality influence customer's plan to repurchase. Voon et al. (2011) has also identified "interest or price" as a feature that is considered in determining customer satisfaction. Furthermore, "post-purchase intentions" were powerfully predisposed by "perceived value"; also investigated role of

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price in determining customer satisfaction but did not find it to be of significant. But for young generation who are not efficiently strong in terms of finance, discovered that "interest" is vital to draw their attention to banking sector. Satisfaction of customers is strong criteria for gaining their loyalty.

Heskett & Schlesinger (1994) study of the customer Vs profit model has developed the argument that "customer satisfaction has a positive impact on customer loyalty and on the company's Financial Performance". It is also argued that "customer satisfaction has a positive influence on customer Loyalty, in terms of both intentions to switch and tolerance to price changes". Profitability is optimistically enhanced by loyalty of customers.

Service Quality and Customer Satisfaction

According to Ennew & Binks (1999) the relationship between satisfaction of customers and quality of services prove that concurrence to core ideas of service quality will usually result into customer storage and success. Yavas et al. (1997) reported the success of service quality plan can be calculated by retention of existing customers. Quality of service leads to customer's satisfaction and tangible aspect of services environment have no impact on customers satisfaction (Jamal & Naser, 2003).

This particular analysis determines a contributing factor and results in a relationship among organizational functions, and personnel behaviours. It is reported in study conducted by Dean (2004) organizational functions and employees' mindset influences and support good quality. The case study of Gelade & Young (2005) examined the organizational environment, employee perceptions, client satisfaction and also income effectiveness. Teamwork traditions and also workable services and organizational traditions are designed to serve buyers correctly. Another researcher Fullerton (2005)'s research was

based on quality service and customers' purpose in financial performance. His study used the customer satisfaction as a mediator between retail banking and financial performance.

A research conducted on service quality in connection to customer satisfaction along with attitudinal goals by Olorunniwo & Hsu (2006) reported the impact of quality of services on satisfaction of customers in presence of their attitudinal behaviors. Another important study conducted on the same concept was by (Naeem et al., 2011). Their study examined the relationship amid employees, customers and overall financial performance. Final results showed that staff training and also understanding carries a substantial impact on high service quality (Naeem et al., 2011).

Research Hypothesis 01: *Service Quality is significantly related to customers' satisfaction in banking sector employees of Lahore.*
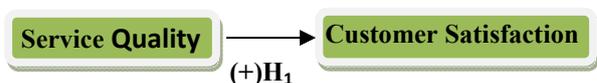
Research Framework

Figure 1: Research Framework

Methodology

According to Imam et al. (2014) research methodology is "a way that helps researcher to propose and recommend the methodology or methodological design (which is logical)". It not only help researchers to identify answers to the problem Mason (2002) but also suggest different and important techniques to properly collect and interpret the information (Denzin & Lincoln, 2000).

This research work was destined to find the influence of service quality on the customer satisfaction in the banking sector of Punjab, specifically Lahore. Banking sector includes both public and private banks of Lahore.

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Lists of banks were obtained from the Lahore Stock Exchange (being reliable sources after official website of State Bank of Pakistan and Islamabad and Karachi Stock Exchanges websites). Sampling technique used was convenience sampling in order to save expenses and time. This study was cross-sectional study. Data collection technique used was survey questionnaire. Almost 25 banks were selected as a sample. Personal visits and via email responses were collected. Total questionnaires rotated in these 25 banks were 270. Only 235 employees responded making response rate of 85% after excluding the 5 deficient questionnaire responses. Questionnaires were adopted from the exploratory studies in order to avoid the issues related to reliability. Questionnaires were structured using 5 points Likert scale, sorting 1=strongly disagree to 5=strongly agree. Analysis was done using SPSS-16 using the reliability analysis, descriptive analysis, correlation statistics and regression analysis techniques.

Results & Discussions

Reliability Analysis

Reliability means "free from error of measurement". For measuring reliability, Cronbach's alpha technique was used. The reliability analysis in table-1 shows that the service quality construct has Cronbach's alpha of 0.838 and customer satisfaction is 0.903, both lie in the acceptable range as reported by (Murphy & Balzer, 1989).

Table 1: Reliability Statistics

| Constructs	Alpha
Service Quality	.838
Customer Satisfaction	.903

Descriptive Statistics

The number of respondent which are involve in survey are analysed against range, mean, minimum, maximum and standard deviation.

Table 2: Descriptive Statistics-N=230

Variables	N	Min.	Max.	Mean	Standard Deviation
Service Quality	230	1.00	4.40	1.771	0.70930
Customer Satisfaction	230	1.00	4.75	1.844	0.85745

The mean service quality management and customer satisfaction were 1.771 and 1.844 respectively, which means that the respondents mainly responded for the disagreement. This shows that the employees are dissatisfied with the quality of services provided by the banks and with the satisfaction of customers. While, the standard deviation shows 0.71 and 0.86 times which means that the data has variation.

