

## **Measuring Service Quality in Banking Sector of Bahawalpur, Pakistan**

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### **Abstract**

The basic purpose of this research is to investigate the relationship between service quality and customer satisfaction in the banking sector of Bahawalpur, which is greatly explained by SERVQUAL model. The dimensions of SERVQUAL model are tangibility, reliability, assurance, responsiveness and empathy. A qualitative and descriptive research approach was used to measure service quality in banking sector of Bahawalpur. The data was collected through self-administered questionnaire in which sample of 160 questionnaires was taken and floated in different conventional banks of Bahawalpur region in Pakistan. The questionnaire was the adopted from the study of Shabbir et al (2012), which is the modified form of SERVQUAL model. Convenience sampling technique was used to collect the data from respondents. The finding of results shows that all independent variables tangibility, reliability, assurance, responsiveness and empathy have significant relationship dependent variable customer satisfaction. There are also some research limitation means limited time to conduct the research and also limited budget to focus on broader area of research.

**Key words:** Customer Satisfaction, Tangibility, Reliability, Assurance, Responsiveness, Empathy.

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## Introduction

Service quality is to compare the performance of organization with customer expectations. We can define the service quality as the amount by which the service fulfills the wants and demand of customers. If the customer expect low and perception about services is high as compared to expectation then it is called excellent service quality, but if expectations are equal to perception then we call good service quality and if our expectations are higher than actual perception and service can't meet the needs and expectations then it is called bad service quality (Kabir & Carlsson, 2010).

The measurement of service quality in banking sector is most important tool especially in developing countries like Pakistan. Because there is more need of check and balance in quality of service and products. By proper implementation of service quality in banking sector, we can't only improve our efficiency in services but can also maintain the loyal customers towards rapid purchase. The SERQUAL approach is mostly used for measuring service quality. In SERVQUAL model, we measure the difference before and after the service provided to the customers. The factors that affect the customer satisfaction are the process of services delivery and product design which makes it more attractive according to current trends and market needs.

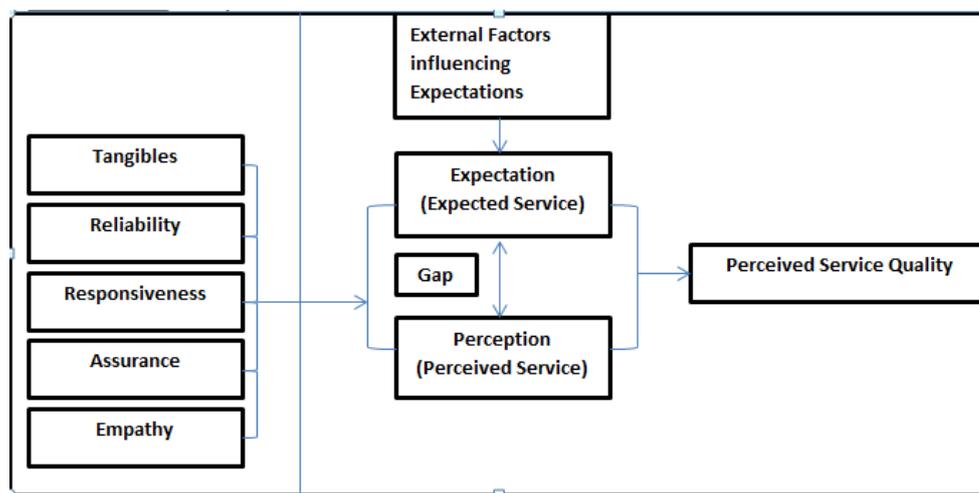
Services which fulfill the need of customers will create more satisfied and loyal customers for long period of time. This concept leads the bank towards profit and growth (POKU, 2012). For measuring the application of service quality in India two banks are focused. They applied SERVQUAL model for measuring the quality but the result shows that all dimensions are not equally applicable in banks. Research conducted on Canadian banking sector to check the perceived service quality. So, they developed the new measurement of service quality which is called Bank service quality (BAQ). It consists of six dimensions which are as: effectiveness, price, assurance, tangibility, access and range of service offered. Hossain and Leo (2009) stressed that quality is the essential feature of banking services since it is taken as core of planned competition. It is also noted that not all factors of SERVQUAL model are used for enhancing the satisfaction and loyalty level of customers. The main objective of study is to analyze the service quality in the banks of Bahawalpur regarding customers. Due to fierce competition in banking sector some banks can't perform their satisfied services. Banks of Pakistan has major role in the economic development and GDP of country because it is the main source of money circulation and capital market. So, we will measure the service quality by using SERVQUAL model in terms of subsequent five dimensions tangibility, reliability, assurance, empathy and responsiveness towards customer satisfaction.

