CHAPTER 7
FINDINGS & CONCLUSIONS

This chapter summarizes the different stages of the research, to provide a background on the research. The findings are discussed in relation to the research objectives. The contributions to marketing theories and implications for service providers are presented. Finally the limitation of the research and suggestions for future research is addressed. The conclusions of the study are presented thereafter.

7.1 Summary of stages of the research

Chapter 1 discussed the background to, the objective of and the rationale for this research. Service quality is becoming an increasingly important factor and a pre-requisite for economic performance in service industry. Parasuraman et al. (1985) and Zeithaml et al. (1990) noted that the key strategy for the success and survival of any business institution is the deliverance of quality services to customers. The quality of services offered will determine customer satisfaction and attitudinal loyalty. As discussed in Chapter Two, although service quality is one of the most researched constructs in the marketing field, there is no consensus on the conceptualization and measurement of service quality.

In a highly competitive environment, quality alone is no longer adequate as sources of competitive advantage, which is why customer satisfaction and more importantly behavioural intentions are increasingly becoming a construct of interest. Consistent with the global trend, financial services particularly banking and insurance sector are facing many challenges such as rising competition, operational costs and increasing customers expectations of service quality, increasing the need to raise satisfaction levels and the need for favourable behavioural intentions. In response to the intense competition in this sector, companies need to understand the factors that may heighten customers’
perceptions of quality, and customer satisfaction, thereby influencing their behavioural intentions.

The chapter 2 reviewed the relevant literature on service quality, its measurement and relationship with customer satisfaction and behavioural intentions. This chapter provided the theoretical base for this study, supported by relevant concepts and literature in the area of service quality and its measurement. The objective for this literature review is to broaden the understanding of service quality, considering the gap between expectations and perceptions of service quality and how service quality and other constructs relate.

The chapter 3 is one of the most important parts of the study. It discussed the conceptual gaps identified by the literature review in chapter 2. The theoretical framework of the study is explained and a hypothetical model relating service quality, customer satisfaction and behavioural intentions is proposed. Research hypothesis addressing the research objectives are also presented in this section.

The chapter 4 discussed the methodology used to investigate the constructs and relationships that define the hypothetical model on service quality, customer satisfaction and behavioural intentions. The research design of the study was executed in two phases. The first phase focused on development and refinement of the scales used to measure service quality; Phase II involved the actual testing of the developed perceived quality Instrument and the model. A discussion of phase II of the research addressed sampling design, questionnaire development, and data collection. It concluded with a review of the statistical analysis used to test the hypotheses.

The chapter 5 presented the results of research conducted via phase I of this study. Phase 1 begins with qualitative research, which led to the identification of the dimensions of perceived service quality and the development of related items. The results of Cronbach's Alpha test for internal consistency and exploratory factor analysis are explored for the difference score of service quality.
The chapter 6 displayed the analysis and results of the stage II of the study. Accordingly, the output of running data was discussed with fit indices of measurement instrument. Descriptive statistics are presented, followed by the confirmatory factor analysis (CFA) for Service Quality scale. The structural equation model (SEM) was performed for the whole model relating service quality, customer satisfaction and behavioural Intentions. The service quality and other constructs were measured in both banking and insurance sector individually with a comparison between private and public companies. Finally the effect of demographic variables on service quality, customer satisfaction and behavioural intentions was discussed.

Chapter 7 essentially provides overview of the previous chapters, while also discussing findings, contributions, implications and limitations, and drawing conclusions and making suggestions for future research.

7.2 Findings related to research objective 1

Research Objective 1: To identify the relevant service quality dimensions used by customers, to assess service quality in banking and insurance sector.

