

Impact of banking service quality on customer satisfaction -Sample study-

**BOUKETIR Djebar
HASSANI Abdelakrim
University of Oum el Bouaghi**

Abstract :

The purpose of this study is to explore the measurement of service quality in Algerian banking sector, and to examine the impact of service quality dimensions on customer satisfaction. For the purpose of this study, we use a random sample made up 83 customers, also researcher, use certain statistical analysis methods such as paired t-test, means, to test study's hypothesis. The results of statistical analysis showed that there are significant statistical differences between the expectations and perceptions of the customers with respect to all service quality dimensions (tangibility, reliability, responsiveness, assurance, empathy). Also results shows that there is a negative gap between the expectations and perceptions of the customers with respect to all service quality dimensions

Key words: Banking service quality, Customers satisfaction, Banking service quality dimensions, Expectations and perceptions, SERVQUAL scale

المُلخَص :

تستهدف هذه الدراسة استكشاف قياس جودة الخدمة في القطاع البنكي الجزائري، ودراسة تأثير أبعاد جودة الخدمة البنكية على رضا العملاء. لتحقيق أهداف هذه الدراسة استخدمنا عينة عشوائية تتكون من 83 زبونا، كما استخدم الباحث أيضا مجموعة من الأساليب الإحصائية مثل اختبار (ت) للأزواج المترابطة، المتوسطات، لاختبار فرضيات الدراسة. نتائج التحليل الإحصائي أظهر أن هناك فروقا ذات دلالة إحصائية بين توقعات وإدراكات الزبائن بخصوص كل أبعاد جودة الخدمة (الملموسية، الاعتمادية، الاستجابة، الأمان، التعاطف). كما أظهرت النتائج أيضا وجود فجوة سالبة بين توقعات وإدراكات الزبائن بخصوص كل أبعاد جودة الخدمة. الكلمات المفتاحية: جودة الخدمة البنكية، رضا الزبائن، أبعاد جودة الخدمة، التوقعات والإدراكات، مقياس جودة الخدمة.

Introduction.

According to Heizer and Render services defined as: "Those economic activities that typically produce an intangible product such as education, entertainment, food and lodging, transportation, insurance, trade, government, financial, real estate, medical repair and maintenance like occupations"(Arasli et Al., 2005, p.41).

Service quality has been recognized as an essential strategic component for firms attempting to succeed and survive in today's fierce competitive environment for companies that provide high levels of service quality are more likely to satisfy and retain their customers. (Parasuraman et al. 1988) developed SERVQUAL which has been the most widely used instrument for measuring service quality and particularly in the banking sector. (Chaker, 2010, 4 p. 296).

In this research we'll try to achieve the following objectives:

1. To understand and analyze the dimensions of service quality and the satisfaction level of customers in Algerian banking sector.
2. To determine customer perceived service quality at Algerian commercial banks.
3. To describe and identify the dimensions of service quality in commercial banks.
4. To identify the most influential dimensions of service quality on Algerian commercial banks.

To achieve the above objectives, the study is structured into the following sections:

1. Conceptual Framework;
2. Methodological Framework;
3. Analysis data;
4. Conclusion.

1- Conceptual Framework

1-1- Definition of service quality definition:

Service quality has been conceptualized as an overall assessment of service by the customers; it is a key decision criterion in service evaluation by the customers (Shirshendu Ganguli and Sanjit Kumar Roy, 2010, p. 405).

According to Parasuraman et al. service quality is: "a global judgement or attitude, relating to superiority of the service"(Parasuraman et al., 1988, P.16)

American Customer Satisfaction Index also defines service quality as the degree to which a product or service provides customer

requirements (customization) and how these requirements are met (reliability). (Byung-Suh Kang et al., 2007, p. 29)

Service quality reflects the opinion of the consumer regarding the superiority or global excellence of a product or service, and it is one of the highly debated and researched topics in marketing theory. (Sulieman Ibraheem, et Al., 2011, p.70).

1-2- GAP Model:

Parasuraman et al. (1985) proposed that service quality is a function of the differences between expectation and performance along the quality dimensions. They developed a service quality model (Figure 1) based on GAP analysis. The various GAPS visualized in the model are (Jaya Sangeetha, S. Mahalingam, 2011, pp. 86-87):

- GAP1: Difference between consumers' expectation and management's perceptions of those expectations, i.e. not knowing what consumers expect.

- GAP2: Difference between management's perceptions of consumers' expectations and service quality specifications, i.e. improper service quality standards.

- GAP3: Difference between service quality specifications and service actually delivered, i.e. the service performance GAP.