In the earlier period banks failed to satisfy the customers' expectations. However, experts had main attention to put more focus on employees and managers with the view point of organization. So that they would give more attention on customers demand (Hossain& Leo 2009). Pakistan banking sector is growing rapidly and has improved their ways of ownership by energetically contribution of local and foreign stakeholders. Banking sector has large portion in the economy of Pakistan as a financial institution. They give opportunity for employment and take part as a contributor in the GDP and progress of country. Due to privatization of banks, increased demand of quality service has created worse competition in this sector. According to SBP (2012), Now global finance has presented the HBL as best trade finance provider Pakistan award in the owner of providing high quality services and products in market to customers. But mostly banks are not focusing on quality of services. So, service quality model is mostly applied in this region to measure the gap of services provided to customers in banks.

### **Literature Review**

Service means the way in which the bank can help the customers by opening account, transfer money and paying orders. Quality can be defined by different terms. In Business Dictionary (2010) "quality is a measure of excellence observable and interpretable attributes; or the adherence to measurable and verifiable standard". So, we can understand the service quality until it relates to users and customers' requirements (Praxiom Research Group, 2010). For expansion and development, quality in services is very important determinant .There is different aspects of quality in manufacturing and services. We comes to know that the meaning of quality in banking sector is different in terms that how stakeholders identify that which areas are need for quality improvement (raza, Zia, naqvi, & ali, 2012).Service quality is considered as what the customer have in mind and what the actual performance is. If performance of the banks are decreased then customers will become dissatisfied which leads towards low profitability. Dealing with customer's satisfaction as a pioneer factor for service quality is meaningful for manager's point of view.

### Development of SERVQUAL model



**Figure 1.0:** Service quality by using SERVQUAL Model (Kumar et al, 2009).

Parasuraman et al., (1985) proposed the gap analysis model. It contained 10 dimensions which were broader but not comprehensive. He analyzed that the variation between the customers service expectation and perceived service. Determinants of this model are customer responsiveness, reliability, competence, courtesy, access, communication, credibility, security, understanding the customers and tangibility (Dehghen, 2006). After some time it was modified into SERVQUAL scale of 5 dimensions (Parasuraman et al., 1988).

Figure 1.0 shows that external factors effect on the customer expectations which can be managed by service quality provider. The gap 5 in the figure represents the difference between customer perception and expectations which is also called perceived service quality (Kumar et al., 2009). By implementing this model in banking sector gap between customers' expectations and perceived service is easily identified. This Service quality can be measured in five dimensions which include Tangibility, Reliability, Responsiveness, Assurance and Empathy.

#### Tangibility

Tangibility consists of factors such as physical equipment, facilities, material and outlook of company representative. Customers pay high attention to these factors, when entered the bank. Such factors help to put first impression on customer by the bank. If bank environment is not supportive and friendly in dealing with customers then customer will become irritated and switch toward some alternative way. Management

should focus more on improving auditory services and physical (furniture, equipment and machinery) dimension of environment in their branches because today costumers put more attention towards these features (Malik,2011).Some studies about the service quality shows that the condition of tangibility in Pakistan is comparatively better than other variables like assurance, responsiveness, reliability and empathy. The Bank Alfalah is on leading position in tangibles as compared to ABL and MCB. But the infrastructure and service quality are better in private banks than to public limited banks (Raza, 2012).

### **Reliability**

Reliability is another dimension of service quality. Reliability means how the organization perform service accurately and consistently. Reliability refer to the “ability of the bank to perform the promised service with dependability and accuracy” (Osman & Ali, 2009). It means that banks should fulfill the needs of customers, that what they want and expect from them. Reliability can be measured in terms of how much accurately handle the customer problems, providing services assured and accurately in first time and also have the employees responsibilities to maintain error free records (Parasuraman et al.,2006). Reliability shows positive correlation with customer satisfaction. If bank provides more reliable and supportive services that fulfill the demand and expectations of customers. As a result customer will be more confident and loyal to the bank which proves good repute for the bank (Mohammad, Muzaffar, & Hussain, 2011). Reliability is the not only dimension that improve the service quality in banking sector, if we ignore other factors. There is positive relation between customer satisfaction and reliability in conventional banks of Pakistan (Mahmood et al., 2011). The dimensions of SERVQUAL model varies with changing the culture of country and organization specially in banking sector. The order and importance of these five dimensions have changed by country norms. Reliability has more importance in USA as compared to assurance and tangibility. A study conducted in Singapore analyzed that Reliability and responsiveness has more importance than tangibility.