- The literature review suggested that Gap Model was most appropriate for the present research due to its richer diagnostic value and wider acceptability. However, as SERVQUAL replication studies raised question on dimensionality and generic nature of it, the original ten dimensions proposed by Parasuraman et al. (1985) was used for initial item generation process.
- A detailed and organized literature review and qualitative research resulted in a 49 item instrument to measure service quality. The initial scale purification by using reliability analysis and exploratory factor analysis yielded a 34 item 7 dimensional measurement scale.
- The next stage of purification with new data set, by applying confirmatory factor analysis, resulted in the elimination of 6 items. The final measurement scale is a 7 dimensional 28 item instrument for measuring service quality in banking and
insurance - reliability (three items); access (three items); assurance (five items); employee approach (seven items), communication (three items); understanding the customer (four items) and tangibles (3 items). All but two of the perceived service quality dimension, matched with service quality dimensions (Parasuraman et al. 1985) on the basis of definition and meaning. Employee approach was the new dimension, which comprised of items onResponsiveness and courtesy from the original scale. And assurance dimension was different from Parasuraman et al. (1985) conceptualization of SERVQUAL, as it includes items related to employee’s knowledge and ability but not on courtesy. Based on the standardised regression coefficients (SEM), this thesis identified that dimensions- assurance, employee approach, access, understanding the customer, tangibles, reliability and communication are positively associated with service quality. Assurance is having the highest standardised regression coefficient among the dimensions of service quality, followed in order by employee approach, access, understanding the customer, tangibles, reliability and communication. This implies that assurance is the strongest and most important dimension to reflect service quality in Indian Banking and Insurance sector, as perceived by customers. As a consequence managers should respond accordingly, by focusing firstly on assurance and later on other dimensions.

7.2.1 Service Quality Dimensions

**Assurance** is defined as the employees’ knowledge and ability of the firm and its employees to inspire trust and confidence in customers. This dimension is defined differently from Parasuraman et al. 1988 (Assurance in SERVQUAL scale) in a way that it do not include courtesy of employees. This dimension is most important for services that customers perceive as high risk or for services of which they feel uncertain about their ability to evaluate outcomes (Zeithmal et al., 1996). This dimension is measured using following items- knowledgeable and well informed employees, employee’s ability to use the technology quickly and
skillfully, ability to solve problems, employees who instill confidence in customers by proper behavior, company having your best interest at heart. The item – employees who instill confidence in customers by proper behaviour is similar to the item in dimension assurance of SERVQUAL scale (Parasuraman et al. 1988).

**Employee Approach** is the willingness and readiness of the employees to help customers and provide prompt service. This dimension focuses on promptness and approach of employees in handling customer requests, questions and problems. This dimension also gets communicated by the courtesy and pleasing behaviour of the employees. Keeping customers informed about their transactions and the length of time they have to wait to receive this information also contribute towards perceptions of service quality on this dimension. This dimension differs from assurance in a way that it focuses on the behavioural and attitude aspect of employees, rather than their knowledge or ability. Employee approach is a new dimension, which emerged from this study, although similar items were part of other dimensions in other related studies. It includes items like- employees willingness to help you, readiness to respond to your request, prompt service to customers, quickly solve your problem, keeping you informed about when the services will be performed, employees who are consistently pleasing and courteous, addresses your requests friendly. Among these five items are similar to the SERVQUAL scale (Parasuraman et al. 1988).

**Access** involves approachability and ease of contact. It also includes less waiting time and convenient operating hours. It includes following three items- convenient operating hours, easy to reach appropriate staff person, waiting time to receive service is not extensive. This finding is similar to the study done my Khan & Mahapatra(2009).
Understanding the customer involves making the effort to understand the customer’s needs. The essence of this dimension is conveying through personalized or customized service, that customers are unique that their needs are understood. It involves understanding customer specific needs and providing individualized attention. It also includes using customer feedbacks to improve standards. The items- employees giving personalized attention, employees understanding your specific needs and company providing individualized attention, were similar to items on SERVQUAL Scale (Parasuraman et al. 1988)

Tangibles are defined as the appearance of physical facilities, equipment, personnel and communication materials. Tangibles provide physical representations of images of the service that customers will use to evaluate service quality. Well dressed and neat employees, attractive visually appealing signs symbols, logo, advertisement, pamphlets, comfortable physical layout of equipment and other furnishings contribute the customer’s evaluation of service quality. The items- well dressed and neat employees and attractive visually appealing signs symbols, logo, advertisement, pamphlets were similar to items on SERVQUAL Scale (Parasuraman et al. 1988)

