Evidence from the Banking Industry in Pakistan to investigate the impact of Customer Service Quality on Customer Satisfaction

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Abstract:

Providing high-quality service is always noteworthy. Customer satisfaction is critical in both situations. Some firms focus on maintaining existing clients, while others want to expand their customer base. Customers can be satisfied if businesses provide high-quality services that fulfil their demands. 200 clients of four private-sector banks in Peshawar were surveyed using structured questionnaires. A convenience sampling approach was used to get the sample. Multiple regression approaches were utilised to explain the combined influence of each variable on customer satisfaction in this study. Regression analysis was used to identify the connection between variables, as well as multiple regression techniques to find the link between variables. Customer service efficiency, as well as its dimensions, are positively connected to client happiness, according to the research. As a consequence, we conclude that in private banks, consistency in customer care is important for developing client loyalty.

Keywords: Customer Service Quality, Customer Satisfaction, SPSS, Banking Sector

1. Introduction

In the 21st century, the world has become a global village and business activities, commercialization and market competition is at their peak. The market has become extremely competitive in today's world. Meeting customer need wants and demand are essential for organizations and companies.

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The main idea of the marketing concept is that attracting, retaining and satisfying customers by enhancing and strengthening organizational performance. Nowadays competition has become intensified in the global marketplace (Sivadas and Baker-Prewitt, 2000). Industries in numerous sectors have already accomplished reorganization of budgets related to marketing activities to allocate more resources for defensive marketing, specifically retention of the customer (Patterson and Spreng, 1998). Customers' roles are changing all the time in today's fast-paced business environment (Prahalad and Ramaswamy, 2000). In the changing business paradigm, service quality has risen to the top of the priority list for organisations. To retain customers and gain new ones in the market, every business must work on customer quality strategies (El-Adly, 2019). It is broadly acknowledged that service quality is a metric of how often services are delivered to meet customers' standards (Santos, 2003). Customer service quality is an essential factor in deciding a company's competitive position. Customer satisfaction, according to Cronin and Taylor (1992), is a measure of an organization's service productivity. Customer expectations should be met by the organization's service delivery. (Parasuraman and colleagues, 1988). To gain efficiency and effectiveness in business activities or operational processes, the quality of services/goods must be regarded as key factors (Anderson and Zeithaml, 1984). Service providers must deliver exceptional service quality to keep up with the market competition (Rita et al., 2019).

The customer service quality indicators ('tangibility, credibility, dependability, customer response, kindness, skill; communication, trustworthiness, safety, access and understanding') were presented by Leninkumar (2017). The SERVQUAL scale, which comprised these 10 criteria, was developed as a result of previous research with provider firms. The SERVQUAL scale was then broken down into five major variables that affect customer service quality. Some examples are tangibility, dependability, responsiveness, assurance, and empathy (Leninkumar, 2017). Quality of service allows them not only to fulfil current requirements but also to predict potential future demands. When client services are intangible, the level of customer service supplied by a business becomes exceedingly difficult to detect and obtain (Afthanorhan et al., 2019). Several academics are aware of the connection between excellent customer service and client devotion (Pakurár et al., 2019). Exceptional customer quality offers are followed by customer loyalty. For services, there are beneficial correlations between service quality and client happiness (e.g. responsive service providers) (Anderson and Sullivan, 1993). Customer satisfaction is a crucial component of corporate strategy for most businesses (Rust and Zahorik, 1993). The main indicator used to assess customer satisfaction is the customer's someone else's view of the quality of service (Zeithamal and Bitner, 1996). Customer loyalty is perhaps the most important characteristic of any service organisation, and it is unswervingly related to the level of the service rendered (Gera et al., 2017). Customer satisfaction leads to better individual behaviours such as dedication, loyalty, and the creation of a mutually beneficial arrangement (bond) between both the service provider and the client (Newman, 2001).

To expand and stand ahead of the competition in the services industry, financial and bank operations are dependent on increasing customer satisfaction (Mishkin, 2001). The banking sector's contribution has undergone numerous changes to contest international standards (Yavas et al., 1997). Within the banking system, substantial linkages have been discovered between service quality and customer satisfaction (Alabboodi, 2019). In a revolutionary globalized and competitive banking environment, banks have noticed that offering quality services is crucial for progress and survival (Wang et al., 2003).