### **Responsiveness**

Responsiveness means timely response to the customers’ needs. It is the motivation to facilitate customers and offer on time service (Othman & Owen).(Misbach, Surachman, Hadiwidjojo, &Armanu, 2013) responsiveness is very important factor in case of online banking when customers face any problem related to transaction. It means that employees have responsibility to give valid and suitable information related to online transaction problems, how to handle the returns and provide online guarantees of transactions incurred. However responsiveness is highly mentioned and mostly used factor in previous researches. But in Makassar Indonesia banks has not much responsive to customers. Responsiveness must be important and

serious alarm for banks. Bank employees should enhance their responsiveness to fulfill the customer wants and help customers in filling form and quickly handling their complaints (Misbach, Surachman, Hadiwidjojo, & Armanu, 2013). One research shows that responsiveness factor of service quality has not significant relation with satisfaction of customers because customers give preference to deal with machines as compared to human being. Machines give response in short period of time than human being and improvement process is also continual and long term. Human responsiveness procedure sometimes can be affected by emotions which leads towards lower productivity (Munusamy, Chelliah, & Mun, 2010). Customer can accept if machines fail to work due to some reason but they can't compromise if requirements and needs are not fulfilled on time by bank employees. So there is the opinion difference of customers between human being and machines dealings (Munusamy, Chelliah, & Mun, 2010). Study stated that responsiveness was very important not only as an access to service quality, but also as a investigative instrument to disclose the service quality (Yeh and Li, 2009).

#### **Assurance**

It is the fact and politeness of employees and their capability to communicate self-confidence and hope (Othman & Owen). Assurance means being safe and secure about the service of banks. Customers should feel satisfaction with banks dealings and they can also trust on their employees. Employees of banks should be courteous and well-mannered with their client dealings.. Response reveals that customers don't aware the assurance is an important factor of service quality. There are two reasons of this fact; firstly customers think that banks are providing safe and trustworthy services to their clients. In this way many times the bank has lost the internet security especially in online banking and customer secret data are disclosed. Secondly, all retail banks are not in situation to provide safety services to their clients and customers feel bad experience towards security issues. If a bank provides good security services as compared to other banks than it is the only way to keep the customers loyal (Munusamy, Chelliah, & Mun, 2010).

#### **Empathy**

In SERVQUAL model the empathy means giving proper attention to individual customers and work for the best by understanding their needs. So the customers will retain for a long period of time. The result of one study shows that the relationship between empathy and customer satisfaction is not significant. Now a days, customers in banks approach new facilities, but they mostly give importance face to face services. It is the human nature that people expect empathy and owner from others who they want to deal with them. Technology offers the platform to diminish the problems of extra work and errors, it also provide more reliable and faster problem

solving solutions. One study shows that customer satisfaction and empathy have positive relationship because customers of bank are more satisfied to the banking service hours, personal attention of bank employees and information that are given to them are more important (Mohammad, Muzaffar, & Hussain, 2011).