Reliability has been consistently shown to be the most important determinant of perceptions of service quality in various research studies. Reliability is defined as the ability to perform the promised service dependably and accurately (Parasuraman et al.1985). In its broadest sense, it means that the company delivers on its promises. Customers will want to be associated with companies which keep their promises on service outcomes and core service attributes. The importance of reliability as a determinant of service quality has been identified in most of the service sectors including banking and insurance (Parasuraman et al.1985; Garvin 1983; Gronroos 1988; Cronin &Taylor 1992). Parasuraman et al. (1988) specifically reported that generally customers demand reliability in the
private sector. The items- providing services as promised and maintaining error free records, were similar to the study done by Parasuraman et al. (1985, 1988).

*Communication* means keeping customers informed in language they can understand and listening to them. It may mean that the company has to adjust its language for different consumers. Increasing the level of sophistication with a well educated customer and speaking simply and plainly with a novice (Parasuraman et al. 1985). It includes the following items- Informing customer of important information, Informing of status of transactions, providing correct and complete information.

### 7.3 Findings related to research objective 2

**Research Objective 2:** To determine the relationship between perceived service quality, customer satisfaction and customer’s behavioural intentions.

Research objective 2 was satisfied as the paths relating service quality, customer satisfaction and behavioural intentions in the hypothesized model were confirmed. The direct interrelationships between the key research constructs- Service quality, customer satisfaction and behavioural intention are significantly validated. The relationship between service quality and customer satisfaction was significant. However the relationship between customer satisfaction and behavioural intentions was even stronger. These findings were similar to the studies conducted by Cronin & Taylor (1992) and Dabholkar et al. (2000). Interestingly, although past studies emphasized significant positive impact of service quality on behavioural intentions, this study identified a weak negative relationship. The lower path coefficient might be because of the simultaneous examinations of customer satisfaction and behavioural intentions. And perhaps the negative coefficient is because of data co-linearity and/or model misspecification (Festus 2006). To verify whether there is any misspecification, and as suggested by many researchers (Dabholkar 2000, Cronin & Taylor 1992) customer satisfaction is actually
mediating the relationship between service quality and behavioural intentions, the indirect relationships were examined.

7.3.1 The mediating role of customer satisfaction
The effect of mediating variables can be identified by analyzing the direct, indirect and total effects (Mackinnon et al. 1995). The direct effect involves simple directional relationship between two variables. On the other hand, the indirect effect is the effect of an independent variable on a dependent variable through one or more mediating variables. The total sum of direct and indirect effects can be termed as the total effect (Hoyle 1995). To understand the relative magnitudes of direct and indirect effect, an effect ratio analysis was conducted. The effect ratio was calculated by dividing the direct effect to the indirect effect (Voola 2005).

As the calculated effect ratio was less than one, it was concluded than the direct effect is less than the indirect effect. The effect ratio analysis and Sobel test of significance provided evidence for the significant higher effect of the indirect path (SQ→CS→BI) as compared to the direct path( SQ→BI). Consequently the AMOS model was re estimated without the direct path from service quality to behavioural intentions. All the model fit indices were as adequate as the full model. As the direct path SQ→ BI along with indirect path SQ→CS→ BI provided no additional explanation of BI, beyond when the direct path SQ→ BI is absent, it was removed from the final model. This research study therefore concludes that customer satisfaction mediates relationship of service quality with behavioural intentions. This result is similar to the studies conducted by McDougall et al. (2000) and Dabholkar et al. (2000).

7.4 Finding related to research objective 3

Research Objective 3: To measure service quality and compare major players on service quality, customer satisfaction and behavioural intentions
7.4.1 Banking Sector

- Gap Analysis: The mean gap score for all the seven dimensions were significant, suggesting that there is a gap between customer’s expectations and perceptions of service quality in the banking sector. The highest mean gap score was for dimension- employee approach and access. The customers find that the banks are not consistently pleasing and courteous and they show lack of readiness in responding to their request. This was followed by dimensions on understanding the customer, assurance, communication and reliability (in the same sequence). Based on gap analysis, it is observed that customers were most satisfied with the dimension-tangibles, as the mean gap score was the lowest for it. This means mostly all the banks fairly satisfy the expectations of customers in terms modern and comfortable physical layout of equipment and other furnishings.

