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THE RELATIONSHIP BETWEEN SERVICE QUALITY AND CUSTOMER SATISFACTION IN DHAKA BANKING SECTOR, BANGLADESH



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SUMAIA AHMED ASHA

UNIVERSITI PENDIDIKAN SULTAN IDRIS

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SATISFACTION IN DHAKA BANKING SECTOR, BANGLADESH**

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**DISSERTATION PRESENTED TO QUALIFY FOR A MASTER'S DEGREE IN
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ABSTRACT

The aim of this study is to investigate the relationship between service quality and customer satisfaction in the Dhaka banking sector. Specifically, the objectives are to determine the relationship between service quality dimensions (tangibility, reliability, responsiveness, assurance, and empathy) and customer satisfaction. A quantitative research design was applied to the study. A total of 379 customers were selected from 19 banks operated in Dhaka as a research sample through a proportionate sampling method. Data analysis using Pearson Moment Correlation Coefficient and multiple regressions was performed to determine the relationship between service quality and customer satisfaction. The results of the Correlation Coefficient showed that tangibility has a significant relationship with customers' satisfaction with a beta value of .416 and is significant at $p < .000$. The reliability has a significant relationship with customers' satisfaction with a beta value of .506 where $p < .000$. Also, the findings found that responsiveness showed a significant relationship with customers' satisfaction with a beta value of .575. Further, it was found that assurance has a relationship with customer satisfaction with a beta value of .536, and empathy has a positive relationship with customer satisfaction with a beta value of .536. The result of multiple regression analysis revealed that service quality has a positive relationship with customer satisfaction ($r^2 = .349$, F-value 203.268, Sig= .00). In conclusion, all five service quality dimensions have a significant relationship with customer satisfaction. Based on the findings of the study, it is recommended for the banking sector in Dhaka to improve its training by considering the factors of tangibility, reliability, responsiveness, assurance, and empathy among the workers. Also, in-service training should be provided to all staff irrespective of level so as to upgrade their knowledge and skills on how to operate effectively in the banking sector.





HUBUNGAN ANTARA KUALITI PERKHIDMATAN DAN KEPUASAN PELANGGAN DI SEKTOR PERBANKAN DI DHAKA, BANGLADESH

ABSTRAK

Matlamat kajian ini adalah untuk mengkaji hubungan antara kualiti perkhidmatan dan kepuasan pelanggan dalam sektor perbankan Dhaka. Secara khusus, objektif kajian ini adalah untuk menentukan hubungan antara dimensi kualiti perkhidmatan (keketaraan, kebolehpercayaan, responsif, jaminan dan empati) dan kepuasan pelanggan. Reka bentuk kajian kuantitatif telah digunakan dalam kajian ini. Seramai 379 pelanggan telah dipilih daripada 19 bank yang beroperasi di Dhaka sebagai sampel penyelidikan melalui kaedah persampelan berkadar. Analisis data menggunakan Pekali Korelasi Pearson Moment dan regresi berganda dilakukan untuk menentukan hubungan antara kualiti perkhidmatan dan kepuasan pelanggan. Keputusan Pekali Korelasi menunjukkan bahawa keketaraan mempunyai hubungan yang signifikan dengan kepuasan pelanggan dengan nilai beta .416 dan signifikan pada $p < .000$. Kebolehpercayaan juga mempunyai hubungan yang signifikan dengan kepuasan pelanggan dengan nilai beta .506 dan signifikan pada $p < .000$. Selain itu, dapatan turut mendapati bahawa responsif menunjukkan hubungan yang signifikan dengan kepuasan pelanggan dengan nilai beta .575. Seterusnya, didapati jaminan mempunyai hubungan dengan kepuasan pelanggan dengan nilai beta .536, dan empati mempunyai hubungan positif dengan kepuasan pelanggan dengan nilai beta .536. Hasil analisis regresi berganda menunjukkan bahawa kualiti perkhidmatan mempunyai hubungan yang positif dengan kepuasan pelanggan ($r^2 = .349$, F-nilai 203.268, Sig=.00). Secara kesimpulan, kelima-lima dimensi kualiti perkhidmatan mempunyai hubungan yang signifikan dengan kepuasan pelanggan. Berdasarkan dapatan kajian, sektor bank di Dhaka dicadangkan untuk menambah baik latihannya dengan mengambil kira faktor keketaraan, kebolehpercayaan, responsif, jaminan, dan empati dalam kalangan pekerja. Selain itu, latihan dalam perkhidmatan perlu disediakan kepada semua kakitangan tanpa mengira peringkat untuk meningkatkan pengetahuan dan kemahiran mereka tentang cara beroperasi dengan berkesan dalam sektor perbankan.



