

Customer Satisfaction in Banking: A Review of Service Quality Dimensions

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Abstract

Customer happiness has emerged as a major predictor of banking performance and competitiveness, especially in an era of fierce competition and rapid technology advancements. Service quality influences clients' views, expectations, and overall satisfaction with banking services. This review study seeks to investigate and synthesize current research on customer satisfaction in the banking industry, with a focus on service quality parameters. The paper examines empirical and conceptual studies that used recognized service quality models, such as SERVQUAL, SERVPERF, and e-service quality frameworks, to measure customer satisfaction in both traditional and digital banking settings. Key service quality dimensions—such as dependability, responsiveness, assurance, empathy, tangibility, and technology-based factors—are examined to determine their impact on customer satisfaction. The study focuses on major trends, methodological methods, and research gaps discovered in previous studies. The findings show that dependability and responsiveness are consistently the most significant indicators of customer satisfaction, but technology-driven service quality has grown in importance in recent years. The article finishes by offering insights for financial institutions to improve service delivery and suggesting possibilities for future research in the changing banking scene.

Keywords: *Customer Satisfaction, Service Quality, Banking Services, SERVQUAL Model, Customer Perception, Digital Banking, Customer Loyalty*

Introduction

In today's increasingly competitive and consumer-oriented financial world, client happiness has emerged as an important driver of banking success. Banks operate in a service-driven market where products are frequently comparable, hence service quality is an important aspect in distinguishing one bank from another. Consumer satisfaction in banking is mostly determined by how well banks offer services that meet or surpass consumer expectations in terms of dependability, responsiveness, assurance, empathy, and tangibility.

Service quality influences consumers' views, attitudes, and behavioural intentions toward banks. With the fast advancement of technology, digital banking services such as online banking, mobile banking, and ATMs have increased the scope of service quality. Customers increasingly demand more than just precise and safe transactions; they also want convenience, speed, tailored services, and seamless digital experiences. As a result, banks are placing a greater emphasis on enhancing service quality in order to increase client satisfaction, retention, and loyalty over time.

Many studies have been conducted over the last few decades to investigate the link between service quality and customer satisfaction in the banking industry. Researchers have used a variety of service quality models, most notably the SERVQUAL model, to assess customer perceptions and expectations. These studies show that service quality aspects have a major impact on customer satisfaction and are critical for establishing trust and maintaining competitive advantage in the banking business.

Review of Literature

Parasuraman, Zeithaml, and Berry (1988) introduced the SERVQUAL model, which identifies five key dimensions of service quality—reliability, responsiveness, assurance, empathy, and tangibles. Their study laid the foundation for measuring service quality in service industries, including banking. Numerous researchers have since applied this model to examine how perceived service quality influences customer satisfaction and behavioural intentions in banking services.

Cronin and Taylor (1992) proposed the SERVPERF model as an alternative to SERVQUAL, emphasizing service performance rather than the gap between expectations and perceptions. Their findings suggested that service quality is a significant antecedent of customer satisfaction and that performance-based measures are more effective in explaining

customer satisfaction in the banking context. Several subsequent studies adopted SERVPERF to assess customer satisfaction levels in banks.

Zeithaml, Bitner, and Gremler (2018) highlighted that high service quality leads to increased customer satisfaction, trust, and loyalty in financial services. Their research emphasized the importance of responsiveness and assurance in banking, as customers highly value prompt service delivery, accuracy, and the competence of bank employees. The study also pointed out that personalized services and effective complaint handling play a crucial role in enhancing customer satisfaction.

Objectives of the study

- ✓ To identify the major service quality dimensions used in banking sector studies.
- ✓ To review existing literature on customer satisfaction in relation to banking service quality.
- ✓ To analyze the influence of service quality dimensions on customer satisfaction in the banking sector.
- ✓ To examine service quality measurement models applied in banking research.

Research Methodology

The study adopts a descriptive research design to examine customer satisfaction in the banking sector with specific reference to service quality dimensions. Descriptive research is appropriate as it systematically describes the characteristics, perceptions, and opinions of bank customers regarding the quality of services received, without manipulating any variables. The study is descriptive and analytical in nature. It aims to analyse how different dimensions of service quality such as tangibility, reliability, responsiveness, assurance, and empathy influence customer satisfaction in banking services.

Sources of Data

The study is based on secondary data collected from the Peer-reviewed journals and research articles, banking and financial service reports, Books on marketing and service quality, Conference proceedings and theses, reputed databases such as Scopus, Web of Science, Google Scholar, and UGC CARE-listed journals. These sources provide conceptual

frameworks, empirical findings, and theoretical insights related to customer satisfaction and service quality in banking.

Relevant literature was identified using keywords such as *customer satisfaction*, *service quality*, *SERVQUAL*, and *banking services*. Studies published over the last two decades were reviewed to ensure both classical and contemporary perspectives. Only studies directly related to banking service quality were included to maintain relevance and consistency.

Scope of the Study

The study focuses on the banking sector, including public, private, and digital banking services. It reviews both domestic and international studies to provide a comprehensive understanding of service quality dimensions and their impact on customer satisfaction.

Limitations of the Study

- ✓ The study relies solely on secondary data; primary customer perceptions are not captured.
- ✓ Findings are limited to the scope and quality of the reviewed literature.
- ✓ Differences in geographic, cultural, and regulatory contexts may affect generalizability.

Quality of service

Developing a sustained competitive edge is challenging due to the difficulty of copying and patenting services. Customers' perception of service quality reflects their whole experience with a business. Understanding how clients make decisions is crucial for providing high-quality services. Organizations that do not research and understand customer judgment risk losing customers. Exactly, the competitive companies will seek the lost consumer. This will negatively impact the company's market competitiveness.