- The correlation coefficients between seven service quality dimensions and overall quality measure were found to be positive and significant. The highest degree of positive correlation of overall quality measure was with dimension reliability, followed by access, assurance, employee approach, tangibles and understanding the customer in banking industry. On the basis of regression analysis, it was observed that overall quality is associated significantly only with dimensions-reliability and access. Other dimensions were insignificant in explaining overall quality.

- The relationship between customer satisfaction and service quality dimensions was assessed using Pearson correlation coefficient. This study suggests significant relationship between service quality dimensions and customer satisfaction. In regression analysis the overall model was significant, however individually only dimensions reliability and access was found to be significant.

- A significant difference was observed in the gap scores of all the dimensions between major companies in banking. It was observed that on all the dimensions
that the gap between expectations and perceptions is least in case of ICICI and HDFC bank. The mean gap score of all dimensions was highest in case Dena bank and State Bank of India. Further independent t test also confirmed that private sector banks were performing better in terms of expectations of customers on service quality dimensions than public sector banks. The rating on overall service quality, customer satisfaction and behavioural intentions was also significantly different among players.

7.4.2 Insurance Sector

- Gap Analysis: The mean gap score for all seven dimensions in insurance industry were significant. It means there is a gap between customer expectations and perceptions of service quality on various dimensions. The lowest mean gap score was for dimension tangibles, probably because customers have lesser expectations on this dimension. The highest mean gap score was for dimension- understanding the customer. It means customers expectations on company understanding their specific needs and giving them personalized attention are not met. This was followed by dimensions on employee approach, access, assurance, communication and reliability (in the same sequence).

- Based on correlation analysis, it is found that dimension- assurance has the highest correlation with overall service quality in insurance sector. This was followed with dimensions- employee approach, reliability, understanding, tangibles, communication and access. On the basis of regression analysis, it was observed that overall quality is associated significantly only with dimensions- reliability, tangibles and access. Other dimensions were insignificant in explaining overall quality.

- The relationship between customer satisfaction and service quality dimensions was assessed using Correlation analysis. This study suggests significant relationship between all service quality dimensions and customer satisfaction. In
regression analysis the overall model was significant, however individually dimensions reliability, tangibles, access and communication were found to be significant.

- A significant difference was observed in the gap scores of dimensions - assurance, employee approach, tangibles and communication, between public sector and private sector companies. It was observed that on all the dimensions that the gap between expectations and perceptions was marginally higher in case of public sector companies. The evaluation of overall service quality, customer satisfaction and behavioural intentions, were also significantly different between the public sector and private sector companies. However on these measures, public sector companies had better rating in comparison to private sector players.

7.5 Findings related to Research Objective 4

**Research objective 4:** To examine the effects of demographic factors on customers’ perceptions of the service quality, customer satisfaction, and behavioural intentions.

7.5.1 Banking Sector

- The results of demographic analysis suggest that there is a significant difference in dimension employee approach and communication on the basis of gender. Female customers were more satisfied on these dimensions. All other dimensions had no significant differences in their mean gap scores between males and females. On the basis of gender no significant differences were observed in overall quality, customer satisfaction and behavioural intentions measure.

- The ANOVA results for category income suggested that there are significant difference in the evaluations of dimensions –understanding the customer, employee approach and assurance. The customers having income of more than 5 lakh per annum were most satisfied on these service quality dimensions. It is
also observed that there is no relationship between income and overall quality measure, customer satisfaction and behavioural intentions.