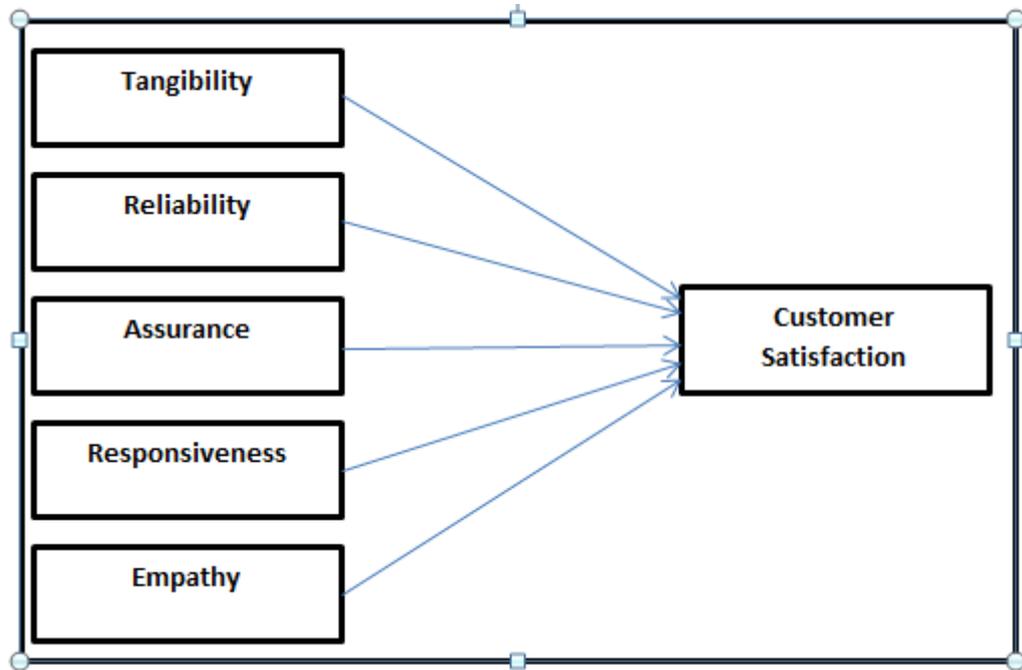
### **Customer satisfaction**

The word customer means that the buyer or purchaser of products and commodities. And satisfaction is defined as “the fulfillment of need and desires”. Kotler (2000,P.36) defined the customer satisfaction in these words “satisfaction is a person’s feelings of pleasure or disappointment resulting from comparing a product’s perceived performance (or outcome) in relation to his or her expectation”. Due to fierce and intense competition in market companies are mostly competing for customer’s retention for long period of time, so customer satisfaction is the main unique and differentiating strategy in this era (Munusamy, Chelliah, & Mun, 2010). Prabhakaran (2003) said that “the customer is the king”. The main task or goal of any business is to satisfy the customers by providing goods and services. So, if the customer are satisfied then organization will lead towards profitability.

It is very difficult to measure the customer satisfaction and retention in banking sector. So, the banks are focusing on major factors service quality, service appearance and customers issues solving process. It is very hard to access and analyze the satisfaction level of intangible assets. One of the major problem of organizations are facing now a day is that they can’t understand the customer needs and wants properly. In this way the customers will become dissatisfied, so bank should make good polices to retain and loyal their customer especially in case of service quality (Munusamy, Chelliah, & Mun, 2010).

### **Theoretical framework**

The variables of this study are derived from the previous studies discussed above in the literature review. Customer satisfaction is the dependent variable of my research and demographic factors are in this study age, gender, academic qualification and profession which has also effect on customer satisfaction. The cause variables / Independent variables in this study are dimensions of service quality which are as follows: tangibility, assurance, reliability, responsiveness and empathy. This study finds out the relationship between effect and cause variables by getting customers response on dimensions of service quality and customers satisfaction.



**Figure 2.0: Dimensions of Service Quality**

### **Hypotheses Development**

H1: There is significant relationship between tangibility and customer satisfaction.

H2: There is relationship between reliability and customer satisfaction.

H3: There is relationship between responsiveness and customer satisfaction.

H4: There is relationship between assurance and customer satisfaction.

H5: There is relationship between empathy and customer satisfaction.

### **Research Methodology**

It predicts and analyzes data collection method from theoretical and practical view and its implication over the whole study. Descriptive research design has been adopted to test the hypothesis. Both quantitative and qualitative methodologies can be used for it. Descriptive research is generally used to explain existing confrontation and current situation. I have chosen the survey based strategy for my research which helps me to investigate that whether there is any impact of service quality on customer satisfaction or not. In non-probability sampling, the convenience sampling technique was used for population and data collection purpose. Convenience indicates that we collected data from people which are easily available for researcher. Population of this

study for data collection is all the customers of conventional banks in Bahawalpur region in Pakistan. I have floated 160 questionnaires in different banks of Bahawalpur to get the response from customers which are easily available. But finally I have received the 150 questionnaire from banks, whereas 10 were missing. Questionnaire has two parts, first includes the demographic factors like age, gender, occupation and academic qualification. Second part of questionnaire consists of customer's response towards the service quality in conventional banks of Bahawalpur and also includes independent factors which are the dimensions of service quality like tangibility, reliability, assurance, responsiveness and empathy. Five point likert scale is used in this study ranging from strongly agree to strongly disagree. Total questions of questionnaire are 30 and pilot study also conducted from various customers in order to ensure the correct feedback from customers and this study tells how I can improve questions to get more accurate results. Pilot study also tells about the reliability and validity of instrument. The questionnaire of this study is adopted from the study of shabbir, et, al (2012). Frequency distribution and Chi-square was applied to measure the relationship between variables.

## Results of the study

### Chi – Square Values

**Table 1:** Table of Chi-Square

Dependent Variable	Independent Variables (Service Quality Dimensions)				
Customer Satisfaction	Tangibility	Reliability	Assurance	Responsiveness	Empathy
n	93.489 > 15.507	69.147 > 12.592	14.800 > 9.488	87.067 > 12.592	80.440 > 12.592

### Hypothesis testing:

**H1: There is relationship between tangibility of service quality and customer satisfaction in banking sector of Bahawalpur:**

According to above computed values of Chi-square, it shows a relationship between independent and dependent variables means there is a relationship between tangibility of service quality and customer satisfaction in banking sector of Bahawalpur. Its chi-square value is 93.480 which are greater than tabulated value 15.507, so the alternate hypothesis H1 is accepted.