A significant proportion of research had already concentrated on customer service quality in developed nations' banking industry; moreover, many types of research are now striving to focus (Angur et al., 1999). In the competitive world of today, long-term effectiveness and quality improvement in service quality are important (Waqar and Bakhtiar, 2012). This study will focus on a model that supports customer satisfaction into all strategy formulation and is structured according to worldwide service quality standards.

In today's competitive and moderate market remarkable efforts are made by marketers to retain their customers and also gain new customers. Marketers and organizations are adopting different types of new, innovative, and creative ideas to gain a competitive advantage over competitors. Customer service quality has drawn a lot of deliberation from researchers from the past few decades cause of its remarkable impingement on the performance of the business, customer satisfaction, and success. In the services sector, customer service quality is one among many tools used in the banking sector to create a competitive advantage. Quality of service is considered as an antecedent of the satisfaction of the customer. The research focused on the retention of customers with services sectors determinants, which is explaining the direction of customer satisfaction. Maximum customer retention is predominantly evoked by high customer satisfaction. Customer satisfaction has a relevant impact on retention and considered as a direct antecedent that results in the generation of loyalty therefore deeply influencing customer repurchase intention. Enhancing customer service quality can drive the customer's transaction in banking with customer satisfaction. In such a situation service quality can create a bond between customers and banking services. The research has exposed the effect of customer service quality on customer satisfaction in the banking sector in the jurisdiction of Peshawar.

2. Literature Review

2.1 Customer Service Quality

Business is any lawful activity conducted to generate revenues and profit. Competition has become enormous nowadays worldwide (Sivadas and Baker-Prewitt, 2000)**.** The main idea of the marketing concept is the objective to enhance the performance of the organizations by attracting, captivating, and retaining satisfied customers. Services are practices that usually generate an intangible product such as education, entertainment, food and lodging, transportation, insurance, trade, government, financial, real estate, medical repair and maintenance like occupations (Heizer and Render, 1999).

Quality service is the main factor to differentiate the organization from another service provider organization (Steven, 1989). Vast numbers of study have been carried out to measure the effect on the intended levels of service by personnel in different areas of a service organisation (Afthanorhan, 2019). Quality of customer service is often characterised as overall client satisfaction with the services offered (Rita, 2019). Customer service is viewed as a measure of how well a service firm meets the expectations of its customers (Santos, 2003). the result of an assessment procedure in which clients analyse their views on the service they have given to clients (Kumar, 2017). Customer service quality is the global picture of the deliverable measurements of the company when it made the original purchase choice compared to customer expectations (Kumar, 2017). Quality customer service refers to an innate consumer evaluation of the quality of service that they want to be compared to what they receive (Oh & Kim, 2017).

2.2 Customer Satisfaction

From the past few years, marketers of the services industry have encountered that facing tough competition in the market can be the best handle by providing quality services that are different from what competitors are offering. Customer service is considered as the backbone of the entire system of service-related organizations; which is resulted through the collective efforts of the entire functions of the organization (Steven, 1989). Customer service is managed as an intermediary rendering effect and observed as a collection of personal service aspects which influence can be different from organization to organization. A lot of work and researches has taken place to investigate the impact of employee traits on service procedures (Oliva and Sterman, 2001).

According to Pakurár et al. (2019), customer satisfaction is defined as attaining the satisfaction the consumer anticipates from buying something. The opinion of customers regarding purchase develops when they utilize those services and become satisfied, this satisfaction level makes them a permanent buyer of that brand/company in the future, and always prefer those products who have given them satisfaction (Loudon et al., 1993). Companies and companies depend on client satisfaction to acquire a competitive advantage (Anderson et al., 1994). The measurement of services or products meeting client criteria, requirements and expectations according to the customer's customer satisfaction (Zeithaml and Bitner 2003). Previous research argued that expectations are the only source of satisfaction that customers have from the serviced provider (Oh & Kim, 2017). Satisfaction is an emotional reaction created by an appraisal approach according to the theory of value perception; (Parker and Mathews, 2001). It was previously said that pleasure is related to performance expectations, whereas discontent arises when performance fails (Zeithaml and Bitner, 2003).