Demographics
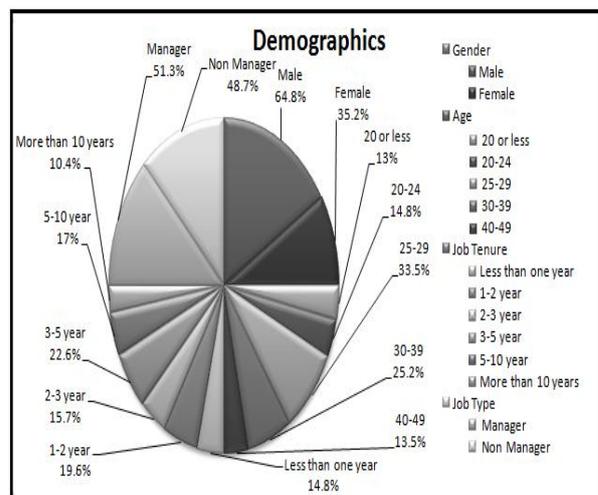
Figure 2: Demographics

Figure 2 shows the demographics of respondents. There were total of 64.8% male respondents to the questionnaires while females were 35.2% out of 230 respondents. Age of the respondents shows that there were 13% respondents who were in the age bracket of 20 years or less, 14% were in age bracket of 20-24 years, 33.5% were between 25-29 years, 25.2 were

between 30-39 years and remaining 13.5% per between 40-49%.

Job tenure demographics shows that the respondents having experience of less than one year were 14.8%, 1-2 years were 19.6%, 2-3 years were 15.7%, 3-5 years were 22.6%, 5-10 years were 17% and more than 10 years were almost 10.4%. Moreover, respondents from managing positions were 51.3% and from non-managing positions were 48.7%.

Correlation Analysis

Correlation analysis is done to find the direction and strength of interdependence between the dependent and independent variable. Table 3 shows that correlation coefficient between service quality and customer satisfaction is 0.773 at 1% level of significance which means that both variables have strong positive interdependence between them. This means that our research hypothesis is accepted which states that "*Service Quality is significantly related to customers' satisfaction in banking sector employees of Lahore*".

Table 3: Correlation Statistics-N=230

Variables	Service Quality	Customer Satisfaction
Service Quality	1	
Customer Satisfaction	.699**	1
Correlation is significant at the 0.01 level (2-tailed)		

Regression Analysis

Through regression analysis relationship among two quantitative variables (predictor and outcome variables) were measured. Alternatively, regression analysis examines the association between criterion and predicted variable. The significance of relationship was measured on 1% level of significance.

Table 4: Regression Analysis-N=230

	R	R^2	Beta	F	*P*
Service Quality	.598	.596	.773	339.409	0.00
Dependent variable: Customer Satisfaction					

Table 4 shows the regression analysis run on the service quality (independent variable) and customer satisfaction (dependent variable). The value of R^2 is .596 which means that 59.6% or almost 60% variation in customer satisfaction is due to service quality while remaining variation is because of the presence of other factors. Service quality's beta coefficient is 0.773, which means that increase in one unit of service quality will increase customer satisfaction by 0.773 or 77.3% and/or vice versa. This finding also leads to the acceptance of research hypothesis of interest that "*Service Quality is significantly related to customers' satisfaction in banking sector employees of Lahore*". Responses of employees also revealed that there is a need that banking industry of Lahore region should enhance their services quality because enhanced service quality will also bring enhanced customer satisfaction.

Conclusion

This research work was destined to unleash the influence of service quality on customer satisfaction in banking sector employees from Lahore, Punjab. Literature also revealed that there exists a significant positive impact on the satisfaction of customers when service quality is in consideration. This study also showed a consistent finding with the preceding researches that there is a significantly important positive association between quality of services and satisfaction of customers that has been researched many times in the past.

Limitations and Future Recommendations

Limitations

Limitations of this study were:

- Small sample was used.

- Time constraint was also there.

- The results of this study cannot be generalized with the whole banking sector of Pakistan.

Future Recommendations

Future researchers can tap the following areas of the study:

- Because of the limitation of generalizability, it is suggested that future researchers should carry the same study in the Corporate Banking Sector of Pakistan, with proper sampling technique and a larger sample size in order to get a proper insight of the phenomenon. Putting it different, further research can also be improving the current study by applying different changes in methods, samples and variables.

- This study is conducted on banking sector only other sectors can also be used for this research.

- This is a simple study results would be entirely different if that would be a comparative study.

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