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LIST OF ABBREVIATIONS

CS Customer Satisfaction

SQ Service Quality



LIST OF APPENDICES

- A Cover Letter for Survey Questionnaire
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CHAPTER 1

INTRODUCTION



Service quality is usually noted as a critical prerequisite of competitiveness for sustaining and satisfying relationships with customers (Jashireh, Slambolchi, & Mobarakabadi, 2016). Previous studies on service quality expertly stated that it is a significant indicator of client satisfaction (Spreng & Machoy, 1996; Traut, Larsen & Feimer, 2000; Dhar, 2015). By pay attention to service quality, it is an opportunity for organizations to gain a better advantage over other organizations (Boshoff & Gray, 2004; Meesala & Paul, 2018). One of the most objectives of any typical organization is to satisfy and retain past, current, and future customers so as to make the product and service more friendly (Agbor, 2011; Ali & Raza, 2017). A satisfied customer tends to share their experience with more than five people (Andaleeb, 2001; Aliman & Mohamad, 2013; Meesala, & Paul, 2018).





Service quality is how customer see the difference between customer expectation for service performance prior to the service encounter and their perception of the service obtained (Fernandes, Veloso, Magueta, & Ribeiro, 2017). Ingle and Ingle (1983) stated that for the poor performances of some organizations, it is because of the service quality to customers are not real and manager are not business oriented. Service quality has tuned to be vital element in the business these days (Panteloukas, Mbu Etonga Asopo & Buwag, 2012; Namin, 2017). Service quality tend to increase because it is very important in the completive business atmosphere. It must be considered as customer attitude toward a certain service fulfils. Most of the organization today believe that service quality provider aims at targeting customer expectation in order to improve overall performance. Studies have revealed that good service quality ensures existing customers loyalty and retention and attracts new ones (Yoon & Suh, 2004; Stodnick &



Based on the role of service quality play in an organization, Scholars have argued that satisfied customer is important element of business (Parasuraman, Zeithaml, & Berry, 1985; Gronroos, 1998; Namin, 2017). Indeed, customer satisfaction is a crucial key that builds strong and long-term relationships between the customers and the organization (Jashireh, Slambolchi & Mobarakadi, 2016). The measure of customer satisfaction, therefore, has become a vital concern for many organizations and services providers to achieve such victory (Dhar, 2015). Customer satisfaction is one of the essential factors for the success of an organization (Hapsari, Clemes & Dean, 2015). To achieve the high customer satisfaction, organization must know when and how their customers are satisfied about the products and services (Jashireh, Slambolchi & Mobarakabadi, 2016). Satisfaction as a person's feeling of pleasure or





disappointment resulting from a consumption experience when comparing a product, perceived performance or outcome in relation to his or her expectation (Lovelock & Wirtz, 2011; Hapsari, Clemes & Dean, 2015; Torlak & Kuzey, 2019). Because of the numerous roles of service quality in an organization, this study is intended to explore the dimensions of service quality that influence the customers' satisfaction in the banking sector in Dhaka, Bangladesh. Thus, appropriate training and education programs that anticipate all related factors can be planned to enhance the bank service quality and customer satisfaction.

1.2 Background of the Study

The banking sector is one of the fastest growing and training is very important in the banking sector for enhancement of performance (Cotes & Ugarte, 2021; Chahal, 2013; Susanti, Sari, Fitriani & Sumarmin, 2019). To ensure better performance of the service quality in providing customer satisfaction, the bank employees should continuously learn through training and improve the quality of their job. Training and development in an organization is a must because it is considered a formal procedure for education and learning among employees, and it is a solution for organizational and individual performance (Saxena, 2020). Previously, Debnath (2003) indicates that the productivity of manpower in the banking sector of Bangladesh will be increased if employers provide proper training for them to learn and develop.