- GAP4: Difference between service delivery and the communications to consumers about service delivery, i.e. whether promises match delivery?

- GAP5: Difference between consumers' expectation and perceived service. This GAP depends on size and direction of the four GAPS associated with the delivery of service quality on the marketer's side.

Figure 1: Gaps model (Parasuraman et al., 1985, P.44).

1-3- SERVQUAL scale:

The SERVQUAL scale has been widely utilized by both managers and academics. The popularity of SERVQUAL is due to a number of advantages that it has been recognized for (Khalifa, 2005, p.375):

- It is accepted as a standard for assessing different dimensions of service quality.

- It has been shown to be valid for a number of service situations.

- It has been demonstrated to be reliable, meaning that different readers interpret the questions similarly.

- The instrument is parsimonious in that it has a limited number

of items. This means that customers and employees can fill it out quickly.

□ It has a standardized analysis procedure to aid interpretation of results.

In its original form, SERVQUAL contains 22 pairs of Likert scale statements structured around five service quality dimensions in order to measure service quality. Each statement appears twice. One measures customer expectations of a particular service industry. The other measures the perceived level of service provided by an individual organization in that industry. The 22 pairs of statements are designed to fit into the five dimensions of service quality. A seven-point scale ranging from “strongly agree” (7) to “strongly disagree” (1) accompanies each statement. The “strongly agree” end of the scale is designed to correlate with high expectations and high perceptions. Service quality occurs when expectations are met (or exceeded) and a service gap materializes if expectations are not met. The gap score for each statement is calculated as the perception score minus the expectation score. A positive gap score shows that expectations have been met or exceeded and a negative score demonstrates that expectations are not being met.

Gap scores can be analyzed for each individual statement and can be aggregated to give an overall gap score for each dimension (ŞAFAKLI,2007,p.187).

Service quality include the following dimensions: (Rasoul, Shoorvarzy, 2013, p. 65-66)

□ Tangibility: This includes physical facilities, equipment, and the physical appearance of on employee.

□ Reliability: This refers to the ability to provide the exact required service according to given specifications and conditions.

□ Responsiveness: The inclination and willingness of the employees to serve customers quickly and properly.

□ Assurance: Feelings of trust and confidence in dealing with the organization. This reflects the workers’ knowledge and experience and their ability to build self-confidence as well as confidence in the customers themselves.

□ Empathy: Understanding the customers’ personal needs, taking care of them individually and showing them all sorts of sympathy and affection, looking at them as close friends and distinguished clients

1-4- Customer satisfaction:

Customer satisfaction is generally considered among the most significant long-term goals of firms. The marketing concept suggests that a satisfied buyer will be more likely to repurchase or at least consider repurchasing than those who are dissatisfied (Kaura, 2013, P 169). Satisfied customers are also likely to tell others about their favourable experiences and thus engage in positive word of mouth advertising, dissatisfied customers, on the other hand, are likely to switch brands and engage in negative word of mouth advertising (Jamal, Naser, 2002, P 147).

Recently, researchers have argued that there is a distinction between customer satisfaction as related to tangible products and as related to service experiences. This distinction is due to the inherent intangibility and perishability of services, as well as the inability to separate production and consumption. Hence, customer satisfaction with services and with goods may derive from, and may be influenced by, different factors and therefore should be treated as separate and distinct. (Anantha and Arokiasamy, 2013, P. 15)

In general, satisfaction is a person's feelings of pleasure or disappointment that result from comparing a product or service's perceived performance (or outcome) to expectations. If the performance or experience falls short of expectations, the customer is dissatisfied. If it matches expectations, the customer is satisfied. If it exceeds expectations, the customer is highly satisfied or delighted. (Kotler, Keller, 2016, p. 153).

The following figure shows the relationship between satisfaction and service quality.

Figure 2: Relationship between satisfaction and service quality (Stiglingh, 2008, p.52)

According to the above figure the perceived service quality is the result of the customer's comparison between the expected service (ES) and perceived service (PS): (Stiglingh, 2008, p.51)

- ☐ When expected service (ES) > perceived service (PS), perceived quality is less than satisfactory and tends toward totally unacceptable quality, with an increased discrepancy between ES and PS;
- ☐ When ES = PS, perceived quality is satisfactory;
- ☐ When ES < PS, perceived quality is more than satisfactory and tends toward ideal quality, with an increased discrepancy between ES and PS.

2- Methodological Framework

2-1- Study structure:

The following figure shows the study structure:

Figure 3: Study model

□ Independent variable: :In this study the independent variable, service quality, is measured through five scales Likert questions to explore the impact of service quality on customer satisfaction, this variable includes the following five dimension: tangibility, reliability, responsiveness, assurance, empathy.