In their study, H. Emari, S. Iran Zadeh, and S. Bakhshayesh identified three elements of service quality in Iran's banking business, based on the European viewpoint (Gronroos' model): technical, functional, and image. A study of banking services found that consumers' impression of technical quality had a greater impact on total service quality than functional quality. According to J. R. Salifu, there is a minor positive link between service performance gaps and service quality parameters, seen by both customers and bankers. According to M. Hossain and S. Leo, improving the quality of service in retail banking requires banks to

prioritize infrastructure facilities, timing, and return on deposit. To remain competitive in retail banking, bank management should prioritize improving client happiness and service quality.

Role of intermediaries

Banks should position their intermediaries to better respond to client requirements. The customer-intermediary connection impacts the quality of service and ultimately consumer satisfaction. Customers are a significant asset to the bank and future investment; therefore, they should receive personalized attention and answers to their questions. If the intermediaries' behavior meets his expectations, he will spread the information to his friends and family. According to S. Toelle, staff performance and reliability indirectly affect loyalty through consumer value and satisfaction. S. W. Kelley investigated how corporate socialization affects consumer perceptions of service quality. Socialization among employees and customers improves service quality, according to the study. Service quality was positively correlated with customer ratings of organizational climate, orientation, motivation, commitment, and satisfaction. Employee work happiness is linked to consumer perceptions of service quality. Organizational commitment from employees and customers leads to higher levels of satisfaction.

Schneider is the first author to design a framework for studying people's perceptions of companies. He also researched consumer perceptions of corporate climate. The atmosphere refers to clients' perceptions about the company with which they conduct business. Later on, Parkington and Schneider & Bowen found that when employees' service orientation differs from management's, they experience low job satisfaction, high frustration, and a negative perception of the firm's service quality. Schneider found a high correlation between consumer views towards service quality and employee perceptions of customer service.

Customer complaints

Customers are more knowledgeable, smart, informed, and forceful. Customers expect high-quality service and are more likely to move to competitors. Satisfied customers anticipate high-quality service and consider it to be better than expected. If a client observes the same level as previously but expects more, they will be disappointed and unhappy.

According to L. Makdessian, dissatisfied consumers are more inclined to complain and seek third-party intervention, while also being less likely to propagate positive word-of-mouth and return to the service provider. The gender of both the consumer and the service personnel

had minimal impact on the evaluation and behavior outcomes. According to M.D. Richards and D. Hicks, consumer satisfaction with the complaint resolution process is influenced by both the retailer's response and the consumer's time and effort. The study found four crucial variables for consumer satisfaction with the complaint resolution procedure. Consumer input dimensions include time and effort spent attempting to solve problems. The outcome aspects are remuneration received and ascribed to the retailer's representative.

A service failure in an organization result in a complaint system. Customers' complaints will be addressed through the service recovery procedure. The recovery system may or may not satisfy consumer expectations. Meeting these criteria leads to higher customer satisfaction and loyalty. Not meeting expectations leads to customer discontent and service failure. According to T.D. Jones, service provider failures decrease commitment to both the organization and the provider, as well as loyalty results. Increased interpersonal commitment reduces this impact. Personal betrayals reduce all three commitment criteria, resulting in worse loyalty results. Service failures can have a negative impact on commitment levels, rather than just loyalty results. Simpson examined the correlation between three variables: staff satisfaction, customer service quality, and customer satisfaction in a mid-sized retail bank.

According to the American Technical Research Programme (TRAP), an unhappy buyer will share their experience with an average of nine to ten others, who will then warn others not to buy from the company. According to Day and Landon, contacting the service provider from whom the items or services were acquired is the most usual option. According to Day and Ash, unsatisfied consumers tend to switch brands or seek alternative services. Consumers may take public action to resolve their problems. According to Schouten and van Raaij, if consumers are unsatisfied with a company's answer, they may seek remedy through third-party complaint handling companies. These three parties may include media-sponsored consumer advocates, government consumer protection departments, and solicitors. Dissatisfied customers' complaint behavior varies based on the product or service, perceived effort, and expected effect.

According to Singh, consumer complaint behavior (CCB) indicates a breakdown or weakness in the exchange process. Understanding this is crucial for resolving the issue. Understanding and implementing the CCB procedure may significantly minimize

unpreventable unhappiness among employees. Improving customer satisfaction leads to more sales, brand loyalty, and favourable word-of-mouth.

Conclusion

Customer satisfaction in the banking industry is heavily impacted by the quality of services provided in numerous areas. This analysis emphasizes that basic service quality dimensions—such as dependability, responsiveness, assurance, empathy, and tangibility—play an important influence in molding consumers' opinions of banks. Customers demand accuracy, security, and trustworthiness in financial transactions; therefore, reliability and assurance are constantly rated as the most important.

The survey also found that responsiveness and empathy are becoming more crucial in improving client satisfaction, especially in a competitive and customer-centric banking market. Personalized services, timely problem resolution, and pleasant personnel behavior all help to foster long-term client connections and loyalty. Tangibility aspects, such as contemporary infrastructure, digital platforms, and user-friendly interfaces, have also grown in importance as technology-driven financial services have expanded.

Overall, the findings imply that banks should take a comprehensive approach to service quality improvement, constantly monitoring consumer expectations and aligning their service strategy accordingly. Banks may create a long-term competitive edge by investing in personnel training, technology innovation, and customer-focused policies. Future study should focus on new service quality factors in digital and mobile banking, as well as their influence on customer satisfaction in a variety of banking scenarios.

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