Banks in Bangladesh are schedule state owned commercial banks (SOCBs), specialized Banks (SDBs), private commercial. The first modern bank headquarter in





Dhaka was Dacca bank which established in 1846 (Van Schendel, 2020). The Bank did a very good job but it do not issue banknote, because of not issue bank note, it was purchase by Bank of Bengal in 1862 (Mitchiner, 2000). Then, bank of Bengal opened braches in Siragani and Chittagong in 1873 and in Chandpur in 1990. In 1947, upon the partition of Bengal, it had six branches in East Bengal in Dhaka, Chittagong, Chandpur, Mymensingh, Rangur and Narayanga. In the beginning of 1971, there were 1130 branches of 12 Banks in operation in East Bangladesh. The foundation of independent banking system in Bangladesh was laid through the establishment of the Bangladesh Bank in 1972 by the Presidential order No. 127 of 1972 which took effect on 16th December, 1971 (Sarker, Ghosh & Palit, 2015; Riaz, 2016). In fact, through the order, the Eastern branch of the former state Bank of Pakistan at Dhaka was renamed as the Bangladesh Bank as a full-fledged office of the central Bank of Bangladesh and the entire undertaking of the state Bank of Pakistan in relation to Bangladesh has been delivered to the Bank. After the independence, banking industry in Bangladesh started it journey with 6 nationalized commercial banks.

In addition, the banking sector in Bangladesh consists of several types of institutions. Bangladesh Bank is the central bank of Bangladesh and the chief regulatory authority in the banking sector. In line with Bangladesh Bank Order of 1972 the Government of Bangladesh reorganized the Dhaka Branch of the State Bank of Pakistan as the central bank of the country and named it Bangladesh Bank with retrospective effect from 16 December 1971. There are two categories of banks in Bangladesh. Namely; Scheduled Banks and Non-Scheduled Banks (Central Bank of Bangladesh). Scheduled banks are licensed under the Bank Company Act, 1991 (Amended up to





2013). Presently, there are 59 scheduled banks (PCBs), Conventional PCBs, Islami Shariah Based PCBs and Foreign commercial banks (FCBs) (Al Karim & Alam, 2013).

More so, non-scheduled banks are licensed only for specific functions and objectives, and do not offer the same range of services as scheduled banks. There are now 5 non-scheduled banks in Bangladesh. They include Ansar VDP Unnayan Bank, Karmashangosthan Bank, Grameen Bank, Jubilee Bank and Limited. All these banks mentioned had play a vital role in the development of Bangladesh. Some of the functions of these are, loans, accepting deposit, savings, overdraft, online banking, given advice relating banking (Safiullah, 2010). Based on these functions, it is expected for mentioned banks to provide quality service to customers. Therefore, this current study is investigating the relationship between service quality and customer satisfaction



1.3 Problem Statement

The subject of service quality has been studied and debated over the past two decades (Mugambwa, Mugerwa, Mutumba, Muganzi, Namubiru, Waswa, & Kayongo, 2016; Jashireh, Slambolchi & Mobarakabadi, 2016; Yan, Zhang & Wang, 2017, Shen & Tang 2018; Nurcahyo, Aji, Gabriel, & Habiburrahman 2018). The importance of management's ability to understand what constitutes service quality and how to appropriately measure it in order for subsequent actions to be taken so as to make improvements and increase value to customers (Asubonteng, McCleary & Swan 1996; Shen & Tang 2018). Substantial study has been done to understand the nature and





dimensions of service quality on customers' satisfaction across many different service settings.

Customer satisfaction is one the key success of banking sector. The quality of service render has become customer satisfaction (Karim & Chowdhury, 2014). Banks operating in Bangladesh has been put into pressure because of increasing in competition. Bangladesh. New banks are spring up every day and banks need to improve the service given to customers. Dhaka banks was under pressure from the ADB, International Money Fund, World Bank that they must reform its inefficient financial sector (Khondaker & Mir, 2011). Customer satisfaction is a grossly neglected measure of governance in most developing countries as well as Bangladesh. Previous studies have proved that some commercial banks have lost their market share and are virtually on the point of closing because of their poor service quality as perceived by their customers (Khondaker, & Mir, 2011; Sagib & Zapan, 2014; Safiullah, 2010). In fact, some foreign commercial banks operating in country under the same economic and cultural setting are improving monumental rapidly with higher market share and higher gains (Khondaker & Mir, 2011; Rashid, 2010). Rarely any studies have been done to explain the reasons for low performance of banks from a customer service point of view.

