

**IMPACT OF PERCEIVED SERVICE QUALITY ON CUSTOMER SATISFACTION IN  
UNITED BANK OF INDIA: A PERCEPTUAL STUDY**

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**ABSTRACT**

The introduction of financial sector reforms coupled with liberalization and globalisation has practically changed the scenario of the Indian banking sector. The impact of reforms in the financial sector and more particularly in the banking sector along with the entry of private sector banks and foreign banks has practically made the environment precarious for which the managements of public sector banks were probably not prepared. A fundamental shift in the approach of doing business has been demanded in the banking sector due to the intensity of inter-bank competition. With the advent of banking sector reforms, private sector banks are gaining momentum by providing technology based superior service at least in cities and big towns of the country with the help of dedicated and specially equipped manpower. Public sector banks in India are expected to give special emphasis on customer orientation through improvement in their quality of services and United Bank of India, one of the nationalized banks, is no exception to this. Keeping in mind the ever changing business environment, United Bank of India, like any other public sector bank of India, is expected to rethink about their existing policies and reframe it so that the bank can satisfy its customers through improved quality of services. In fact, delivery of quality services to the customers can put a bank in an advantageous position over its competitors. The paper makes an attempt not only to assess the customer perception regarding various service quality dimensions but also to analyze the influence of perceived service quality on satisfaction of customers of United Bank of India within Cachar district of Assam. The study concludes that all the select dimensions of service quality except care dimension significantly influence the satisfaction of customers.

**Key words:** Assurance, Care, Reliability, Responsiveness, Tangibility, JEL Classification: M31.

## **INTRODUCTION**

The importance of 'service quality' in the banking sector has been gaining momentum over the years as the improvement in service quality is likely to enhance the degree of customer satisfaction, which, in turn, helps a bank to retain its existing customer base in a highly competitive regime. Service quality may be considered as an approach to manage business processes in order to enhance the degree of satisfaction of customers which not only instills competitiveness but enables a bank to improve the financial performance as well. Service quality is extremely important for the growth and development of enterprises operating under service sector and especially in the banking sector. The various dimensions of service quality act as antecedents of not only overall service quality but customer satisfaction as well. Keeping in mind the increasing importance of banking sector in the Indian economy after the entry of private sector banks of foreign origin in Indian banking industry, the service quality has been considered as one of the most important parameters for the evaluation of performance of any bank. Public sector banks has been under tremendous pressure due to the ever increasing competition in the banking industry not for expansion but for survival and bank managements are expected to formulate strategies in the emerging regime to retain the customers and one of the key options is to increase the level of service quality. Classically, customers perceive meager difference in the products offered by banks as any new offering is quickly matched by competitors and in some cases with added variety. Banking organizations are undergoing a definite shift from a production oriented approach to customer-centric approach. The competitiveness of any bank, public or private, in the post-globalized era is significantly determined by the way it delivers service to its valued customers. Thus, the key strategy for the success and survival of any banking organization is the deliverance of quality services to its customers consistently in a caring fashion.

## **CONCEPTUAL FRAMEWORK**

Perceived service quality is conceptualized as a global judgement or overall evaluation or attitude relating to the superiority of the service (Parasuraman, Zeithaml and Berry, 1988). In other words, perceived quality means a customer's judgment about a service (Culiberg and Rojsek, 2010). Perceived service quality is actually the extent to which a firm successfully serves the purpose of customers (Parasuraman, Berry and Zeithaml (1991). To put it differently, perceived service quality is referred to as the extent to which a bank successfully meets the needs and

aspirations of its customers. Banks offering quality services to their customers are always in an advantageous position than their competitors. Customer satisfaction can be defined as a comparison of customer expectations to perceptions regarding the actual service encounter. Simply stated, if customer perceptions meet expectations, the expectations are said to be confirmed, and the customer is satisfied. If perceptions and expectations are not equal, then the expectation is said to be disconfirmed (Hoffman and Bateson, 2006). In other words, satisfaction is a function of the customer's belief that he/she has been treated fairly (Keith, 1991). However, customer satisfaction helps a banking organization in building long-term relationship with its customers as well as brand equity. Customer satisfaction and service quality are interrelated and in such a highly competitive business environment service quality is treated as an important factor for determining the degree of customer satisfaction in the banking business. Over the period of time, researchers have suggested different dimensions of service quality. Out of different dimensions, the present study considers six dimensions of service quality to assess the perceived service quality and also based on perception of customers the study makes an attempt to analyze the impact of perceived service quality on customer satisfaction.