2.3 Customer Service Quality and Customer satisfaction

Quality of services and the satisfaction of customers are intimately associated and directly proportionate (Wei and Ramalu, 2011). Measuring items and services with the desired quality and wishes to be achieved after purchase is described as satisfaction (Kant & Jaiswal, 2017). Since this level of client service is visible as a criterion to satisfy customers, most researchers think that a substantial effect on the quality of customer service should be offered to reach a high degree of customer satisfaction (Famiyeh et al., 2018). Quality is among others, one of the most important criteria on which satisfaction is built. Satisfaction may influence future expectations of customers (Khoo et al., 2017). The most effective measure of customer happiness is customer service efficiency (Hazlina et al., 2011). While the real working capital for the service environment has not been significantly linked to customer satisfaction, customer satisfaction is often described as the goodwill of any company with the ability to grow or to attract more customers into the future (Huang et al., 2019). Several researchers have argued that the quality of customer service determines consumer content (Kasiri et al., 2017). The basis for assessment of whether a client is fulfilled or not are standards and expectations (Huang et al., 2019). In addition, consumer expectations contain information about repurchase possibility and future quality that affect customer satisfaction (Nunkoo et al., 2020). Customer satisfaction before purchase is a question mark, purchase with high quality of service may affect their satisfaction level (Nunkoo et al., 2020). Consistency of customer service has a beneficial effect on customer satisfaction, according to prior studies (Khoo et al., 2017). Customer pleasure is seen as a measure of the quality of customer service (Kant & Jaiswal, 2017). Although a recent study found that the expectations of customers can indeed be put into question and reviewed by the services provider that the customer is not always correct, totally contrary to the age-old claim that the customer is always true and that the customer is not even aware of its needs and has to be informed of what it needs compared to what it is (Huang et al., 2019). Better quality of service delivery leads to customer retention and satisfaction, they start trusting your services with the blind view and even take those products even the customer doesn’t ask for that product. In other words, when trust builds among customers, the service provider modifies their taste and standards to other products (Oh & Kim, 2017).

3. Methodology

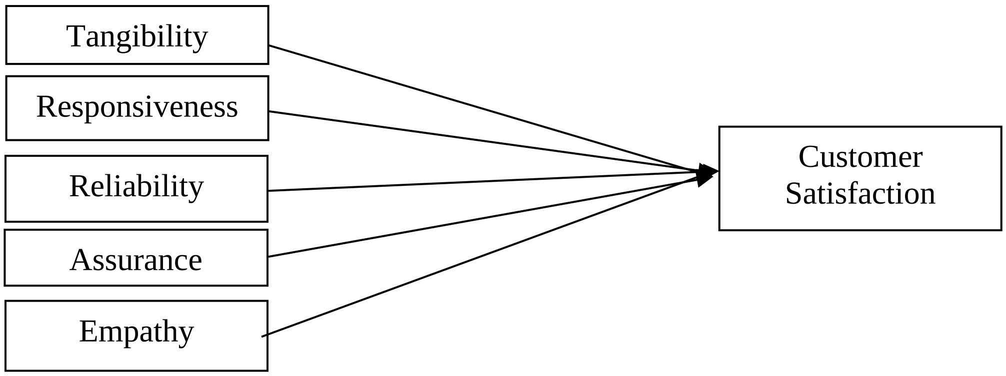
3.1 Data Collection

The population of this study comprised Peshawar's private banks. Using a simple random method, the data sample was chosen from the overall population. Allied Bank Limited, Habib Bank Limited, MCB Bank Limited, and United Bank Limited were chosen. The convenience sampling approach was used to pick an equal percentage of 50 respondents from each of the four private sector banks as the unit of analysis.

Theoretical Framework

Figure: 1

(Customer Service Quality)



3.2 Variables and their measures

The following section describes the variables and their measures. All variables were measured by adopting standardized scales validated by prior research.

3.2.1 Customer Service Quality

In this research study, customer service quality was measured by using a 5-point Likert scale. The survey instrument was a modified version of SERVQUAL as proposed by Parasuraman et al. (1988) having 20 items.

3.2.2 Tangibility

Tangibility is the demonstration of physical facilities such as equipment and tools used by workers to offer services and the facilitation in routine (Looye et al., 2003; Zeithamal et al., 2006).

3.2.3 Reliability

Reliability is the capability of organizations to provide up to date record of customers and deliver the services consistently and specifically as promised by the service provider (Looy et al., 2003).

3.2.4 Responsiveness

Responsiveness means prompt and quick services by the service provider to sustain the customer and help quickness in service delivery. (Looy et al., 2003; Zeithaml et al., 2006).

3.2.5 Assurance

Assurance meant staff thoughtful capability of security, in time deliverance to arouse reliance and assurance among customers, offering safe dealing in services delivery (Looy et al., 2003; Zeithamal et al., 2006).