Choudhury (2012) stated that commercial banks have become a subject of discussion with large branches network in Bangladesh. Studies have categorically stated that financial sustainability of banks was threatened due to low service quality. In a competitive market like this, commercial banks in Bangladesh need to be improving by reclaiming customer support and confidence for their survival. A good





understanding the core element of customer satisfaction of commercial banks by the decision makers might help these banks to improve the service quality. In line with former governor of Bangladesh central bank which express that the nationalized commercial banks in the country should endeavor to repack and their upgrade service standard for a better quality service.

In addition, some banks in Dhaka still practice archaic method of operation with customers instead of devise new strategies to improve customer relationship. Customers have complaint of the lackadaisical attitude of bank staff which frustrate customers to move their account to foreign banks which in turn affecting service quality (Fazrul, 2014). As a result of this scenario, Dhaka banks has created a challenge in retaining the existing client and bringing in new ones.



The banking sector of Bangladesh is performing a significant role as leader in financial, industrial, and commercial activities (Ferdous & Rasak, 2012). The improvement of the service quality among the bank employees is more important to ensure customer satisfaction. Therefore, training and development are important to educate the employees. Further, in a study of Bangladesh banking sector, Ferdous and Rasak, (2012) suggested that training needs assessment should be done in a systematic manner using the right methods (Liza et al., 2011, Susanti, Sari, Fitriani & Sumarmin, 2019). In addition, Dikshit and Jain (2017) also postulated that training needs assessment is the basis for designing and implementing such programs to educate employees in the banking sector. Hence in the case of the banking sector in Dhaka, it is a must to investigate factor that influence service quality and customers' satisfaction. Later, these aspects can be added to the training and development plan.





Several studies have established that there was interrelation between service quality and attribute and customers satisfaction. Parasuraman, Zeithmal, and Berry (1985) has postulated that for quality service to be deliver to customers, some elements of SERVQUAL must be put into consideration that is reliability, responsiveness, assurance, empathy and tangibles. Apart from above mentioned problem, there was conflicting findings among the researchers on the dimensions of SERVQUAL. Sarker and Borhan (2013) who examined service quality in some private commercial banks in Bangladesh. The study revealed that responsiveness and tangibility do not show any impact on customers' satisfaction while other dimensions show significant. Likewise, Uddin and Khandakar (2013) who investigated service quality on foreign banks operated in Bangladesh revealed that accessibility do not have significant impact on customers' satisfaction in foreign bank. As a result of this, there was need to investigate service quality in other banks so that one can see real pictures of the situation. This serve as a gap to be fill in this current study. This prompt the researcher to investigating the relationship between service quality and customer satisfaction in Bangladesh banking industry.

1.4 Research Objectives

The aim of the study is to investigate the relationship between service quality and customer satisfaction in Dhaka banking industry. Specifically, the objectives of this study are:





- RO1: To determine the relationship between tangibles and customer satisfaction in Dhaka banking industry.
- RO2: To examine the relationship between reliability and customer satisfaction in Dhaka banking industry.
- RO3: To determine the relationship between responsiveness and customer satisfaction in Dhaka banking industry.
- RO4: To investigate the relationship between assurance and customer satisfaction in Dhaka banking industry.
- RO5: To investigate the relationship between empathy and customer satisfaction in Dhaka banking industry.



Based on the research objectives highlighted above. The following research questions are raised in this study.

- RQ1: Is there any relationship exist between tangibles and customer satisfaction in Dhaka banking industry?
- RQ2: Is there any relationship exist between reliability and customer satisfaction in Dhaka banking industry?
- RQ3: Is there any relationship exist between responsiveness and customer satisfaction in Dhaka banking industry?
- RQ4: Is there any relationship exist between assurance and customer satisfaction in Dhaka banking industry?





RQ5: Is there any relationship exist between empathy and customer satisfaction in Bangladesh Dhaka industry?

1.6 Research Hypothesis

In line with research objectives and research questions identified above. The Hypotheses of this study are:

H1: There is a significant relationship between tangibility and customer satisfaction in Dhaka banking industry.

H2: There is a significant relationship between reliability and customer satisfaction in Dhaka banking industry.

H3: There is a significant relationship between responsiveness and customer satisfaction in Dhaka banking industry.

H4: There is a significant relationship between assurance and customer satisfaction in Dhaka banking industry.

H5: There is a significant relationship between empathy and customer satisfaction in Dhaka banking industry.