**H2: There is a relationship between reliability of service quality and customer satisfaction in banking sector of Bahawalpur:**

According to above computed values of Chi-square, it shows that there is a strong relationship between reliability and customer satisfaction in banking sector of Bahawalpur. Its chi-square value is 69.147 which is greater than its tabulated value 12.592, it means our alternate hypothesis H2 is accepted.

**H3: There is a relationship between assurance of service quality and customer satisfaction in banking sector of Bahawalpur:**

According to above computed values of Chi-square, it shows that there is a relationship between assurance of service quality and customer satisfaction in banking sector of Bahawalpur. Because its value of Chi-square is 14.800 which is greater than its tabulated value which is 9.488, on the basis of this analysis alternate hypothesis H3 is accepted.

**H4: There is a relationship between responsiveness of service quality and customer satisfaction in banking sector of Bahawalpur:**

According to above computed values of chi-square, it shows that there is a strong relationship between responsiveness of service quality and customer satisfaction in banking sector of Bahawalpur. Its Chi-square value is 87.067 which are greater than its tabulated value 12.592 which shows a strong relationship between dependent and independent variable, so the alternate hypothesis is accepted.

**H5: There is a relationship between empathy of service quality and customer satisfaction in the banking sector of Bahawalpur:**

According to above computed values of Chi-square, it shows a strong relationship between empathy of service quality and customer satisfaction of service quality. Its Chi-square is 80.44 which are greater than its tabulated value 12.592, on the basis of this computation the alternate hypothesis H5 is accepted.

**Conclusion & Recommendations**

The purpose of my study is to measure the service quality in banking sector of Bahawalpur in terms of customers. Due to fierce competition in banking sector some banks can't perform their satisfied services. Banks of Pakistan has major role in the economic development and GDP of country because it is the main source of money circulation and capital market. So, I will measure the service quality by using SERVQUAL model in terms of following five dimensions tangibility, reliability, assurance, empathy and responsiveness towards customer satisfaction. These dimensions are very helpful for finding the gap between service quality and customer satisfaction. For Pakistani customers assurance, reliability, tangible and empathy have relationship with customer satisfaction and according to UAE customers assurance and tangible have significant relationship with customer satisfaction. The analysis is done

on SPSS software to find out the relationship between dependent and independent variables by applying different tools. In this study analysis is done by using Chi-square, frequency distribution, mean, standard deviation. Graphically data is analyzed by Bar charts and Pie charts. Results of this study indicate that all the hypotheses are accepted means significant relationship exists. It is conclude that all independent variables have significant positive relationship with dependent variables.

### **Limitations**

There are some limitations in this research that affects the findings of the research study but these factors of limitation vary from one area/researcher to another. Further there are several limitations of this study and some of the limitations are given below:

**Time limit:** Specified time period of research is limited that is not sufficient to collect the more information by customers. Limited time period is major constraint in collection of complete and trustworthy data. Data collection by questionnaire required more time as compared to time specified in this study.

**Limited Budgets:** A lot of money is required for collection of data and information because data is collected through questionnaire by visiting different banks. This study focuses particularly on Bahawalpur region because of cost constraint that limits the researcher for further information collection.

**Lack of respondent's cooperation:** Data collected from respondents by distributing questionnaires from selected sample but some customers did not reply fully because questionnaire is too long and takes much time. Some customers have not much knowledge about service quality of private banks. So, they do not reply accurately.

**No specific target group:** The sample of population of our research is not focused on specific target group of customers. So, there is a big hurdle to generalize the results of different target group of customers for measurement of service quality in banking sector by implementing SERVQUAL model. Some other limitations regarding for research data collection is that I have faced many problems in getting access on the research paper of past researchers. Because most of the valid data related to my topic is not easily accessible.

### **Future Recommendations**

Service quality is such a broad topic that we can't concise in such a short or limited time period. Because in Pakistani scenario the banking sector are trying to measure the service quality but there is need to focus more. For future research, firstly researcher should more focus on efficiency, timely availability of data. Because the lack of resources like unreliable data from customers is major constraint of my

research. Secondly, the researcher should broaden the region of research because due to time shortage I have only focused on Bahawalpur region of Punjab in Pakistan.

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