□ Dependent variable: is the customer satisfaction.

2-2- Study hypothesis:

The above model yields the following hypothesis:

H1: "There is no significant difference between perceptions of customers and their expectations with respect to tangibility dimension"

H2: "There is no significant difference between perceptions of customers and their expectations with respect to reliability dimension"

H3: "There is no significant difference between perceptions of customers and their expectations with respect to responsiveness dimension"

H4: "There is no significant difference between perceptions of customers and their expectations with respect to assurance dimension"

H5: "There is no significant difference between perceptions of customers and their expectations with respect to empathy dimension"

2-3- Data collect:

Primary data of this study was collected from a sample of 83 respondents chosen from three public commercial banks clients(BADR bank ,BDL bank and CPA bank), using a questionnaire survey in two Wilaya (Batna, Oum el Bouaghi).

To measure the impact of service quality on customer satisfaction the researcher

Adopt the revised Parasuraman et al. (1988) questionnaire and is comprised of three parts in this study: Part A contains questions about personal background of the respondents including gender, age, educational level and profession. Part B and part C includes perceptions (P) and expectations (E) of respondents according to the five dimensions(tangibility, reliability, responsiveness, assurance and empathy). To measure the 22 items, we use in this study a five-point(from 1 to 5) Likert scale ranging from "Strongly disagree" to "Strongly Agree".

3- Data analysis:

3-1- Descriptive Statistics Analysis:

Table 1: Descriptive Statistics of respondents (SPSS Output)

	Frequency	Pourcentage		
Gender	Male	71	85.5%	
	Female	12	14.5%	
Age	18 to 30 years	14	16.9%	
	31 to 40 years	25	30.1%	
	41 to 50 years	33	39.8%	
	Above 50 years	11	13.3%	
Education				
level	illiterate	5	6.0%	
	Primary and middle school education	16	19.3%	
	Secondary education	30	36.1%	
	University-level	32	38.6%	
Profession	Farmer	17	20.5%	
	Entrepreneur	16	19.3%	
	Trader	19	22.9%	
	Employee	18	21.7%	
	Others	13	15.7%	

Based on table above, it reveals that most of respondents are male (85.5%), while, 14.5% are female. 16.9% of respondents were in the age range from 18 to 30 years old. While, 30.1% of respondents were aged from 31 to 40 years old, 39.8% of

Respondents are aged of 41 to 50 years old, and there are only 13.3% of respondents are 50 years old and above. A small percentage, that's 6.0% of respondents are illiterate, 19.3% of respondents are Primary and middle school education, 36.1% of respondents are farmers are Secondary education,

Profession was categorized to five categories, which are farmer, entrepreneur, Trader, Employee, and others. There were 20.5% of respondents are farmers, 19.3% of respondents are entrepreneurs, while 21.7% of respondents are employees and 15.7% of other professions participated in this study.

3-2- Hypothesis testing:

Hypothesis 1: states that: "There is no significant difference between perceptions of customers and their expectations with respect to tangibility dimension".

The following table shows the results of paired t-test of responsiveness tangibility.

Table 2: paired t-test of tangibility dimension (SPSS Output)

P-E	Paired Differences		T	df	Sig. (2-tailed)			
P-value	Mean	Std. Deviation	Std. Error Mean		95% Confidence Interval of the Difference	Lower	Upper	
	,560	,557	,061	,439	,682	9,162	82	,000

Based on table above, it reveals that the significance level of this test (0.000) is lower than the standard level of (0.050), we reject the null hypothesis ,and it can be argued that there is a significant statistical difference between the expectations and perceptions of the customers with respect to tangibility dimension.

Hypothesis 2: states that: " There is no significant difference between perceptions of customers and their expectations with respect to reliability dimension".

The following table shows the results of paired t-test of responsiveness reliability.

Table 3: paired t-test of reliability dimension(SPSS Output)

P-E								
Paired Differences		T	df	Sig. (2-tailed)				
P-value								
Mean	Std. Deviation	Std. Error Mean	95% Confidence					
Interval of the Difference								
		Lower	Upper					
1.207	.673	.074	1.060	1.354	16.339	82		.000

Table 3 exhibits the results obtained from paired t-test, it reveals that the significance level of this test (0.000) is lower than the standard level of (0.050), the null hypothesis is rejected, and it can be argued that there is a significant statistical difference between the expectations and perceptions of the customers with respect to reliability dimension.

Hypothesis 3: states that: "there is no significant difference between perceptions of customers and their expectations with respect to responsiveness dimension".

The following table shows the results of paired t-test of responsiveness dimension.