1.7 Conceptual Framework

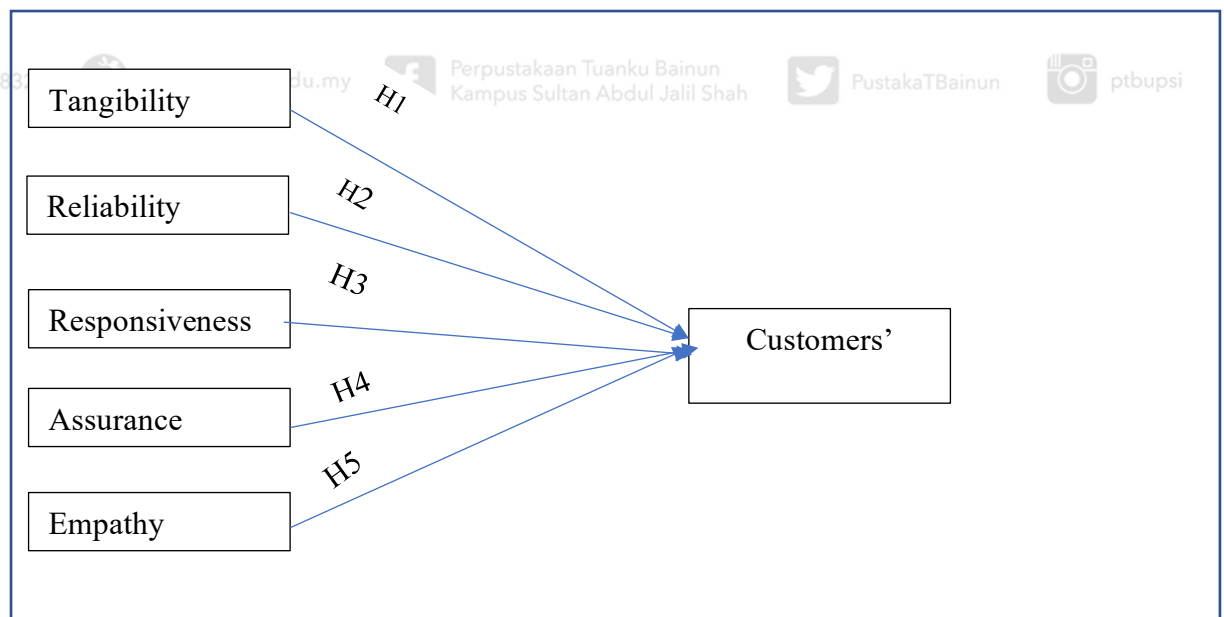
This current study is investigating the relationship between service quality and customer satisfaction in Bangladesh banking industry. In the conceptual framework,



one independent variable and one dependent variable were used. The independent variable was service quality while the dependent variable was customers satisfaction. In the first conceptual framework, the independent variable which is service quality is measure with five dimensions so as to know the relationship of each dimension on customers' satisfaction. The five dimensions will include the following; tangibility, reliability, responsiveness, assurance and empathy. In the second conceptual framework, all dimensions of service quality are polled together so as to know the relationship between service quality and customer satisfaction. See figure 1.1

Figure 1.1

Conceptual Framework



Source: Parasuraman, Zeithmal, and Berry (1985)



1.8 Significance of the Study

The findings of this study would provide insights to the top management of the banking sector about factors that should be emphasized when they plan for their employees' training and development programs. This is important for the banking sector to navigate their employees in the direction of providing better service quality and guarantee customer satisfaction (Afroz, 2019; Afthanorhan, Awang, Rashid, Foziah & Ghazali, 2019). The knowledge and the skills gained from this training would help the employees to perform better quality service to customers. Apart from this, the finding would encourage top management to allow staff to offer opinions and views in enhancing the service quality.



The findings of this study will be of important to existing and incoming literature by widening the stock of knowledge on the relationship between service quality and customer satisfaction in selected bank's operating in Bangladesh. It will serve as source of materials for novice researchers who have similar idea.

The findings of the study would benefit to the public banks in Bangladesh because most of the researchers only investigate service quality in agricultural sector, manufacturing sector etc. However, this study would guide them on how adapt to modern techniques of operating banking sector (Rashid, Ur, Zobair, Chowdhury, Iqbal & Islam, 2020).