3.2.6 Empathy

Empathy is known as personnel individualized deliberation of customer service quality to concern and has the customer's greatest curiosity at heart (Looy et al., 2003). Empathy is the unique care of customers and giving personalized services to enchant their demand on the spot Zeithaml et al., (2006).

3.3 Customer Satisfaction

Customer satisfaction was measured by four items established by Gremler and Gwinner (2000).

3.4 Data Collection Tools

The data for this study was collected using questionnaires. Structured questionnaires were administered, which were then subdivided into two groups. Customers' age, education, gender, and employment were all addressed in the demographic section.

3.5 Data Analysis Tools

The following regression model was used to find out the relationship between variables.

CS= βo+ βiCSQ+ε…………………………………………………….. (3.1)

CS=βo+ βiTAN+β2REL+β3RES+β4ASU+β5EMP+ε……………….. (3.2)

Where,

CS=Customer Satisfaction.

CSQ= Customer Service Quality.

TAN=Tangibility.

REL=Reliability.

RES=Responsiveness.

ASU=Assurance.

EMP=Empathy.

Bo and βi are described as model parameters and will be estimated from the sample data by using data analysis.

4. Results and Discussion

4.1 Demographic Figures

In this research study, Table 4.1 shows that 81 per cent of clients were male and 19 per cent were female. Customers aged between 36-40 years range was (22%) expressed satisfaction from bank services, customers aged between 31-35 years (30.5%) and 26-30 years were (40%), customers in this age range are more likely to interact with bank services or deal with them. 8% of the population is employed, while 59% are self-employed. Students made up 24.5 per cent of those who took part in the survey, while others made up 8.5 per cent. A bachelor's degree was held by 8.5 per cent of individuals. The research included 73 per cent of those with a master's degree, employees having MS/M.Phill degree was18.5 per cent.

Table 4.1

Features	Class	n	% Ratio
	Male	162	81.0
Gender	Female	38	19.0
	Total	**200**	**100**
	20 or Below	5	2.5
	21-25	6	3.0
Age (years)	26-30	84	42
	31-35	61	30.5
	36-40	44	22

	41 or Above	0	0
	Total	**200**	**100**
Occupation	Employed	16	8.0
	Self-employed	118	59.0
	Student	49	24.5
	Other	17	8.5
	Total	**200**	**100**
Education	Bachelors	17	8.5
	Masters	146	73.0
	MS/ M.Phill	37	18.5
	PHD	0	0
	Total	**200**	**100**

4.2 Reliability Valuation

When using an adapted scale in a research project, internal consistency is a big problem. According to Streiner (2003), one of the fundamental concepts of classical test theory having parameter should have a high level of internal stability, as shown by Cronbach's alpha. If the range is computed above or equal to 0.7, Pallant, (2007) recommends using Cronbach's alpha value.

Table 4.2

Constructs	Items	Cronach'sAlpha
Reliability	5	0.70
Assurance	4	0.83
Tangibility	4	0.79
Empathy	4	0.83
Responsiveness	3	0.73
Customer Service Quality	20	0.85
Customer Satisfaction	4	0.76

4.3 Mean Scores

Table 4.3.1: Customer Service Quality mean score resulted from its Dimensions

Dimension	Over All Mean	Mean of Customer Service Quality
Tangibility	3.69	3.84
Reliability	3.79	
Responsiveness	3.96	
Assurance	3.88	
Empathy	3.91	

Table 4.3.1 is demonstrating the overall average score of Customer Service Quality attained from a mean score of each selected construct of the Customer Service Quality. It was accomplished that the perceptual rating of these dimensions was according to customers' responses. Responsiveness was perceived as a high rater and considered vital in customer service quality appraisal as responsiveness average score was higher than other constructs means. Followed by an average score of empathy construct which featured customer perception was desperately based on the staff's attention towards customers. Almost the same was concluded about assurance and reliability. Tangibility rating was also in agreement with the bank's staff dress code and technological equipment need to be up to date etc but a lot of participants remained silenced.

Table 4.3.2: Customer Satisfaction mean score resulted from its dimensions

Dimension	**Mean**	**Mean of Customer Satisfaction**
My choice to become a customer of the bank was a wise one	3.77	**3.89**
I am always delighted with the bank service	3.93	
Encourage friends and relatives to do business with bank	3.89	
Qintend to continue business with bank	4.00	

Table 4.3.2 is describing how the mean average of customer satisfaction dimension was retrieved from the mean score of its scale.