Table 4: paired t-test of responsiveness dimension (SPSS Output)

P-E	Paired Differences	t	df	Sig. (2-tailed)	P-value
-----	--------------------	---	----	-----------------	---------

Mean	Std. Deviation	Std. Error	Mean	95% Confidence Interval of the Difference
------	----------------	------------	------	---

Lower Upper

2,241 1,067 ,117 2,008 2,474 19,127 82 ,000

Since P-value = 0.000 < 0.05 that mean the null hypothesis is rejected, and it can be argued that there is a significant statistical difference between the expectations and perceptions of the customers with respect to reliability dimension.

Hypothesis 4: states that: "there is no significant difference between perceptions of customers and their expectations with respect to assurance dimension"

The following table shows the results of paired t-test of responsiveness assurance.

Table 5: paired t-test of assurance dimension (SPSS Output)

P-E

Paired Differences	t	df	Sig. (2-tailed)	
P-value				
Mean	Std. Deviation	Std. Error	Mean	95% Confidence Interval of the Difference

Lower Upper

,651 ,614 ,067 ,517 ,785 9,661 82 ,000

Table 5 exhibits the results obtained from paired t-test, it reveals that the significance level of this test (0.000) is lower than the standard level of (0.050), the null hypothesis is rejected, and it can be argued that there is a significant statistical difference between the expectations and perceptions of the customers with respect to assurance dimension.

Hypothesis 5: states that: "there is no significant difference between perceptions of customers and their expectations with respect to empathy dimension"

The following table shows the results of paired t-test of responsiveness empathy.

Table 6: paired t-test of empathy dimension (SPSS Output)

P-E

Paired Differences		t	df	Sig. (2-tailed)	
P-value					
Mean	Std. Deviation	Std. Error	Mean	95% Confidence	Interval of the Difference

Lower Upper

1,508 ,672 ,074 1,362 1,655 20,441 82 ,000

According to above table, it reveals that the significance level of this test (0.000) is lower than the standard level of (0.050), we reject the null hypothesis, and it can be argued that there is a significant statistical difference between the expectations and perceptions of the customers with respect to empathy dimension.

3-3- Gaps analysis:

A- Tangibility dimension gaps:

The following table shows the results of tangibility dimension gaps.

Table 7: Results of tangibility dimension gaps (SPSS Output)

Items	(P)	(E)	Gap
Bank has modern-looking equipment	3.23	4.43	-1.20
Bank's physical facilities are visually appealing	3.81	4.29	-0.48
Bank's employees are neat in appearance	3.94	4.45	-0.51
Materials associated with the service are visually appealing at bank	4.05	4.57	-0.52
Tangibility	3.76	4.43	-0.67

Tangibility gaps are presented in Table 7, we can see that all the gaps are negative, that mean customers are not happy and dissatisfied, especially in the case of "Bank has modern-looking equipment".

B- Reliability dimension gaps.

The following table shows the results of reliability dimension gaps.

Table 8: Results of reliability dimension gaps (SPSS Output)

Items	(P)	(E)	Gap
When bank promises to do something by a certain time, it does so.	2.69	4.53	-1.84
When you have a problem, bank shows a sincere interest in solving it.	3.08	4.70	-1.62
Bank performs its service right the first time.	4.13	4.58	-0.45
Bank provides its services at the time it promises to do so.	2.02	4.51	-2.29
Bank insists on error-free records.	3.75	4.36	-0.61
Reliability	3.14	4.53	-1.39

The above table shows the gaps of tangibility dimension, all the values of gaps are negative, especially in the case of "Bank provides its services at the time it promises to do so", it can be argued that customers are dissatisfied.

C- Responsiveness dimension gaps

The following table shows the results of responsiveness dimension gaps.

Table 9: results of responsiveness dimension gaps (SPSS Output)

Items	(P)	(E)	Gap
Employees of bank tell you exactly when the service will be performed.	1.87	4.23	-2.36
Employees of bank give you prompt service.	1.95	4.46	-2.51
Employees of bank are always willing to help you.	2.63	4.57	-1.94
Employees of bank are never too busy to respond to your requests.	2.86	4.34	-1.48
Responsiveness	2.33	4.53	-2.07

Based on above table, it reveals that all the values of (P-E) are negatives especially in the cases of "Employees of bank give you prompt service" and "Employees of bank tell you exactly when the service will be performed", that mean customers are not happy and dissatisfied

D- Assurance dimension gaps

The following table shows the results of assurance dimension gaps.