## **REVIEW OF LITERATURE**

The review of literature forms the basis for selecting the service quality dimensions influencing customer satisfaction. Johnston (1995) identified eighteen important determinants, namely, access, aesthetics, attentiveness/helpfulness, availability, care, cleanliness/tidiness, comfort, commitment, communication, competence, courtesy, flexibility, friendliness, functionality, integrity, reliability, responsiveness and security used to measure the service quality of banks. Munusamy, Chelliah and Mun (2010) revealed that among the dimensions of service quality tangibility showed significant impact on customer satisfaction. Likewise, Kumar and Manjunath (2012) revealed that among the dimensions, tangibility showed the highest impact followed by reliability, assurance, responsiveness and empathy on satisfaction of customers. Ananth, Ramesh and Prabakaran (2011) observed that perception of customers regarding service quality dimensions was the highest with tangibility followed by assurance, reliability, responsiveness and accessibility. Khan and Fasih (2014) revealed that dimensions, such as, assurance and empathy showed significant impact on customer satisfaction of banks in Pakistan. Adhikari and Paul (2014) revealed that the perception of customers was the highest with reliability

dimension followed by responsiveness, assurance, tangibility and empathy dimensions of service quality. Lohani and Bhatia (2012) inferred that reliability, responsiveness and assurance were found to be the most important dimensions affecting satisfaction of customers. Paul and Adhikari (2015) inferred that assurance dimension has been one of the significant dimensions of service quality determining the customers' perception of service quality of a bank.

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

#### **OBJECTIVES OF THE STUDY**

- 1) To assess the perception of customers about select service quality dimensions in United Bank of India within Cachar district of Assam.
- 2) To examine the relationship between perceived service quality and customer satisfaction in United Bank of India within Cachar district of Assam.
- 3) To assess the influence of perceived service quality on satisfaction of customers in United Bank of India within Cachar district of Assam.

#### **HYPOTHESES OF THE STUDY**

- 1) There exists no significant relationship between perceived service quality and customer satisfaction in United Bank of India within Cachar district of Assam.
- 2) There exists no significant influence of perceived service quality on satisfaction of customers in United Bank of India within Cachar district of Assam.

#### **DATA AND METHODOLOGY**

The data for the present study has been collected through field survey. The population of the study covers the customers of the branches of United Bank of India operating in Cachar district of Assam. A questionnaire based on close ended questions has been designed covering six dimensions of service quality, namely, reliability, tangibility, responsiveness, assurance, care and access. The sample size for the present study is 121 customers of the branches of United Bank of India operating in Cachar district of Assam. In order to conduct the survey, five (05) branches of

United Bank of India have been selected randomly out of twenty five (25) branches operating in Cachar district of Assam. A five point scale ranging from 'Strongly Disagree =1' to 'Strongly Agree =5' has been used to record the responses of customers. For the purpose of analyzing the perception of bank customers, mean and standard deviation have been used. Further to attain the objectives of the study, correlation and multiple regression technique have also been applied.

### **SCOPE OF THE STUDY**

The scope of the present study is confined to the customers of United Bank of India within Cachar district of Assam. Further, the service quality has been assessed on the basis of six service quality dimensions only.

### **LIMITATIONS OF THE STUDY**

- 1) The sampling method adopted for collecting the data may not completely eliminate the possibility of sampling errors.
- 2) Each study area has its own demographic, geographic, situational and cultural specificities. So, the findings of the study need to be interpreted with great caution while making any kind of generalization.

### **RESULTS AND DISCUSSION**

Table 1 reveals that the mean score for customer satisfaction is 3.15 with a standard deviation of 0.8372. Table 1 also illustrates the level of perception of bank customers on select dimensions of service quality. The mean scores of select service quality dimensions imply that the perception of customers of United Bank of India within Cachar district of Assam is by and large favourable.

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

Service Quality Dimensions	Mean	Std. Deviation
Reliability	3.65	0.7337
Tangibility	3.72	0.7970
Responsiveness	3.43	0.7677
Assurance	3.99	0.8071
Care	3.03	0.7242
Access	3.83	0.7755
<b>Customer Satisfaction</b>	3.15	0.8372

Source: Field Survey

The perception of customers about assurance dimension of service quality is most favorable among the six dimension of service quality. However, the perception about access dimension and tangibility dimension is also favourable to a large extent. But the perception of customers about reliability dimension and responsiveness dimension are at a moderate level as is evident from their mean scores. Table 2 further discloses that the level of customers' perception about the care dimension of service quality is low as compared to other dimensions of service quality.

The values of standard deviation depict least variation in the level of customers' perception with respect to care dimension and highest variation with regard to assurance dimension of service quality. Thus the opinion of customers about care dimension of service quality has been concentrated to a great extent while the opinion of customers with respect to assurance dimension of service quality has been relatively dispersed.