Table 7.1 Summarized result of Analysis of Individual Differences

<table>
<thead>
<tr>
<th>Service Quality Dimensions</th>
<th>Gender</th>
<th>Income</th>
<th>Education</th>
<th>Age</th>
<th>Occupation</th>
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<td>Behavioural Intentions</td>
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*** Indicates significant difference at 0.05 level, A dashed line(---) indicates insignificant difference

- Similar to gender and income, there is a significant difference in the dimension-employee approach on the basis of education, age and occupation. On the basis of education, the scores of dimensions understanding the customer, tangibles and access are also significantly different. Above results indicates that occupation is a classifying variable in case of assurance, reliability and communication dimensions of service quality. Customer’s satisfaction level and behavioral intentions varied significantly with age and education in banking sector. The customers having higher level of education are relatively dissatisfied. Their behavioural intentions are also less favourable in comparison to respondents with lower level of education. As the age is increases, it is observed that customer satisfaction and favourable behavioural intentions also increase.
7.5.2 Insurance Sector

- In insurance sector all the gap score of all dimensions was significantly different in terms of occupation of the customers. The mean gap score on these dimensions were higher in case of service class people- Government and private sector. Another demographic variable which was influencing most of the dimensions was age. The mean gap score was higher in case of respondents falling in the age group of above 35 years. There is a significant difference in the dimension reliability in terms of income. The results of ANOVA shows there is a significant difference in mean gap score of dimensions- tangibles, access and communication.

<table>
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<th>Table 7.2 Summarised Results of Analysis of Individual Differences</th>
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<td>Service Quality Dimensions</td>
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<td>Behavioural Intentions</td>
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- Customer satisfaction level was affected by occupation, age and education. It was observed that the customers having lower level of education were more satisfied than customers with higher (Masters, doctorate) level of education. However, higher the age, higher was the level of customer satisfaction and favourable behavioural intentions.
7.6 Theoretical contributions

Guided by the research objectives, an examination of constructs - service quality, customer satisfactions and behavioural intentions has contributed to the theory as follows:-

- Firstly, the contribution of this research that led to the development of the service quality scale is in the area of understanding the dimensions of service quality. From a theoretical standpoint, this research expands the body of knowledge concerning service quality dimensions by incorporating new information from the qualitative research. The literature review in Chapter Two notes the context-specific nature of service quality and emphasis the need to adapt the scales used to measure service quality. Further this study contributes to the marketing literature by providing an empirical examination of the multidimensional nature of the developed service quality scale. Empirically testing the multidimensional concept of service quality adds richness to the service quality construct in the banking and insurance sector. In other words, both qualitative and quantitative research techniques were used in determining dimension of service quality.

- The relationships among service quality, customer satisfaction, and behavioural intentions have been widely discussed in the literature. However, there was a lack of studies that incorporated all of these three constructs into a model, particularly in the banking and insurance sector. Previous studies have mostly investigated the direct (bivariate) relationships involving these constructs. The simultaneous investigation of the relationships among all three constructs would provide a more accurate and comprehensive picture of the nature of the relationships. The utilization of the multidimensional construct helps the researchers to explain the complex nature of service quality construct. In this thesis, service quality particularly was conceptualised as second-order constructs measured by their respective first-order constructs. In short, the proposed model provides a comprehensive picture of the relationships among the key constructs (SQ, CS and
BI), and therefore allowing us to see the relative impacts of subsequent consequential variables, as well as accommodates the complex nature of service quality construct (multidimensional measures).

- Most of the studies involving the simultaneous assessment of these key constructs have been carried out in developed economies. Only a limited number of studies have been carried out in developing economies and, more specifically, there is no evidence of the integrative model being investigated in financial sector particularly banking and insurance sector together. This thesis makes a contribution by empirically testing the conceptual model in a developing economy. India, as a developing country, has a variety of cultures, languages and economic backgrounds. Thus, the findings of this thesis provide different perspectives on the existing literature that mostly relates to, and is established in, developed economies.