4.4 Simple Linear Regression

Table 4.4 illustrates the relationship between customer service quality and customer satisfaction aspects. R = 0.81, suggesting that there is a substantial connection between customer satisfaction and customer service quality components. R2=0.65 indicates that the independent variable accurately describes 65 per cent of the variance in the dependent variable.

Table 4.4

Model	R	R Square	Adjt. R square	Std. error
1	0.81	0.65	0.656	0.295

4.4.1 The model's coefficient values

Table 4.4.1 describes the results of the Customer Service Quality Analysis, which shows that Customer Satisfaction is generated from Quality Customer Service. The constant and customer service quality has a substantial impact on the model's p.000 value, which was <.05. Customer service quality was a significant translator of the customer satisfaction concept(t =19.70 p=.000). The relationship between the dependent and independent variables was exactly proportionate to each other, as shown by the customer service quality coefficient. The coefficient indicates a positive link between the relationship and the independent variables.

Table 4.4.1

Model	Unstandardized coefficients		Standardized coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	0.250	0.1930	---	1.30	0.197
Customer Service Quality	0.970	0.0512	0.805	19.70	0.000

Table 4.4.1 shows that the coefficient of customer service quality is positive, gives a strong/actual link between variables. The t-ratio for customer service quality has a P-value of less than 0.05, indicating that customer service quality has a substantial influence on customer satisfaction.

4.5 Multiple Regression Analysis

According to the R2 value, a multiple regression model reveals a 66 percent variance in Customer Satisfaction has been expanded by independent variables i.e Assurance, Responsiveness, Tangibility, Reliability, and Empathy.

Table 4.5

Model	R	R Sqr	Adj R Square	Std. Error of estimate
1	0.817[a]	0.66	0.650	0.29640

4.5.1Coefficient analysis of variables from the regression model

Table 4.5.1 shows the positive value of each variable as well as the significance value of each variable separately.

Table 4.5.1

Model	Unstandardized Coefficients		Standardized Coefficients	t-ratio	P-v.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	0.280	0.199	-----	1.501	0.161	-----	----
Reliability	0.210	0.042	0.270	5.030	0.000	0.631	1.590
Responsiveness	0.170	0.034	0.208	4.907	0.000	0.905	1.107
Empathy	0.230	0.050	0.260	4.680	0.000	0.614	1.632
Tangibility	0.190	0.050	0.216	4.450	0.000	0.767	1.302
Assurance	0.181	0.051	0.197	3.334	0.001	0.520	1.917

The coefficients of several characteristics of customer service excellence are shown in Table 4.5.1. It demonstrates that customer satisfaction is connected to each component of customer service quality in a positive and significant (p 0.05) way. Furthermore, major improvements in each of the customer service quality characteristics will greatly boost customer satisfaction. Furthermore, the tolerance and VIF values indicate that there is no concern with multicollinearity in the independent variable studied.

4.6 Hypothesis Assessments

Table 4.6

Hypothesis	β value ,	sig.	Comments
H_1: Customer satisfaction is influenced by customer service quality	0.805,	.000	Accepted
H_2: Customer satisfaction is influenced by tangibility in a favourable and substantial way	0.215,	.000	Accepted
H_3: Customer service is influenced by reliability in a good and substantial way	0.269,	.000	Accepted
H_4: Customer satisfaction is influenced by responsiveness.	0.219,	.000	Accepted
H_5: Customer satisfaction is influenced by assurance in a significantly positive way.	0.196,	.001	Accepted
H_6: Customer satisfaction is linked to empathy in a meaningful and substantial way.	0.254,	.000	Accepted

5 .Discussion, Conclusion and Recommendation

5.1 Discussion

Marketing now a day has become a corporate-level strategy and involves a lot of research and analysis. In the corporate sector organizations are developing marketing departments or outsourcing marketing firms to make effective and efficient marketing plans for their organizations. Through marketing, organizations can create a bond between customers and the organization which leads to long-term relationships. Marketing is applicable both in products and services. Services in today’s world have more share than products. The services sector needs a lot of attention in improving quality, innovation, and meet the standards that others are delivering. An increase in the Quality of services will increase the level of satisfaction in customers and vice versa. Customers are important for the organizations but satisfied customers are known as assets of the organizations. Satisfied customers play the role of the marketer in the market for the organization and attract more potential customer which leads to high turnover.