Table 10: results of assurance dimension gaps (SPSS Output)

Items	(P)	(E)	Gap
The behavior of bank's employees instills confidence in you.	4.71	-1.11	3.60
You feel safe in your transactions with bank.	4.12	4.61	-0.49
Employees of bank are consistently courteous with you.	3.63	4.24	-0.61
Employees of bank have the knowledge to answer your questions.	4.12	-0.52	3.60
Assurance	3.74	4.42	-0.68

The above table shows the gaps of assurance dimension, all the values of gaps are negative, especially in the case of "The behavior of bank's employees instills confidence in you", it can be argued that customers are dissatisfied.

E- Empathy dimension gaps

The following table shows the results of empathy dimension gaps.

Table 11: Results of empathy dimension gaps (SPSS Output)

Items	(P)	(E)	Gap
-------	-----	-----	-----

Bank gives you individual attention.	2.39	4.58	-2.19
Bank has operating hours convenient to you.		2.60	4.40 -
	1.80		
Bank has employees who give you personal attention.		3.33	4.53
	-1.2		
Bank has your best interests at heart.	3.02	4.64	-1.62
Employees of bank understand your specific needs.	3.99	4.72	-
	0.73		
Empathy	3.07	4.58	-1.51

Based on table above, it reveals that all the values of gaps are negatives especially in the cases of” Bank gives you individual attention” and “Bank has operating hours convenient to you”, this mean that customers are not happy and dissatisfied.

4- Conclusion:

Service quality has been recognized as one of the most important factor to achieve the goals of both customers and banks, the most common method for evaluating quality of service is SERVQUAL scale, it contains 22 pairs of Likert scale items structured around five service quality dimensions in order to measure service quality. Each item appears twice: one measures customer expectations, The other measures customer perceptions. Customer satisfaction is the result of the customer’s comparison between the expected service and perceived service.

In our study we found a significant statistical difference between the expectations and perceptions of the customers with respect to all the five service quality dimensions including tangibility, reliability, responsiveness, assurance, empathy, also we found a negative gap between the expectations and perceptions of the customers with respect to all the five service quality dimensions, based on study results, the research suggested this banks to take actions to improve the level of customer satisfaction.

References:

- Ahmad Jamal and Kamal Naser, Customer satisfaction and retail banking: an assessment of some of the key antecedents of customer satisfaction in retail banking, *International Journal of Bank Marketing*, Vol. 20 Iss 4, 2002.
- Anantha Raj A. Arokiasamy, The impact of Customer Satisfaction on Customer Loyalty and Intentions to Switch in the Banking Sector in Malaysia, *The Journal of Commerce*, Vol. 5, No. 1, University of the Punjab, Pakistan, 2013.
- Byung-Suh Kang Chul-Ho Cho Jong-Deuk Baek, The Effects of Service Quality on Customer Satisfaction in Case of Dissatisfied Customers, *Asian Journal on Quality*, Vol. 8 Iss 1, 2007.
- Jaya Sangeetha S. Mahalingam, Service quality models in banking: a review, *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 4 Iss 1, 2011.
- Kotler Philip, Keller Kevin Lane, *Marketing Management*, 15th edition, Pearson Education Limited, England, 2016.
- Okan Veli ŞAFAKLI, Testing Servqual Dimensions on the Commercial Bank Sector of Northern Cyprus, *Financial Theory and Practice* 31 (2), 2007.
- Parasuraman, A., Zeithaml, V.A. and Berry, L.L., SERVQUAL: a multiple-item scale for measuring consumer perceptions of service quality, *Journal of Retailing*, Vol. 64, 1988.
- Parasuraman, A., Zeithaml, V.A., & Berry, L.L. A conceptual model of service quality and its implications for further research. *Journal of Marketing*, 1985.
- Rasoul Amirzadeh Mohammad Reza Shoorvarzy, Prioritizing service quality factors in Iranian Islamic banking using a fuzzy approach, *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 6, Iss 1, 2013.
- Shirshendu Ganguli and Sanjit Kumar Roy, Service quality dimensions of hybrid services, *Managing Service Quality : An International Journal*, Vol. 20, Iss 5, 2010.
- Stiglingh Madeleine, Developing a Model To Evaluate the Quality of the Services rendered by the South African Revenue, PhD thesis, University of Pretoria, Pretoria, 2008.
- Sulieman Ibraheem Shelash Al-Hawary, Rashid M. Alhamali, Saad Abdullah Alghanim, Banking Service Quality Provided by Commercial Banks and Customer Satisfaction, *American Journal of Scientific Research*, Issue 27, 2011.
- Vinita Kaura, Antecedents of customer satisfaction: a study of Indian public and private sector banks, *International Journal of Bank Marketing*, Vol. 31