7.7 Implications for service providers

According to the results obtained from this study, service quality strongly influences customer satisfaction. This indicates that the ability to provide high quality service is the key to achieving higher satisfied customers. Furthermore, customer satisfaction strongly influences behavioural intentions. This implies that service quality is important to predict customers’ satisfaction, which in turn predicts behavioural intentions. Therefore these are the following implications:

- Since service quality has a strong influence on customer satisfaction, service providers should consider the role of service quality. It appeared in this thesis that assurance and employee approach were the strongest dimension, followed by other dimensions. Hence, it is advisable to service providers to give proper training to their employees to make them more knowledgeable and skillful. They should also try to improve the approach of employee in dealing with customers, by being prompt, pleasing and courteous. The other dimensions of service quality
are also equally important and service providers should be able to manage proportionally which aspects of service quality best accommodates their companies to further have best effect on customer satisfaction.

- The significant effects of the mediating variable - customer satisfaction suggest that companies should consider the role of the mediating variables. In order to have an effect on behavioural intentions, service quality is less effective without customer satisfaction. Since service quality is important to create customer satisfaction, therefore, focus should be placed on service quality dimensions. Which means, for service providers, it is important not only to consider service quality in order to acquire favourable behavioural intentions, but also to provide customer satisfaction. In addition, since service quality and customer satisfaction are commonly related to building organization competitive advantage, collectively improving SQ and CS will also assist banking and insurance companies to gain competitive advantage. This implies that service providers must deliver service as a package that provides quality and satisfaction

7.8 Limitations

Although this study makes several contributions from both a theoretical and practitioners perspective, there are a number of key limitations to address. The following discussions highlight some of these limitations and suggest strategies to deal with them.

- The first limitation relates to the dimensions contained within the hypothesized model. Although the model and the key constructs contain the dimensions that are central to the purpose of study, there may be a number of other possible dimensions that could affect service quality. Also as the focus of the study was service quality, other antecedents of customer satisfaction and behavioural intentions was not studied.
• Secondly, since this thesis was conducted in the context of the banking and insurance sector in Gujarat, India, generalization of the findings beyond these sectors and the target population should be made with caution. Also, the study focused on sample customers only from five major cities of Gujarat state and this may further limit the generalisability of the results.

• The third limitation was linked to the cross-sectional design of this thesis. The cross-sectional design also ignores the dynamics of the environment and, therefore, its impact on perceptions. Since customers’ perceptions may differ from time to time, the dynamics of customer perception and beliefs cannot be captured through a cross-sectional study. However, through the effective use of extensive literature, hypothesized relationships could still be tested in the cross-sectional study. A longitudinal study would be desirable, even though this was not possible for cost and time reasons in this thesis.

7.9 Suggestions for future research

In addition to the limitations identified above, the following are additional directions for future research that may be explored.

• This thesis focuses banking and insurance sector. The research model and the dimensions that build the constructs have been carefully designed to correspond with these sectors. Since the current study focused on Gujarat state, future studies could replicate the model within wider geographic locations or different contexts.

• Future studies should explore other antecedents of customer satisfaction and behavioural intentions and further indicate their influence on the integrated model. Although a thorough qualitative research and quantitative research was done to develop the service quality measurement scale, future studies can think of improvement of the scale.
This thesis measures future behavioural intentions and not the actual behaviour. Future studies could find actual word of mouth and repurchase behaviour to more accurately measure the predictive capability of service quality and customer satisfaction evaluations.

7.10 Conclusion

This thesis investigates the “service quality construct and its affect on customer satisfaction and behavioral intentions banking and insurance sector”. In this research, guided by four research objectives, thirteen hypotheses were proposed. More specifically, the dimensions of service quality in banking and insurance sectors, and its effect on customer satisfaction and behavioral intentions were examined. This study highlighted, seven dimensions of service quality namely- assurance, employee approach, access, understanding the customer, tangibles, reliability and communication (in the order of importance). A hypothetical model was developed relating service quality, customer satisfaction and behavioral intentions. The construct service quality has strong influence on customer satisfaction, which in turn had a stronger influence on behavioral intentions. Thus dominant mediating role of customer satisfaction was established in the developed model. This strategy of focusing in addition to service quality on customer satisfaction to acquire favorable behavioral intentions should be incorporated to increase the competitive advantage in banking and insurance sector.