Banking is an important part of the services industry and having a lot of potential customers. In today’s world majority of the population intentionally or unintentionally interact with banks. Service Quality is an essential part of the banking industry. The banking industry is facing massive competition in the market and requires a lot of attention and extraordinary steps to meet the competition. In developed countries banking industry constantly adopting new, innovative, and creative ideas with technology up to date to enhance the quality of the service to satisfy and retain the customers. In the past few decades after the privatization of commercial banks, a lot of new banks have entered the market and competition has become intensified in Pakistan. The banking industry has faced a lot of structural and technological changes in Pakistan.

The study was conducted to find the effect of customer service quality and its dimensions on customer satisfaction evidence from the banking industry in the jurisdiction of Peshawar Pakistan. Customer service quality was measured following the five dimensions i.e. Tangibility, Reliability, Responsiveness, Assurance, and Empathy. Tangibility meant the tangible aspect involved in services such as environment and premises, technological up to date and employees dress code of employees of the bank. Reliability shows the services in accordance to what is promised by the bank, problem handling procedures of the bank, in-time delivery of services, and providing of up-to-date record. The responsiveness dimension explains promptness in services and the helpful nature of the employees. Assurance described security of the bank, knowledge of the employees, and services of the bank are in promised timings. Empathy means the employees pay individual attention to customers and providing services with heart. Customer satisfaction was measured as overall satisfaction and four-point scales was used to measure customer satisfaction of customers confirming the results of (Khoo et al., 2017; Huang et al., 2019; Kasiri et al., 2017).

The internal consistency of Customer service quality and its dimensions, as well as customer satisfaction, was found consistent according to the data collected from respondents. Responsiveness and Empathy received a lot of agreement. Both dimensions are related to customer and employee interaction. Data narrate that bank customers in Peshawar want personalized services, the willingness of staff to help and to have the maximum level of interaction with the bank staff. Capable front-line staffs that have a better understanding of the specific needs of customers are the source of attraction for customers. Assurance also showed a positive relationship with satisfaction showed that bank manages their customers professionally and proficiently and also instil the feeling of confidence and reliance in its customers. Reliability also showed positive relation but banks in Peshawar need to improve their services and deliver services what they have promised. It will create a sense of satisfaction and relish among the customers which in result will create favourable word of mouth and will recommend their bank to others. Thus banks need to illustrate a sense of competence in services they are offering and provide services errorless and on time. Tangibility showed a lot of neutrality which means customers want more and banks need to improve the tangible aspects of services such as sound and safe environment and technological up-to-date equipment. Overall customers showed satisfaction and they were happy to recommend their bank to others and they were pleased with their decision of bank selection, as studied by (Nunkoo et al., 2020; Kant & Jaiswal, 2017). The results from the data are clearly stating that customers received high satisfaction whenever service quality is increased and they value the quality of services delivered by the banks. The research study is elaborating that there is a significant affiliation between Customer service quality and its dimensions with customer satisfaction.

5.2 Conclusion

The purpose of this research was to obtain a better understanding of how various private sector banks in Peshawar use Customer Service Quality to achieve customer satisfaction. The study began with a review of the literature, which led to the creation of a frame of reference and the collecting of previous findings. The purpose of this research is to uncover significant features in the banking environment that can be utilized to analyze bank attributes as viewed by consumers. The two traits most closely connected to consumer satisfaction are responsiveness and empathy. The most basic and essential impression of responsiveness and empathy is the communication between employees and customers with attention. Frontline employees have an increasingly important role in satisfying consumers since they have direct contact with them. Employees should be aware of the importance of their work in the delivery of services. Authorities should ensure that human resources are well-managed by personnel to provide excellent service. Moreover, The tangibility component had a lot of neutrality, which meant that the consumer didn't feel overwhelmed by the surroundings. Banks should focus on the physical parts of their business and provide a nice environment for their clients. Customers were generally satisfied with their banks, with a positive connection between all customer service quality attributes and customer contentment.

5.2 Recommendation

Customer service quality is a broad notion, according to previous research, and several sorts of dimensions are utilised to assess the terminology's nature. In the Peshawar domain, the influence of customer service quality should be investigated in conjunction with other factors including as customer loyalty, positive marketing, and customer retention, because customer service quality is a major component of customer happiness. The primary goal of a Pakistani financial institution's business plan should be to provide the finest possible services. SERVQUAL should be used by bank management to evaluate customer service excellence in Pakistani banks. To provide workers with an awareness of service traditions and service dominance, the banking industry must set aside funds and establish plans for staff training and development. Employee training and development programmes should be arranged regarding face-to-face or interpersonal interaction with customers, as well as customer care services in order to fulfil the client's desire for personalized services in a better way.

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