The findings of this study would make the government and central bank of Bangladesh to define a policy that would transform all commercial banks, because some





of banks still practice traditional method of banking system. Therefore, the findings of this study would serve as a good framework for training and development to all banking service provider (Abba, 2019; Rashid, Ur, Zobair, Chowdhury, Iqbal & Islam, 2020).

1.9 Scope and Limitation of the Study

The study is investigating the relationship between service quality and customers' satisfaction in selected banks in Bangladesh. Eight public banks were selected from public banks established by the government. Although, Bangladesh has other banks like private banks, developmental banks, and industrial banks among other. The study is focused only public banks established by the government. Other banks apart from the one mentioned will not be used in the study. These are the eight banks the researcher intends to use for the exercise. Some of the banks are: Agrani Bank Limited, Bangladesh Development Bank Limited, Janata Bank Limited, Bangladesh Krishi Bank, Pubali Bank Limited, Rajshahi Krishi Unnayan Bank (Rashid, Ur, Zobair, Chowdhury, Iqbal & Islam, 2020)





1.10 Operational Definitions

This following are the operational definitions for this study.

1.10.1 Service Quality

Service quality refer to as the result of expectation on the perception of service performance (Parasuramna et al. 198: Afroz, 2019). In the context of this study, service quality is the quality of services that takes place between the banks and its customers when transactions are taking place in the banking premise. Regardless of the organization, service quality can have a significant impact on your organization ability

to satisfy customer needs while remaining competitive.

1.10.2 Tangibility

Tangibility is refer to physical aspect that connected with easy service to be render like personnel, equipment, physical facilities (Mohammad & Alhamadani, 2011; Ali & Raza, 2017). In fact, there are many factors that give an organization highly tangible quality such as the appearance of its headquarters, its employees' attire and character, its marketing materials and its customer service department.





1.10.3 Reliability

Reliability is the ability of the organization to attain its services at appropriate time in line with the promises made with their customers (Mohammad & Alhamadani, 2011; Felix, 2017). This process involves every step of customer interaction, including the delivery or execution of the good or service, instant and precise problem resolution and competitive pricing.

1.10.4 Responsiveness

Responsiveness is the willingness of service providers to assist customers and provide to their needs in the area of problem solving and immediately reply to their wants at a time (Mohammad & Alhamadani, 2011; Felix, 2017). An organization with high service quality always responds to customer communication as soon as possible which can often indicate the value a company places on customer satisfaction.

1.10.5 Assurance

Assurance is the feelings of belief and confidence in dealing with the organization (Mohammad & Alhamadani, 2011; Jashireh, Slambolchi, & Mobarakabadi, 2016; Felix, 2017). This is especially important with services that a customer might perceive as being above their ability to understand and properly evaluate. This is because there has to be a certain element of trust in the servicing organization's ability to deliver





(Hisam, Sanyal & Ahmad, 2016). organization employees need to be mindful of earning the trust of their customers if they want to retain them.

1.10.6 Empathy

Empathy is the refers to factors that indicate that employees are caring, approachable and sensitive to the needs of customers and are fully engaged with them in every interaction (Mohammad & Alhamadani, 2011; Jashireh, Slambolchi, & Mobarakabadi, 2016; Felix, 2017). an customer who believes a company truly cares about their well-being is likely to be more loyal to that company.



1.10.7 Training

Training and development is the educational activities within an organization created to enhance the knowledge and skills of employees while providing information as well instruction on how to better perform that particular works or tasks (Haugen, Seiler, Sandbakk, & Tønnessen, 2019; Alhempri & Supeno, 2021). These programs typically involve advancing a worker's knowledge and skill sets and instilling greater motivation to enhance job performance.





1.10.8 Customer Satisfaction

This study refers Customer satisfaction as the satisfaction that customers get from doing business with an organization (Mohammad & Alhamadani, 2011). Customer satisfaction is crucial to the success of your business. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a major differentiator and increasingly has become an important element of business strategy (Alhempri & Supeno, 202; Jashireh, Slambolchi & Mobarakabadi, 2016).

1.11 Summary

This study was on the investigating the relationship between service quality and customer satisfaction in selected bank's operating in Dhaka, Bangladesh. in the foregoing, the researcher discussed extensively on the background of the study, problem statement, research objectives, research questions, research hypotheses, significance, conceptual framework and scope and delimitations. The next chapter which was chapter two discusses some of the literature related to service quality.