**Table 2: Correlation between Perceived Service Quality and Customer Satisfaction**

Service Quality Dimensions	Correlation Coefficients	p value
Reliability	.599**	.000
Tangibility	.507**	.000
Responsiveness	.689**	.000
Assurance	.556**	.000
Care	.539**	.000
Access	.646**	.000

Source: Field Survey

Table 2 presents the degree of association between customer satisfaction and perceived service quality. It is witnessed from the table that all the dimensions of service quality are positively correlated with customer satisfaction at 1% level of significance. The relatively high degree of correlation has been observed between customer satisfaction and responsiveness (0.689), access (0.646), reliability (0.599), assurance (0.556) dimensions of service quality. But the degree of correlation between customer satisfaction and care (0.539) dimension as well as customer satisfaction and tangibility (0.507) dimension has been found to be moderate. The p-values of the select service quality dimensions indicate that there exists significant relationship between customer satisfaction and all the dimensions of service quality under study and thus there is not enough statistical evidence to accept the null hypothesis.

**Table 3: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.861 <sup>a</sup>	.742	.728	.42158

- a. Predictors: (Constant), Access, Responsiveness, Care, Tangibility, Reliability and Assurance.
- b. Dependent Variable: Customer Satisfaction.

The value of R<sup>2</sup> (0.742) suggests that 74.20% of the variation in the level of customers' satisfaction has been explained by explanatory variables, i.e. the perception about the select dimensions of service quality. The adjusted R<sup>2</sup> value (0.728) also indicates that 72.80% of the variation in the degree of customer satisfaction is explained by predictors, i.e. the perception about the select service quality dimensions. Thus, the dimensions of service quality selected for the study could explain a quite large amount of variation in customer satisfaction. The difference between R<sup>2</sup> and adjusted R<sup>2</sup> is only 0.014 or 1.4% and this reduction implies that if the model were derived from the population, it would expect to account for approximately 1.4% less variation in the outcome.

**Table 4: Result of ANOVA**

Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	58.231	6	9.705	54.606	.000
	Residual	20.261	114	.178		
	Total	78.492	120			

- a. Predictors: (Constant), Access, Responsiveness, Care, Tangibility, Reliability and Assurance.
- b. Dependent Variable: Customer Satisfaction.

The overall predictability of the model is also calculated. The F statistics (54.606) with p-value as 0.000 shows that the regression model is highly significant which implies that the data are well suited in explaining the impact of perceived service quality on customer satisfaction of United Bank of India within Cachar district of Assam.

**Table 5: Result of Multiple Regression Analysis**

Model	Unstandardized Coefficients		Standardized Coefficients	t value	p value
	B	Std. Error	Beta		
(Constant)	-.602	.228		-2.645	.009
Reliability	.172	.081	.156	2.116	.036
Tangibility	.268	.069	.264	3.873	.000
Responsiveness	.236	.076	.224	3.123	.002
Assurance	.195	.079	.194	2.451	.016
Care	.008	.072	.007	.109	.914
Access	.194	.078	.186	2.491	.014

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

b. Dependent Variable: Customer Satisfaction.

Table 5 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 six predictors have positive b values. The b values indicate that the influence of tangibility dimension on customer satisfaction is the highest if the influence of other dimensions is held constant. Similarly, it is observed from table 5 that influence of care dimension on customer satisfaction is the lowest out of the six predictors. The result of corresponding t value and p value make it clear that all the predictors except care are making significant contribution to the model at 5 % level of significance.

#### **SUMMARY OF MAJOR FINDINGS**

1) The mean scores of perception about select service quality dimensions indicate that the perception of customers of United Bank of India in Cachar district of Assam is by and large favourable. The perception of customers has been most favourable with respect to assurance dimension followed by access, tangibility, reliability, responsiveness, and care dimensions of service quality. Least variation in the customer perception has been observed with respect to



care dimension while highest variation has been noticed in case of assurance dimension of service quality of United Bank of India.

- 2) The perception of customers about all service quality dimensions are positively correlated with customer satisfaction. Further there exists significant linear relationship between customer satisfaction and their perception about all the dimensions of service quality.
- 3) All the six dimensions of service quality positively influence customer satisfaction in United Bank of India within Cachar district of Assam. The influence of service quality on customer satisfaction is found to be highest with tangibility dimension followed by responsiveness, assurance, access, reliability and care dimensions. There exists significant cause and effect relationship between all the dimensions of service quality and customer satisfaction except care dimension.

## **CONCLUSION**

In the regime of highly intensified cut-throat competition, delivery of quality services by the banks is a precondition for their survival and growth. Infact, offering of quality services enables a bank not only to keep its customers satisfied but also to enhance its profitability. Service quality has increasingly become a key element for any business organization. The study shows that all the select dimensions of service quality have a positive influence on satisfaction of customers of United Bank of India within Cachar district of Assam. However, the bank management is expected to formulate necessary plans and policies to improve the various components of service quality dimensions and also to deal with the customers with a more caring fashion.

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